

October 9, 2015

Summary of Consolidated Business Results for the First Quarter of Fiscal 2015

For the fiscal year ending May 31, 2016

Toyo Denki Seizo K.K. Stock Exchange: 1st Section of the Tokyo Stock Exchange
 Stock Code: 6505 URL <https://www.toyodenki.co.jp>
 Representative: Kenzo Terashima, President
 Inquiries: Akira Watanabe, Operating Officer and General Manager, Management Planning
 Division
 TEL +81-3-5202-8122

Scheduled date of submission of quarterly financial report: October 13, 2015
 Scheduled date of commencement of dividend payments: —
 Preparation of quarterly financial report supplemental explanatory materials: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

Note: Amounts less than one million yen in financial statements and the supplementary data are rounded down.

1. Consolidated Business Results for the First Quarter of Fiscal 2015

(June 1, 2015 to August 31, 2015)

(1) Consolidated Operating Results

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent | |
|----------------|-----------|-------|------------------|---|-----------------|---|---|---|
| 1Q Fiscal 2015 | 8,837 | 22.8% | 166 | — | 121 | — | (40) | — |
| 1Q Fiscal 2014 | 7,197 | 6.9% | (192) | — | (109) | — | (240) | — |

(Note) Comprehensive income: 1Q Fiscal 2015: (1,244) million yen [—%]
 1Q Fiscal 2014: 573 million yen [—%]

| | Net Income per Share (Yen) | Diluted Net Income per Share (Yen) |
|----------------|----------------------------|------------------------------------|
| 1Q Fiscal 2015 | (0.85) | — |
| 1Q Fiscal 2014 | (4.99) | — |

(2) Consolidated Financial Position

(In millions of yen, except where noted)

| | Total Assets | Net Assets | Shareholders' Equity Ratio (%) |
|-----------------------|--------------|------------|--------------------------------|
| As of August 31, 2015 | 50,834 | 23,361 | 46.0 |
| As of May 31, 2015 | 53,041 | 24,895 | 46.9 |

(Reference) Shareholders' equity: As of August 31, 2015: 23,361 million yen
 As of May 31, 2015: 24,895 million yen

2. Dividend Information

| | Annual Dividend (Yen) | | | | |
|------------------------|-----------------------|---------|----|-----------------|-------|
| | 1Q | Interim | 3Q | Fiscal Year-End | Total |
| Fiscal 2014 | — | 0.00 | — | 6.00 | 6.00 |
| Fiscal 2015 | — | — | — | — | — |
| Fiscal 2015 (Forecast) | — | 0.00 | — | 6.00 | 6.00 |

(Note) Revisions to the most recently announced dividend forecasts: No

3. Consolidated Performance Forecast for Fiscal 2015 (June 1, 2015 to May 31, 2016)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income Attributable to Owners of the Parent | | Net Income per Share (Yen) |
|------------|-----------|--------|------------------|---------|-----------------|---------|---|---------|----------------------------|
| First half | 18,000 | (5.6)% | 300 | (48.7)% | 350 | (59.9)% | 200 | (61.2)% | 4.15 |
| Full year | 44,000 | 11.1% | 2,100 | 31.6% | 2,200 | 7.0% | 1,400 | 26.6% | 29.05 |

(Note) Revisions to the most recently announced performance forecast: No

Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (a) Changes in accounting policies in accordance with revisions to accounting standards and related practices: Yes
 - (b) Any changes other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement: No
- (4) Shares outstanding (common stock)
 - (a) Number of shares outstanding as of the end of the period (including treasury stock):
August 31, 2015: 48,675,000 shares May 31, 2015: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
August 31, 2015: 486,462 shares May 31, 2015: 484,737 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
1Q Fiscal 2015: 48,189,394 shares 1Q Fiscal 2014: 48,199,309 shares

Statements Regarding the Implementation Status of Quarterly Review Procedures

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, quarterly review procedures for the quarterly financial statements pursuant to the aforementioned Act were not yet completed.

