

# Summary of Business Results for the First Quarter of Fiscal 2009

For the fiscal year ending May 31, 2010

Toyo Denki Seizo K.K.      Stock Exchange: 1st Section of Tokyo Stock Exchange  
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Scheduled date of submission of quarterly financial report: October 14, 2009

Scheduled date of commencement of dividend payments: —

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

## 1. Consolidated Business Results for the First Quarter of Fiscal 2009

(June 1, 2009 – August 31, 2009)

### (1) Consolidated Operating Results

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

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Loss	
1Q FY2009	6,784	2.7%	(239)	–	(215)	–	(361)	–
1Q FY2008	6,605	–	47	–	111	–	(184)	–

	Net Loss per Share (Yen)	Diluted Net Income per Share (Yen)
1Q FY2009	(8.19)	–
1Q FY2008	(4.14)	–

### (2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
As of August 31, 2009	31,929	12,254	38.4	277.69
As of May 31, 2009	32,780	12,464	38.0	282.40

Reference: Shareholders' equity:    As of August 31, 2009: 12,254 million yen  
                                                   As of May 31, 2009: 12,464 million yen

## 2. Dividend Information

(Record Date)	Dividend per Share (Yen)				
	1Q	Interim	3Q	Full Fiscal Year	Annual
FY2008	–	0.00	–	6.00	6.00
FY2009	–				
FY2009 (Forecast)				6.00	6.00

Note: Revisions to planned dividends during the quarter under review: None

## 3. Full Fiscal Year Consolidated Forecast (June 1, 2009 - May 31, 2010)

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

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)		Net Income (Loss) per Share (Yen)
First half	14,000	(13.0)%	(100)	–	(100)	–	(200)	–	(4.53)
Full fiscal year	35,000	5.3%	1,300	(6.9)%	1,200	(5.3)%	600	482.3%	13.59

Note: Revisions to consolidated business results during the quarter under review: None

#### 4. Other

(1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of the simplified method of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to Section “4. Other (2)” in Qualitative Information, Financial Statements, and Other on page 3 for details.

(3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of quarterly consolidated financial statements (recorded under Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements)

(a) Changes in accordance with revisions to accounting standards and related practices: Yes

(b) Changes other than those in (a) above: Yes

Note: Please refer to Section “4 Other (3)” in Qualitative Information, Financial Statements, and Other on page 4 for details.

(4) Number of shares issued and outstanding (ordinary shares)

(a) Number of shares issued and outstanding at end of the period (including treasury stock):

As of August 31, 2009: 46,575,000 shares

As of May 31, 2009: 46,575,000 shares

(b) Number of shares of treasury stock issued and outstanding at end of the period:

As of August 31, 2009: 2,444,602 shares

As of May 31, 2009: 2,436,548 shares

(c) Average number of shares issued and outstanding for the period:

1Q FY2009: 44,134,106 shares

FY 2008: 44,499,194 shares

#### Disclaimer concerning the proper use of business results forecasts and other relevant specific items

The forecasts of business results presented in this document are based on management’s assumptions and beliefs in light of currently available information. Toyo Denki Seizo K.K. cautions readers that due to a variety of factors actual results could differ materially from forecasts.

### Qualitative Information, Financial Statements, and Other

#### 1. Qualitative Information regarding Consolidated Operating Results

During the first quarter of fiscal 2009, the fiscal year ending May 31, 2010, the Japanese economy continued to confront difficult conditions. Despite signs that the global economic recession had bottomed out, manufacturing activity by the corporate sector as well as capital investment remained subdued in Japan.

Under the backdrop of these harsh economic conditions, the Toyo Denki Group launched its new medium-term management plan, the “Challenge Up Plan,” on June 1, 2009, with the aim of further enhancing the Group’s overall corporate value. The Toyo Denki Group’s performance in the first quarter of the first fiscal year under the new plan was as follows.

(a) Orders received amounted to 13,548 million yen, an increase of 51.2% compared with the corresponding period of the previous fiscal year. Despite a decrease in orders received in the Industrial Systems segment, this favorable results was attributable to the upswing in orders received in each of the Transportation Business and Information Systems segments.

(b) Net sales edged up 2.7% year on year to 6,784 million yen. Net sales for the period declined in the Industrial Systems and Information Systems segments. This was offset by improved net sales in the Transportation Business segment.

(c) Profits were impacted by the substantial drop in net sales in the Industrial Systems segment. On a year-on-year basis, operating income and ordinary income declined 287 million yen and 327 million yen, respectively. Accordingly, the Toyo Denki Group reported an operating loss of 239 million yen and an ordinary loss of 215 million yen. Moreover, the net loss for the period amounted to 361 million yen. Looking at the overall nature and structure of the Group business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, consolidated operating results are impacted by seasonal factors.

