

Year-End Financial Statements

For the fiscal year ended May 31, 2008

Toyo Denki Seizo K.K.

Stock Code: 6505

Representative:

Inquiries:

Stock Exchange: 1st Section of Tokyo Stock Exchange

URL <http://www.toyodenki.co.jp>

Teruyuki Oosawa, President

Kiyoyuki Tsujii, Executive Officer

TEL (03) 3535 – 0632

Scheduled date of convention of ordinary general meeting of shareholders: August 26, 2008

Scheduled date of commencement of dividend payments: August 27, 2008

Scheduled date of submission of financial report: August 29, 2008

I. Consolidated Business Results for the Fiscal Year Ended May 31, 2008

(June 1, 2007 – May 31, 2008)

1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

(In millions of yen, except where noted; percentage figures show year-on-year growth.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal year ended May 31, 2008	38,130	4.3%	1,391	(27.9)%	1,197	(39.1)%	532	–
Fiscal year ended May 31, 2007	36,571	12.7%	1,928	(25.5)%	1,967	(23.0)%	(151)	–

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholders' Equity Ratio (%)	Ordinary Income to Total Assets Ratio (%)	Operating Income to Net Sales Ratio (%)
Fiscal year ended May 31, 2008	11.84	–	3.7	3.4	3.6
Fiscal year ended May 31, 2007	(3.33)	–	(1.0)	5.7	5.3

Reference: Equity method investment gain or loss for: Fiscal year ended May 31, 2008: - million yen
Fiscal year ended May 31, 2007: - million yen

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended May 31, 2008	35,371	13,729	38.8	308.51
Fiscal year ended May 31, 2007	35,763	14,754	41.3	324.79

Reference: Shareholders' equity for: Fiscal year ended May 31, 2008: 13,729 million yen
Fiscal year ended May 31, 2007: 14,754 million yen

3. Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Year
Fiscal year ended May 31, 2008	(6)	(622)	52	2,230
Fiscal year ended May 31, 2007	2,465	(1,280)	(553)	2,806

II. Dividend Information

(Record date)	Dividend per share (Yen)			Total Annual Dividends (Million Yen)	Dividend Payout Ratio (Consolidated, %)	Dividend on Equity Ratio (Consolidated, %)
	Interim	Year-end	Annual			
Fiscal year ended May 31, 2008	–	6.00	6.00	272	–	1.8
Fiscal year ended May 31, 2007	–	6.00	6.00	267	50.7	1.9
Fiscal year ending May 31, 2009 (Forecast)	–	6.00	6.00		29.7	

III. Full Year Consolidated Forecast (June 1, 2008 - May 31, 2009)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the first half.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	17,500	3.4%	500	–	500	–	300	–	6.74
Full year	40,000	4.9%	2,000	43.8%	1,800	50.3%	900	68.9%	20.22

IV. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Changes in accounting principles, procedures and methods of presentation relating to the preparation of consolidated financial statements (Recorded under Changes in Significant Accounting Policies Relating to the Consolidated Financial Statements)
 - (a) Changes accompanying amendments to accounting standards: Yes
 - (b) Changes other than those in (a): None
- (3) Number of shares issued and outstanding (Ordinary shares)
 - (a) Number of shares issued and outstanding at end of fiscal year (including treasury stock)
 - Year ended May 31, 2008: 46,575,000 shares
 - Year ended May 31, 2007: 46,575,000 shares
 - (b) Number of shares of treasury stock issued and outstanding at end of fiscal year
 - Year ended May 31, 2008: 2,072,491 shares
 - Year ended May 31, 2007: 1,147,756 shares

(Reference) Summary of Non-Consolidated Business Results

I. Non-Consolidated Business Results for the Fiscal Year Ended May 31, 2008

(June 1, 2007 – May 31, 2008)

1. Non-Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year growth.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal year ended May 31, 2008	32,283	5.0%	315	(70.6)%	392	(70.6)%	200	–
Fiscal year ended May 31, 2007	30,755	15.0%	1,074	(40.6)%	1,336	(30.5)%	(288)	–

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Fiscal year ended May 31, 2008	4.46	–
Fiscal year ended May 31, 2007	(6.34)	–

2. Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended May 31, 2008	31,969	10,933	34.2	245.68
Fiscal year ended May 31, 2007	32,249	12,274	38.1	270.19

Reference: Shareholders' equity for: Fiscal year ended May 31, 2008: 10,933 million yen
Fiscal year ended May 31, 2007: 12,274 million yen

II. Full Year Non-Consolidated Forecast (June 1, 2008 - May 31, 2009)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full year and growth compared to the same period the previous year for the first half.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	15,000	7.8%	200	–	400	–	400	–	8.99
Full year	34,000	5.3%	1,200	280.1%	1,400	256.8%	700	248.5%	15.73

* Disclaimer concerning the proper use of business results forecasts

The numerical forecasts above have been calculated on the basis of currently available data and may differ from actual results.

1. Results of Operations

(1) Analysis of Results of Operations

(a) Results of Operations

During the fiscal year under review, the sub-prime loan problem in the U.S. had an obvious impact on the Japanese economy, and at the beginning of the calendar year, the effects of further increases in the price of crude oil and raw materials and rapid changes in currency exchange rates also came into play. As a result, there was conspicuous caution in capital investment.

In response to these economic conditions, the Toyo Denki Group worked to expand its operations and increase its corporate value through the execution of its medium-term management plan, the Innovation 90 Plan. Performance during the fiscal year under review was as follows.

- Although orders received in the Industrial Systems segment declined, solid performance in the Transportation Business segment resulted in 3.3% growth in total orders, to 38,873 million yen.
- Net sales in the Information Systems segment contracted, but the strength of the Transportation Business segment generated a 4.3% expansion in total net sales, to 38,130 million yen.
- The Group sought to enhance manufacturing efficiency through TSS (manufacturing reform) activities. However, there was a series of projects with a high proportion of new design and development, such as the Shinkansen projects, overseas projects, and environmentally friendly products employing batteries in the Transportation Business segment, and soaring raw materials prices caused manufacturing costs to increase. As a result, the gross profit margin fell, operating income dropped 27.9% to 1,391million yen, and ordinary income plunged 39.1% to 1,197 million yen. Toyo Denki and some of its consolidated subsidiaries changed from accounting for directors' retirement benefits as expenses at the time of expenditure to maintaining a reserve for directors' retirement benefits, which resulted in an extraordinary loss of 125 million yen equivalent to the sum needed to make up for the previous fiscal years. As a result of these factors, net income was 532 million yen.

Results by business segment are as follows.

Transportation Business Segment

Orders received from Japan Railways remained at a high level and those from other private-sector railway companies grew, while overseas performance was strong with the receipt of an order for electrical equipment for the Chengdu subway line number 1, which will be the first subway project in China' Sichuan Province. Accordingly, orders received in this segment rose 16.0% to 21,932 million yen. Strong domestic performance allowed net sales to rise 14.8% to 19,781 million yen.

Industrial Systems Segment

The restraint in corporate capital expenditure seen since the beginning of the year caused orders received in this segment to fall 12.4% to 14,623 million yen. Although sales of testing equipment for automotive development and processing equipment showed growth, net sales edged up 1.3% to 15,901 million yen.

Information Systems Segment

Sales of IC-compatible equipment for railway station operation systems were solid, allowing orders received to rise 12.4% to 2,318 million yen. However, the delivery of Suica and PASMO IC cards compatible equipment for the railway station operation systems in the Tokyo metropolitan area was completed in the previous fiscal year, and net sales decreased 33.0% to 2,447 million yen.

(b) Outlook for Next Fiscal Year

There are a number of unpredictable factors affecting the economic outlook, including the unusual conditions in the U.S. economy and the growing trend toward passing on steep rises in crude oil and raw materials prices to product prices.

There is a trend toward restraining capital expenditure among some of the Toyo Denki Group's customers, but the Group is moving forward with developing the technologies needed by the market.

Orders received are forecast to rise 13.2% to 44.0 billion yen, and net sales are expected to grow 4.9% to 40.0 billion yen. Operating income is forecast to rise 43.8% to 2.0 billion yen, as a result of rising sales, enhanced manufacturing efficiency, and a lull in projects with a high proportion of new design and development.