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. (hereinafter Toyo Denki) cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "Explanation of Consolidated Performance Forecast and Other Forward-looking Information" in Accompanying Materials on page 3 for details relating to operating results forecasts.

Accompanying Materials Contents

| | | |
|----|---|----|
| 1. | Qualitative Information regarding Quarterly Financial Results..... | 2 |
| | (1) Explanation of Consolidated Business Results | 2 |
| | (2) Explanation of Consolidated Financial Position | 3 |
| | (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information | 3 |
| 2. | Items regarding Summary Information (Notes)..... | 4 |
| | (1) Transfer of Major Subsidiaries during the Period..... | 4 |
| | (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements | 4 |
| | (3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements..... | 4 |
| 3. | Consolidated Financial Statements | 5 |
| | (1) Consolidated Balance Sheets | 5 |
| | (2) Consolidated Statements of Income and Comprehensive Income | 7 |
| | (3) Notes to Quarterly Consolidated Financial Statements | 9 |
| | (Notes on Going Concern Assumptions)..... | 9 |
| | (Notes on Significant Fluctuations in Shareholders' Equity) | 9 |
| | (Segment Information) | 9 |
| 4. | Supporting Materials for the Financial Results..... | 11 |
| | (1) The Status of Production, Orders, and Sales..... | 11 |

1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Consolidated Business Results

During the first quarter (June 1, 2015 to August 31, 2015) of fiscal 2015, the fiscal year ending May 31, 2016, the economy in Japan maintained a mild recovery trend in general despite some weak activities. Meanwhile, with regard to overseas, a recovery trend of the economy in the United States continued, such as improvement in the employment environment. In China and the emerging countries, although slowdown in their economic growth has begun to manifest itself, investments in railway infrastructure remained at a high level in these areas.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value according to “Next 100: Beyond 100 years,” the medium-term management plan which will be completed in the fiscal year ending May 31, 2017.

The Toyo Denki Group’s performance in the first quarter of fiscal 2015, the second fiscal year of the plan, was as follows.

Orders received increased 14.2% compared with the corresponding period of the previous fiscal year to 10,166 million yen. This overall result reflected a significant surge in orders received in the Transportation Systems segment despite a slight decrease in the Industrial Systems segment.

Net sales increased 22.8% year on year to 8,837 million yen, reflecting a significant surge in the Transportation Systems segment.

From a profit perspective, operating income rose by 358 million yen compared with the corresponding period of the previous fiscal year, and recorded 166 million yen, which was the first surplus in four fiscal years for the first quarter, mainly due to an increased profit in the Transportation Systems segment. Ordinary income increased 230 million yen, recording 121 million yen, and net income attributable to owners of the parent increased 199 million yen to record a 40 million yen loss.

Information by business segment is presented as follows.

Transportation Systems

Orders received increased 33.2% compared with the corresponding period of the previous fiscal year to 7,657 million yen, led by a sharp upturn outside Japan.

Net sales in this segment totaled 6,020 million yen, a 27.4% increase from the corresponding period of the previous year, due to increases both in and outside Japan.

Segment profit increased 90.5% compared with the corresponding period of the previous fiscal year to 604 million yen.

Industrial Systems

While orders received for testing equipment for automotive development increased, those for social infrastructure significantly declined. In overall terms, orders received decreased 18.5% compared with the corresponding period of the previous fiscal year to 2,383 million yen.

Net sales increased 12.3% year on year to 2,637 million yen as sales of testing equipment for automotive development were robust.

Segment profit totaled 137 million yen, a 163.0% increase compared with the corresponding period of the previous fiscal year.

Information Equipment Systems

Orders received in this segment decreased 44.7% to 124 million yen, primarily due to significant decreases both in railway station operating equipment and remote monitoring systems.

Net sales in this segment increased 46.9 % year on year to 178 million yen with a rise in sales of railway station operating equipment.