Results by business segment are provided as follows.

#### *Transportation Business Segment*

Buoyed by such large-scale overseas orders as rail vehicle electrical equipment for the Beijing subway, orders received in the Transportation Business segment jumped 108.2% compared with the corresponding period of the previous fiscal year to 10,409 million yen. Segment net sales climbed 31.9% year on year to 5,099 million yen due to favorable results in Japan.

#### *Industrial Systems Segment*

Orders received in the Industrial Systems segment totaled 2,197 million yen. This year-on-year decline of 33.9% was mainly attributable to the slump in corporate-sector capital investment in Japan. For the same reasons as the drop in orders received, segment net sales contracted 41.1% year on year to 1,455 million yen.

#### *Information Systems Segment*

Reflecting strong contributions from IC card-compatible equipment relating particularly to railway station operations, orders received in the Information Systems segment surged 47.7% year on year to 941 million yen. Net sales in this segment, on the other hand, decreased 14.3% year on year to 229 million yen.

Notes:

1. 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.
2. Forward-looking statements contained in this material are the judgments 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. Qualitative Information regarding Consolidated Financial Position**

Total assets as of August 31, 2009 stood at 31,929 million yen, a decrease of 851 million yen compared with the end of the previous fiscal year. Despite the upswing in inventory of 1,054 million yen as well as other increases totaling 703 million yen due mainly to such factors as fluctuations in investment security market prices, this downturn was attributable to the drop of 834 million yen in cash and cash equivalents, the decline in notes and accounts receivable — trade by 1,437 million yen and other factors.

Total liabilities amounted to 19,675 million yen, down 641 million yen compared with May 31, 2009. While short-term borrowings increased 313 million yen, this was more than offset by declines in notes and accounts payable, income taxes payable and consumption and other taxes payable of 163 million yen, 193 million yen and 122 million yen, respectively.

Net assets stood at 12,254 million yen, 209 million yen lower than the balance as of the previous fiscal year-end. Major movements were the 626 million yen decrease in retained earnings and the 423 million yen increase in differences in evaluation of other marketable securities.

### **3. Qualitative Information regarding Forecasts of Consolidated Business Results**

There are no changes to forecasts of business results previously announced on July 14, 2009.

### **4. Other**

- (1) Transfer of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation)

None

- (2) Application of the simplified method of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements

#### *Application of the simplified method of accounting*

*(The method for calculating corporate, local and enterprise taxes, deferred tax assets and deferred tax liabilities)*

In computing the amount of corporate, local, and enterprise taxes payable, the Company undertook certain additions and subtractions in conjunction with tax deductions with regard to important items only.

In determining the collectability of deferred tax assets, the same forecasts of results as well as the tax planning method used in the previous fiscal year are applied in the event that no significant change in operating and other conditions as well as temporary differences are confirmed since the end of the previous fiscal year.

- (3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of quarterly consolidated financial statements

#### *Changes in accordance with revisions to accounting standards and related practices*

*(Changes to the accounting standard for construction revenues and construction costs)*

Previously, the Toyo Denki Group had adopted the completed-contract method for recording construction revenues and construction costs. However, from the first quarter of the fiscal year ending May 31, 2010, the Toyo Denki

Group has adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15 of December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 of December 27, 2007). As a result, for construction projects that commenced during the first quarter of the period under review, those projects for which the outcome of the portion completed by the end of the fiscal year ending May 31, 2010 can be reliably estimated are accounted for by the percentage-of-completion method (the rate of completion of the construction project estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

The impact of this change in accounting method on net sales, operating loss, ordinary loss and net loss before income taxes was immaterial.

*Changes in disclosure methods  
(Quarterly consolidated balance sheet)*

In an effort to enhance comparative analysis with regard to consolidated financial statements and with the application of the Cabinet Office Ordinance for Partial Amendment of the Regulation on Financial Statements, Etc. (August 7, 2008 Cabinet Office Ordinance No. 50), those assets recorded under “inventory” as of the end of the previous fiscal year have been reclassified into “products and finished goods,” “work in progress” and “raw materials and stored goods” as of the end of the first quarter of the fiscal year ending May 31, 2010. For information, the amounts of “products and finished goods,” “work in progress” and “raw materials and stored goods” as of the end of the first quarter of this fiscal year were 2,851 million yen, 3,520 million yen and 1,957 million yen, respectively.