The Toyo Denki Group is making efforts to improve the earnings structure while striving to achieve the Innovation 90 Plan, expanding its operations and increasing corporate value.

The consolidated forecasts by business segment for the fiscal year ending May 2009 are as follows.

	Net sales	Operating income
Transportation Business	20,000 million yen	1,000 million yen
Industrial Systems	18,000 million yen	1,000 million yen
Information Systems	2,000 million yen	0 million yen
Consolidated total	40,000 million yen	2,000 million yen

Reference

The non-consolidated forecasts by business segment for the fiscal year ending May 2009 are as follows.

	Net sales	Operating income
Transportation Business	17,000 million yen	600 million yen
Industrial Systems	15,500 million yen	600 million yen

Information Systems	1,500 million yen	0 million yen
Non-consolidated total	34,000 million yen	1,200 million yen

(2) Fundamental Policy concerning Distribution of Surplus and Dividend for the Fiscal Year under Review and the Next Fiscal Year

The maintenance of stable dividends forms the basis of Toyo Denki's distribution of profit. The Company applies internal reserves to strengthen its financial position in addition to making strategic allocations to such areas as research and development, capital expenditure and overseas expansion, with the aims of growing its business and strengthening its management foundation in the future.

Dividends for the current fiscal year remained at six yen per share, unchanged from the previous term. The Company intends to maintain dividends at six yen per share or more from the fiscal year ending May 31, 2009 forward.

Toyo Denki will continue seeking to expand its operations and strengthen its management foundation as it strives to achieve a stable dividend.

(3) Analysis of Financial Position

The balance of consolidated cash and cash equivalents at the end of the fiscal year under review declined 575 million yen to 2,230 million yen year-on-year.

Net cash used by operating activities was 6 million yen. Factors included income before income taxes of 1,149 million yen, a decline of 789 million yen in inventories, and growth in notes and accounts receivable-trade of 2,128 million yen.

Net cash used by investing activities totaled 622 million yen, primarily for the acquisition of tangible fixed assets.

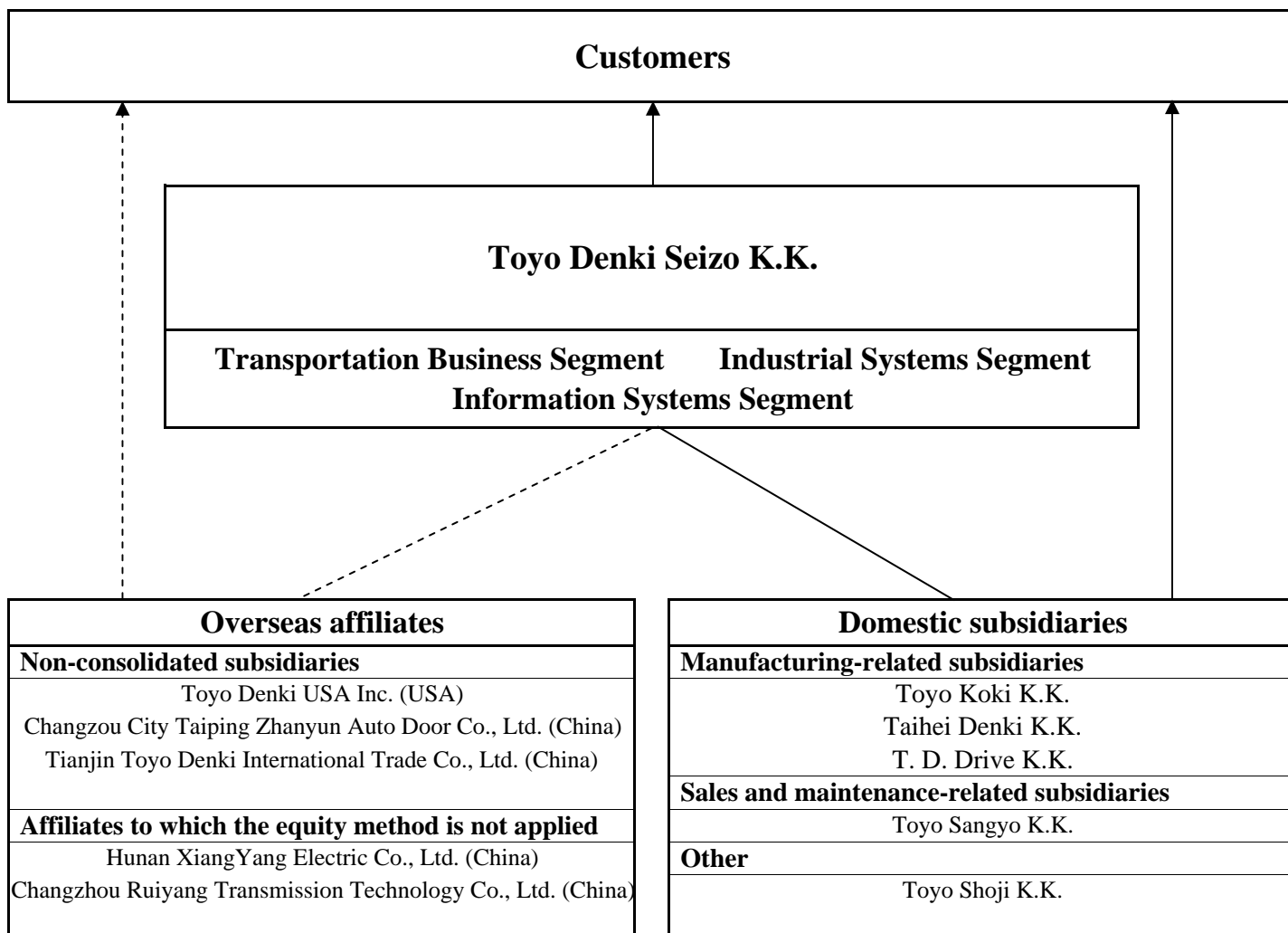
Net cash provided by financing activities was 52 million yen, primarily from long-term borrowings and the issue of corporate bonds despite such factors as the acquisition of treasury stock and the payment of dividends.