Segment profit was a 1 million yen loss, a decrease of 15 million yen compared with the corresponding period of the previous fiscal year due to an increase in development expenses.

Note: Net sales data by business segment represents sales to third parties and is exclusive of inter-segment sales and transfers.

(2) Explanation of Consolidated Financial Position

Total assets as of August 31, 2015 stood at 50,834 million yen, a decrease of 2,206 million yen compared with the end of the previous fiscal year. Despite an increase in inventories of 578 million yen, the decrease in total assets was largely attributable to decreases in cash and cash equivalents of 994 million yen, and investment securities of 1,817 million yen, respectively.

Total liabilities amounted to 27,473 million yen, a decrease of 672 million yen compared with the previous fiscal year end. Despite a 1,087 million yen increase in borrowings, the decrease in total liabilities was largely attributable to declines in income taxes payable of 583 million yen, and reserve for employees' bonuses of 453 million yen, and deferred tax liabilities of 559 million yen, respectively.

Net assets stood at 23,361 million yen, 1,534 million yen less than the balance as of the previous fiscal year end. Major movements were a 330 million yen decrease in retained earnings and a 1,243 million yen decrease in unrealized holding gain on available-for-sale securities.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

We have made no revision to the "Consolidated Performance Forecast for Fiscal 2015" announced on July 10, 2015.

2. Items regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Period
Not applicable

(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements
Not applicable

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

Changes in Accounting Policies

“Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013) and “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and “Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and others have been applied from the first quarter of fiscal 2015. Along with this application, presentation method regarding net income and others has been revised, and minority interests has been revised to non-controlling interests as well. To reflect these changes in presentation, consolidated financial statements for the first quarter of fiscal 2014 and for the full year of fiscal 2014 ended May 31, 2015 have been reclassified.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of May 31, 2015 | End of the First Quarter of Fiscal 2015 (August 31, 2015) |
|-------------------------------------|--------------------|--|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,570 | 2,576 |
| Trade notes and accounts receivable | 14,838 | 14,680 |
| Products and finished goods | 1,283 | 1,215 |
| Work in process | 2,962 | 3,389 |
| Raw materials and stored goods | 2,149 | 2,368 |
| Other | 828 | 805 |
| Allowance for doubtful accounts | (40) | (0) |
| Total current assets | 25,593 | 25,036 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,058 | 7,074 |
| Accumulated depreciation | (4,320) | (4,376) |
| Buildings and structures, net | 2,737 | 2,697 |
| Machinery and equipment | 6,792 | 6,838 |
| Accumulated depreciation | (5,930) | (6,001) |
| Machinery and equipment, net | 862 | 836 |
| Land | 289 | 289 |
| Construction in progress | 227 | 217 |
| Other | 3,272 | 3,302 |
| Accumulated depreciation | (2,786) | (2,828) |
| Other, net | 486 | 473 |
| Total property, plant and equipment | 4,603 | 4,514 |
| Intangible assets | | |
| Software | 204 | 201 |
| Other | 144 | 174 |
| Total intangible assets | 348 | 376 |
| Investments and other assets | | |
| Investment securities | 20,326 | 18,509 |
| Other | 2,180 | 2,410 |
| Allowance for doubtful accounts | (12) | (12) |
| Total investments and other assets | 22,495 | 20,907 |
| Total fixed assets | 27,447 | 25,798 |
| Total assets | 53,041 | 50,834 |

(Millions of yen)