## 5. Quarterly Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	End of the first quarter FY2009 (As of August 31, 2009)	End of the previous fiscal year FY2008 (As of May 31, 2009)
<b>(Assets)</b>		
Current assets		
Cash and cash equivalents	2,133	2,967
Notes and accounts receivable — trade	6,951	8,389
Products and finished goods	2,664	2,327
Work in process	3,966	3,583
Raw materials and stored goods	2,348	2,014
Other	1,046	974
Allowance for doubtful accounts	(49)	(51)
Total current assets	19,061	20,205
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,602	4,609
Accumulated depreciation	(3,373)	(3,350)
Building and structures (net)	1,228	1,258
Machinery and equipment	5,701	5,589
Accumulated depreciation	(4,337)	(4,222)
Machinery and equipment (net)	1,363	1,367
Land	289	289
Construction work in progress	433	392
Other	2,181	2,153
Accumulated depreciation	(1,810)	(1,768)
Other (net)	371	384
Total tangible fixed assets	3,686	3,692
Intangible fixed assets		
Software	202	207
Other	39	36
Total intangible fixed assets	241	244
Investments and other fixed assets		
Investment securities	7,046	6,343
Other	1,953	2,355
Allowance for doubtful accounts	(60)	(60)
Total investments and other fixed assets	8,940	8,638
Total fixed assets	12,868	12,575
Total assets	31,929	32,780

	End of the first quarter FY2009 (As of August 31, 2009)	End of the previous fiscal year FY2008 (As of May 31, 2009)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	5,152	5,315
Short-term borrowings	4,475	4,161
Current portion of corporate bonds	200	200
Income taxes payable	46	239
Consumption and other taxes payable	36	159
Accrued expenses	2,856	2,752
Advances received	283	528
Deposits received	326	256
Reserve for employees' bonuses	426	837
Reserve for directors' bonuses	9	15
Reserve for order losses	363	327
Other	420	394
<b>Total current liabilities</b>	<b>14,596</b>	<b>15,188</b>
<b>Long-term liabilities</b>		
Corporate bonds	680	680
Long-term borrowings	1,300	1,320
Reserve for employees' retirement benefits	2,799	2,838
Reserve for directors' retirement benefits	151	141
Long-term payables	147	147
<b>Total long-term liabilities</b>	<b>5,078</b>	<b>5,127</b>
<b>Total liabilities</b>	<b>19,675</b>	<b>20,316</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	4,482	4,482
Capital surplus	2,661	2,661
Retained earnings	5,035	5,661
Treasury stock	(824)	(818)
<b>Total shareholders' equity</b>	<b>11,356</b>	<b>11,987</b>
<b>Evaluation and foreign currency translation adjustments</b>		
Differences in evaluation of other marketable securities	933	509
Deferred gains or losses on hedges	(34)	(32)
<b>Total evaluation and foreign currency translation adjustments</b>	<b>898</b>	<b>476</b>
<b>Total net assets</b>	<b>12,254</b>	<b>12,464</b>
<b>Total net assets and liabilities</b>	<b>31,929</b>	<b>32,780</b>

(2) Quarterly Consolidated Statements of Income  
Consolidated Statement of Income for the First Quarter of Fiscal 2009

(Millions of yen)

	1Q FY2008 (June 1, 2008 to August 31, 2008)	1Q FY2009 (June 1, 2009 to August 31, 2009)
Net sales	6,605	6,784
Cost of sales	5,050	5,494
Gross profit	1,554	1,289
Selling, general and administrative expenses	1,507	1,529
Operating income (loss)	47	(239)
Non-operating income		
Interest received	0	0
Dividends received	57	57
Gain on foreign currency exchange	29	—
Miscellaneous income	15	31
Total non-operating income	102	89
Non-operating expenses		
Interest expenses	31	31
Loss on disposal of fixed assets	2	4
Loss on foreign currency exchange	—	24
Miscellaneous expenses	4	4
Total non-operating expenses	38	64
Ordinary income (loss)	111	(215)
Extraordinary income		
Surcharge payment	46	—
Total extraordinary expenses	46	—
Net income (loss) before taxes	65	(215)
Corporate, local and enterprise taxes	18	41
Corporate tax adjustments, etc.	231	104
Total taxes	249	145
Net income (loss)	(184)	(361)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q FY2008 (June 1, 2008 to August 31, 2008)	1Q FY2009 (June 1, 2009 to August 31, 2009)
Cash flows from operating activities		
Net income (loss) before taxes	65	(215)
Depreciation expenses	209	203
Increase (decrease) in allowance for doubtful accounts	7	(1)
Increase (decrease) in reserve for employees' bonuses	(414)	(411)
Increase (decrease) in reserve for employees' retirement benefits	5	(39)
Increase (decrease) in reserve for directors' retirement benefits	11	10
Interest and dividend income	(58)	(57)
Interest expenses	31	31
Decrease (increase) in notes and accounts receivable — trade	1,438	1,437
Decrease (increase) in inventory	(1,797)	(1,054)
Increase (decrease) in notes and accounts payable — trade	(691)	(160)
Increase (decrease) in reserve for order losses	(39)	36
Other	(178)	(385)
Subtotal	(1,408)	(607)
Interest and dividend income received	58	57
Interest paid	(31)	(32)
Payments for corporate and other taxes	(216)	(230)
Net cash used in operating activities	(1,598)	(812)
Cash flows from investing activities		
Funds used for the purchase of tangible fixed assets	(150)	(134)
Funds used for the purchase of investment securities	4	—
Funds used for the purchase of investment securities	(6)	(2)
Other	(40)	93
Cash flows from investing activities	(192)	(43)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,800	343
Redemption of bonds	(25)	(45)
Payment for the acquisition of treasury stock	(2)	(5)
Cash dividends paid	(271)	(265)
Net cash provided by financing activities	1,501	27
Effect of exchange rate changes on cash and cash equivalents	5	(6)
Increase (decrease) in cash and cash equivalents	(284)	(834)
Balance of cash and cash equivalents at the beginning of the period	2,230	2,967
Increase (decrease) in cash and cash equivalents due to changes in the scope of consolidation	76	—
Balance of cash and cash equivalents at the end of the period	2,023	2,133