-
- Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication of this material. Actual financial results may differ depending on a variety of factors.
 - Forward-looking statements contained in this material are the judgements of the Toyo Denki Group based on data available at the time of publication of this material. Such statements and descriptions are by no means comprehensive.

2. Overview of the Group

The Toyo Denki Group is composed of Toyo Denki, eight subsidiaries and two affiliated companies. The Group is engaged in the manufacture and sale of electrical equipment for transportation, industrial and information systems as well as incidental projects.

The positioning and the organizational diagram of the Toyo Denki Group are shown below.



Note: Segments other than electrical equipment are not recorded individually as they have no significant effect on results.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen, %)

	End of Previous Fiscal Year (A) (As of May 31, 2007)		End of Fiscal Year under Review (B) (As of May 31, 2008)		Increase (Decrease) (B) - (A)
	Amount	%	Amount	%	Amount
(Assets)					
Current assets	20,837	58.3	21,705	61.4	867
Cash and cash equivalents	2,806		2,230		(575)
Notes and accounts receivable - trade	9,840		11,968		2,128
Inventory	7,319		6,530		(789)
Other	890		1,025		134
Allowance for doubtful accounts	(20)		(49)		(29)
Fixed assets	14,926	41.7	13,665	38.6	(1,260)
Tangible fixed assets	3,677		3,716		39
Intangible fixed assets	155		166		10
Investment and other fixed assets	11,127		9,809		(1,317)
Allowance for doubtful accounts	(34)		(26)		7
Total assets	35,763	100.0	35,371	100.0	(392)
(Liabilities)					
Current liabilities	16,041	44.8	17,196	48.6	1,154
Notes and accounts payable - trade	6,713		6,382		(330)
Short-term borrowings	3,300		4,460		1,160
Accrued expenses	3,231		3,638		406
Reserve for directors' bonuses	18		12		(5)
Reserve for employees' bonuses	940		886		(53)
Reserve for order losses	-		127		127
Other	1,838		1,688		(150)
Long-term liabilities	4,967	13.9	4,445	12.6	(522)
Corporate bonds	50		280		230
Long-term borrowings	1,375		635		(740)
Reserve for employees' retirement benefits	2,679		2,884		204
Reserve for directors' retirement benefits	18		182		163
Deferred tax liabilities	12		-		(12)
Other	830		463		(366)
Total liabilities	21,009	58.7	21,641	61.2	632
(Net Assets)					
Shareholders' equity	12,418	34.7	12,369	35.0	(49)
Common stock	4,482		4,482		-
Capital surplus	2,661		2,661		-
Retained earnings	5,649		5,910		260
Treasury stock	(376)		(685)		(309)
Evaluation and foreign currency translation adjustments	2,335	6.6	1,360	3.8	(975)
Differences in evaluation of other marketable securities	2,333		1,359		(973)
Deferred gains or losses on hedges	2		0		(1)
Total net assets	14,754	41.3	13,729	38.8	(1,024)
Total net assets and liabilities	35,763	100.0	35,371	100.0	(392)