| | As of May 31, 2015 | End of the First Quarter of Fiscal 2015 (August 31, 2015) |
|--|--------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 5,116 | 3,856 |
| Electronically recorded obligations - operating | 3,022 | 4,398 |
| Short-term debt | 1,783 | 2,987 |
| Income taxes payable | 652 | 68 |
| Consumption and other taxes payable | 249 | 59 |
| Accrued expenses | 992 | 1,049 |
| Advances received | 288 | 160 |
| Deposits received | 230 | 328 |
| Reserve for directors' bonuses | 41 | 10 |
| Reserve for employees' bonuses | 927 | 474 |
| Reserve for order losses | 301 | 345 |
| Allowance for environmental development | 65 | 64 |
| Other | 307 | 151 |
| Total current liabilities | 13,979 | 13,955 |
| Long-term liabilities | | |
| Long-term debt | 7,640 | 7,524 |
| Long-term payables | 141 | 141 |
| Net defined benefit liability | 3,725 | 3,755 |
| Deferred tax liabilities | 2,618 | 2,059 |
| Other | 40 | 38 |
| Total long-term liabilities | 14,166 | 13,518 |
| Total liabilities | 28,145 | 27,473 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,998 | 4,998 |
| Capital surplus | 3,177 | 3,177 |
| Retained earnings | 8,698 | 8,368 |
| Treasury stock | (171) | (172) |
| Total shareholders' equity | 16,702 | 16,371 |
| Accumulated other comprehensive income | | |
| Unrealized holding gain on available-for-sale securities | 8,317 | 7,073 |
| Foreign currency translation adjustments | 259 | 288 |
| Remeasurements of defined benefit plans | (383) | (371) |
| Total accumulated other comprehensive income | 8,193 | 6,989 |
| Total net assets | 24,895 | 23,361 |
| Total liabilities and net assets | 53,041 | 50,834 |

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income for the First Quarter of Fiscal 2015)

(Millions of yen)

| | 1Q FY2014 (June 1, 2014 to August 31, 2014) | 1Q FY2015 (June 1, 2015 to August 31, 2015) |
|--|--|--|
| Net sales | 7,197 | 8,837 |
| Cost of sales | 5,571 | 6,852 |
| Gross profit | 1,625 | 1,985 |
| Selling, general and administrative expenses | 1,817 | 1,818 |
| Operating income (loss) | (192) | 166 |
| Non-operating income | | |
| Interest income | 0 | 0 |
| Dividend income | 104 | 110 |
| Foreign exchange gains | 25 | - |
| Miscellaneous income | 5 | 10 |
| Total non-operating income | 135 | 120 |
| Non-operating expenses | | |
| Interest expense | 35 | 29 |
| Equity in loss of unconsolidated subsidiaries and affiliates | 7 | 7 |
| Loss on disposal of fixed assets | 0 | 0 |
| Loss on foreign currency exchange | - | 124 |
| Miscellaneous loss | 9 | 3 |
| Total non-operating expenses | 52 | 164 |
| Ordinary income (loss) | (109) | 121 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 12 | - |
| Total extraordinary income | 12 | - |
| Income (loss) before income taxes | (96) | 121 |
| Income taxes: | | |
| Current | 3 | 44 |
| Deferred | 140 | 118 |
| Total income taxes | 144 | 162 |
| Net loss | (240) | (40) |
| Net loss attributable to owners of the parent | (240) | (40) |

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

| | 1Q FY2014 (June 1, 2014 to August 31, 2014) | 1Q FY2015 (June 1, 2015 to August 31, 2015) |
|---|--|--|
| Net loss | (240) | (40) |
| Other comprehensive income | | |
| Unrealized holding gain (loss) on available-for-sale securities | 782 | (1,243) |
| Deferred gains or losses on hedges | 26 | - |
| Foreign currency translation adjustments | (6) | 26 |
| Remeasurements of defined benefit plans | 42 | 11 |
| Share of other comprehensive income of affiliates to which the equity method is applied | (29) | 1 |
| Total other comprehensive income | 814 | (1,203) |
| Comprehensive income | 573 | (1,244) |
| Comprehensive income attributable to: | | |
| Owners of the parent | 573 | (1,244) |
| Non-controlling interests | - | - |

(3) Notes to Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable.

(Notes on Significant Fluctuations in Shareholders' Equity)
 Not applicable.