(4) Notes on Assumptions as a Going Concern  
The First Quarter of Fiscal 2009 (June 1, 2009 to August 31, 2009)  
None

(5) Notes on Dramatic Fluctuations in Shareholders' Equity  
The First Quarter of Fiscal 2009 (June 1, 2009 to August 31, 2009)  
None

(6) Segment Information

*(Segment information by business type)*

The Toyo Denki Group is primarily engaged in the manufacture and sale of electrical equipment. Segment information by business type has been omitted because the amounts of sales and operating income of one segment account for over 90 percent of the total sales and operating income of all segments. Furthermore, there are no other segments that fall under disclosure standard requirements.

*(Segment information by geographic area)*

Segment information by geographic area has been omitted because the amounts of sales and operating income in Japan account for over 90 percent of the total sales and operating income of all segments.

*(Overseas sales)*

The First Quarter of Fiscal 2008 (June 1, 2008 to August 31, 2008)

	Asia	Other	Total
1. Overseas sales (Millions of yen)	1,186	98	1,284
2. Consolidated net sales (Millions of yen)	–	–	6,605
3. The ratio of overseas sales to consolidated net sales (%)	18.0	1.5	19.4

Notes:

- Countries and regions are classified according to geographical proximity.
- The countries and regions outside of Japan included in each segment are as follows:
  - Asia: China, Korea, and Pakistan
  - Elsewhere: North America, Europe, and other areas
- Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

The First Quarter of Fiscal 2009 (June 1, 2009 to August 31, 2009)

	Asia	Other	Total
1. Overseas sales (Millions of yen)	778	340	1,118
2. Consolidated net sales (Millions of yen)	–	–	6,784
3. The ratio of overseas sales to consolidated net sales (%)	11.5	5.0	16.5

Notes:

- Countries and regions are classified according to geographical proximity.
- The countries and regions outside of Japan included in each segment are as follows:
  - Asia: China, Pakistan, Korea, and other areas
  - Elsewhere: North America, Europe, and other areas
- Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

## 6. The Status of Production, Orders, and Sales

### (1) Production

Business segment	1Q FY2008 (June 1, 2008 to August 31, 2008)		1Q FY2009 (June 1, 2008 to August 31, 2009)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Business	4,556	58.9	5,118	79.5
Industrial Systems	2,921	37.8	1,072	16.6
Information Systems	255	3.3	249	3.9
Total	7,733	100.0	6,440	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

### (2) Orders

Business segment	1Q FY2008 (June 1, 2008 to August 31, 2008)		1Q FY2009 (June 1, 2008 to August 31, 2009)	
	Orders Received Millions of yen	Balance Millions of yen	Orders Received Millions of yen	Balance Millions of yen
Transportation Business	4,999	17,790	10,409	27,197
Industrial Systems	3,324	6,724	2,197	4,250
Information Systems	637	849	941	1,561
Total	8,962	25,364	13,548	33,009

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

### (3) Sales

Business segment	1Q FY2008 (June 1, 2008 to August 31, 2008)		1Q FY2009 (June 1, 2008 to August 31, 2009)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Business	3,865	58.5	5,099	75.2
Industrial Systems	2,472	37.4	1,455	21.4
Information Systems	267	4.0	229	3.4
Total	6,605	100.0	6,784	100.0

Notes:

1. Amounts are exclusive of consumption and other taxes.
2. The Toyo Denki Group's quarterly business results are affected by seasonal factors. In connection with the Group's overall business segment composition, sales are generally concentrated in the fourth quarter.