(2) Consolidated Statements of Income

(In millions of yen, %)

	Previous Fiscal Year (A)		Fiscal Year under Review (B)		Increase (Decrease) (B) - (A)		
	(Jun. 1, 2006 to May 31, 2007)		(Jun. 1, 2007 to May 31, 2008)				
	Amount	%	Amount	%	Amount		
Net sales		36,571	100.0		38,130	100.0	1,558
Cost of sales		28,184	77.1		30,304	79.5	2,120
Gross profit		8,387	22.9		7,825	20.5	(561)
Selling, general and administrative expenses		6,458	17.6		6,434	16.9	(24)
Operating income		1,928	5.3		1,391	3.6	(537)
Non-operating income							
Interest and dividends received	89			97			7
Miscellaneous income	141			66			(75)
Total non-operating income		231	0.6		163	0.4	(68)
Non-operating expenses							
Interest expenses	118			136			18
Miscellaneous expenses	74			220			145
Total non-operating expenses		193	0.5		357	0.9	164
Ordinary income		1,967	5.4		1,197	3.1	(769)
Extraordinary income							
Gain on sale of investment securities	3			102			99
Gain on sale of golf club membership	-			7			7
Gain on estimated prime cost revision	49			-			(49)
Reversal of allowance for doubtful accounts	19			-			(19)
Gain on sale of fixed assets	7			-			(7)
Total extraordinary income		80	0.2		109	0.3	29
Extraordinary losses							
Provision for allowance for directors' retirement benefits	-			125			125
Loss on devaluation of investment securities	51			32			(19)
Expenses accompanying change to retirement benefit plan	2,054			-			(2,054)
Directors' retirement benefits	61			-			(61)
Loss on sale of fixed assets	5			-			(5)
Loss on devaluation of golf club membership	2			-			(2)
Total extraordinary losses		2,176	6.0		157	0.4	(2,018)
Net income (loss) before taxes		(128)	(0.4)		1,149	3.0	1,278
Corporate, local and enterprise taxes		705	1.9		552	1.4	(152)
Prior-year corporate, local and enterprise taxes		0	-		35	0.1	35
Corporate tax adjustments, etc..		(682)	(1.9)		29	0.1	711
Net income		(151)	(0.4)		532	1.4	683

(3) Consolidated Statements of Change in Shareholders' Equity

Previous Fiscal Year (Jun. 1, 2006 to May 31, 2007)

(In millions of yen)

	Shareholders' Equity					Evaluation and Foreign Currency Translation Adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Deferred gains (losses) hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2006	4,482	2,661	6,073	(356)	12,862	2,329	3	2,333	15,195
Change during fiscal year									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net income (loss)	-	-	(151)	-	(151)	-	-	-	(151)
Acquisition of treasury stock	-	-	-	(19)	(19)	-	-	-	(19)
Net change in items other than shareholders' equity during fiscal year	-	-	-	-	-	3	(0)	2	2
Total change during fiscal year	-	-	(423)	(19)	(443)	3	(0)	2	(441)
Balance at May 31, 2007	4,482	2,661	5,649	(376)	12,418	2,333	2	2,335	14,754

Fiscal Year under Review (Jun. 1, 2007 to May 31, 2008)

(In millions of yen)