(Segment Information)

First Quarter of Fiscal 2014 (June 1, 2014 to August 31, 2014)

Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

| | Reporting Segment | | | Other ¹ | Total | Adjustment Amount ² | Amount Recorded on Quarterly Consolidated Statements of Income ³ |
|-----------------------------------|------------------------|--------------------|-------------------------------|--------------------|-------|--------------------------------|---|
| | Transportation Systems | Industrial Systems | Information Equipment Systems | | | | |
| Net sales | | | | | | | |
| Sales to third parties | 4,725 | 2,348 | 121 | 1 | 7,197 | — | 7,197 |
| Inter-segment sales and transfers | 2 | 0 | — | 120 | 123 | (123) | — |
| Total | 4,727 | 2,348 | 121 | 122 | 7,320 | (123) | 7,197 |
| Segment profit (loss) | 317 | 52 | 13 | 10 | 393 | (586) | (192) |

Notes:

1. The "Other" segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 586 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 585 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

First Quarter of Fiscal 2015 (June 1, 2015 to August 31, 2015)
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

| | Reporting Segment | | | Other ¹ | Total | Adjustment Amount ² | Amount Recorded on Quarterly Consolidated Statements of Income ³ |
|-----------------------------------|------------------------|--------------------|-------------------------------|--------------------|-------|--------------------------------|---|
| | Transportation Systems | Industrial Systems | Information Equipment Systems | | | | |
| Net sales | | | | | | | |
| Sales to third parties | 6,020 | 2,637 | 178 | 1 | 8,837 | — | 8,837 |
| Inter-segment sales and transfers | 0 | 0 | — | 137 | 138 | (138) | — |
| Total | 6,020 | 2,637 | 178 | 139 | 8,976 | (138) | 8,837 |
| Segment profit (loss) | 604 | 137 | (1) | 5 | 745 | (579) | 166 |

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 579 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 577 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

4. Supporting Materials for the Financial Results

(1) The Status of Production, Orders, and Sales

(a) Production Status

| Business segment | 1Q FY2014 (June 1, 2014 to August 31, 2014) | | 1Q FY2015 (June 1, 2015 to August 31, 2015) | |
|-------------------------------|--|-----------|--|-----------|
| | Millions of yen | Share (%) | Millions of yen | Share (%) |
| Transportation Systems | 5,868 | 70.3 | 6,298 | 72.9 |
| Industrial Systems | 2,388 | 28.6 | 2,191 | 25.4 |
| Information Equipment Systems | 96 | 1.2 | 149 | 1.7 |
| Other | — | — | — | — |
| Total | 8,352 | 100.0 | 8,640 | 100.0 |

Notes:

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

(b) Status of Orders Received

| Business segment | 1Q FY2014 (June 1, 2014 to August 31, 2014) | | 1Q FY2015 (June 1, 2015 to August 31, 2015) | |
|-------------------------------|--|------------------------------|--|------------------------------|
| | Orders Received (Millions of yen) | Balance (Millions of yen) | Orders Received (Millions of yen) | Balance (Millions of yen) |
| Transportation Systems | 5,749 | 26,672 | 7,657 | 26,215 |
| Industrial Systems | 2,924 | 5,504 | 2,383 | 6,380 |
| Information Equipment Systems | 225 | 343 | 124 | 43 |
| Other | 1 | — | 1 | — |
| Total | 8,901 | 32,521 | 10,166 | 32,639 |

Notes:

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

(c) Sales Status

| Business segment | 1Q FY2014 (June 1, 2014 to August 31, 2014) | | 1Q FY2015 (June 1, 2015 to August 31, 2015) | |
|-------------------------------|--|-----------|--|-----------|
| | Millions of yen | Share (%) | Millions of yen | Share (%) |
| Transportation Systems | 4,725 | 65.7 | 6,020 | 68.1 |
| Industrial Systems | 2,348 | 32.6 | 2,637 | 29.8 |
| Information Equipment Systems | 121 | 1.7 | 178 | 2.0 |
| Other | 1 | 0.0 | 1 | 0.0 |
| Total | 7,197 | 100.0 | 8,837 | 100.0 |

Notes:

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