	Shareholders' Equity					Evaluation and Foreign Currency Translation Adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Deferred gains (losses) hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2007	4,482	2,661	5,649	(376)	12,418	2,333	2	2,335	14,754
Change during fiscal year									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net income	-	-	532	-	532	-	-	-	532
Acquisition of treasury stock	-	-	-	(309)	(309)	-	-	-	(309)
Net change in items other than shareholders' equity during fiscal year	-	-	-	-	-	(973)	(1)	(975)	(975)
Total change during fiscal year	-	-	260	(309)	(49)	(973)	(1)	(975)	(1,024)
Balance at May 31, 2008	4,482	2,661	5,910	(685)	12,369	1,359	0	1,360	13,729

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	Previous Fiscal Year (A) (Jun. 1, 2006 to May 31, 2007)	Fiscal Year under Review (B) (Jun. 1, 2007 to May 31, 2008)	Increase (Decrease) (B) - (A)
I. Cash flow from operating activities			
Net income (loss) before taxes	(128)	1,149	1,278
Depreciation expenses	507	730	222
Increase (decrease) in allowance for doubtful accounts	(19)	24	44
Increase (decrease) in reserve for employees' bonuses	(0)	(53)	(53)
Increase (decrease) in reserve for directors' bonuses	(3)	163	166
Increase (decrease) in reserve for employees' retirement benefits	576	204	(371)
Increase (decrease) in reserve for order losses	-	127	127
Interest and dividend income	(89)	(97)	(7)
Interest expenses	118	136	18
Gain on sale of investment securities	(3)	(102)	(99)
Loss on devaluation of investment securities	51	32	(19)
Gain on sale of tangible fixed assets	(7)	-	7
Loss on sale of tangible fixed assets	5	-	(5)
Decrease (increase) in notes and accounts receivable-trade	14	(2,128)	(2,142)
Decrease (increase) in inventory	(610)	789	1,400
Increase (decrease) in notes and accounts payable-trade	1,457	(330)	(1,787)
Increase (decrease) in accrued liabilities at time of transfer to defined contribution pension plan	1,024	(392)	(1,416)
Other	418	317	(100)
Subtotal	3,310	572	(2,737)
Interest and dividend income received	89	97	7
Interest paid	(118)	(133)	(14)
Payments for corporate and other taxes	(816)	(509)	307
Payments for prior-year corporate, local and enterprise taxes	-	(33)	(33)
Cash flow from operating activities	2,465	(6)	(2,472)
II. Cash flow from investing activities			
Funds used for purchase of investment securities	(124)	(6)	118
Funds provided by sale of investment securities	15	162	147
Funds used for purchase of tangible fixed assets	(1,163)	(791)	371
Funds provided by sale of tangible fixed assets	12	8	(3)
Investments and other assets			
Expenditure due to other acquisitions, etc.	(226)	(52)	174
Investments and other assets			
Income due to other collection, etc.	253	128	(125)
Other	(46)	(72)	(25)
Cash flow from investing activities	(1,280)	(622)	657
III. Cash flow from financing activities			
Net increase (decrease) in short-term borrowings	(98)	-	98
Proceeds from long-term borrowings	300	800	500
Repayments of long-term borrowings	(300)	(380)	(80)
Proceeds from issuance of bonds	-	393	393
Redemption of bonds	(164)	(180)	(16)
Payment for acquisition of treasury stock	(19)	(309)	(289)
Cash dividends paid	(270)	(271)	(0)
Cash flow from financing activities	(553)	52	606
IV. Effect of exchange rate changes on cash and cash equivalents	-	-	-
V. Increase (decrease) in cash and cash equivalents	631	(575)	(1,207)
VI. Balance of cash and cash equivalents at the beginning of the year	2,174	2,806	631
VIII. Balance of cash and cash equivalents at the end of the year	2,806	2,230	(575)

Note: Difference between cash and cash equivalents at the end of the year and the amount recorded on consolidated balance sheet

	Previous fiscal year	Fiscal year under review
Cash and cash equivalents recorded on consolidated balance sheets	2,806	2,230
Cash and cash equivalents at the end of the year	2,806	2,230