

July 11, 2012

Summary of Consolidated Business Results for Fiscal 2011

For the fiscal year ended May 31, 2012

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Scheduled date of convention of ordinary general meeting of shareholders: August 28, 2012
 Scheduled date of commencement of dividend payments: August 29, 2012
 Scheduled date of submission of financial report: August 29, 2012
 Preparation of financial report supplemental explanatory materials: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors)

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

1. Consolidated Business Results for Fiscal 2011

(June 1, 2011 to May 31, 2012)

(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	
Fiscal 2011	38,570	1.8%	1,701	13.1%	1,788	13.4%	785	15.8%
Fiscal 2010	37,893	7.0%	1,503	54.2%	1,577	60.6%	678	32.3%

(Note) Comprehensive income: Fiscal 2011: 1,071 million yen (293.3%)
 Fiscal 2010: 272 million yen (-41.9%)

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholder' Equity Ratio (%)	Ordinary Income to Total Assets Ratio (%)	Operating Income to Net Sales Ratio (%)
Fiscal 2011	16.29	—	5.4	4.8	4.4
Fiscal 2010	14.86	—	5.1	4.4	4.0

(Reference) Equity method investment gain or loss for: Fiscal 2011: 113 million yen
 Fiscal 2010: 107 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)
As of May 31, 2012	38,086	15,049	39.5	312.12
As of May 31, 2011	36,892	14,268	38.7	295.89

(Reference) Shareholders' equity: As of May 31, 2012: 15,049 million yen
 As of May 31, 2011: 14,268 million yen

(3) Consolidated Cash Flows

(In millions of yen, except where noted)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Fiscal Year
Fiscal 2011	(1,328)	(2,148)	2,563	1,489
Fiscal 2010	2,495	(3,345)	836	2,410

2. Dividend Information

	Annual Dividend (Yen)					Total Annual Dividends (Millions of yen)	Dividend Payout Ratio (consolidated, %)	Dividend on Equity Ratio (consolidated, %)
	1Q	Interim	3Q	Fiscal Year-End	Total			
Fiscal 2010	—	0.00	—	6.00	6.00	289	40.4	2.1
Fiscal 2011	—	0.00	—	6.00	6.00	289	36.8	2.0
Fiscal 2012 (Forecast)	—	0.00	—	6.00	6.00		34.0	

3. Consolidated Performance Forecast for Fiscal 2012 (June 1, 2012 to May 31, 2013)

(In millions of yen, except where noted; Percentage figures show year-on-year increase or decrease for the full fiscal year and increase or decrease compared with the corresponding period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	17,000	(9.7)%	200	(61.2)%	200	(61.9)%	50	(83.5)%	1.04
Full year	38,500	(0.2)%	1,700	(0.1)%	1,700	(5.0)%	800	1.8%	16.59

Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
Newly included: – Excluded: –
- (2) 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: No
 - (b) Any changes other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement: No
- (3) Shares outstanding (common stock)
 - (a) Number of shares outstanding as of the end of the period (including treasury stock):
May 31, 2012: 48,675,000 shares May 31, 2011: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
May 31, 2012: 458,570 shares May 31, 2011: 452,701 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
Fiscal 2011: 48,219,015 shares Fiscal 2010: 45,640,974 shares

(Reference) Summary of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal 2011 (June 1, 2011 to May 31, 2012)

(1) Non-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	
Fiscal 2011	34,057	2.1%	1,249	40.0%	1,451	27.0%	554	2.6%
Fiscal 2010	33,360	11.3%	892	138.1%	1,143	64.7%	540	10.2%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Fiscal 2011	11.50	—
Fiscal 2010	11.84	—

(2) Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
As of May 31, 2012	35,326	12,358	35.0	256.31
As of May 31, 2011	34,056	11,786	34.6	244.43

(Reference) Shareholders' equity: As of May 31, 2012: 12,358 million yen
As of May 31, 2011: 11,786 million yen

Statements Regarding the Implementation Status of Audit Procedures

This summary of consolidated business result is not subject to audit procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of report disclosure, audit procedures pursuant to the aforementioned Act were yet to be 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. cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "1. Results of Operations" in Accompanying Materials on page 2 for details relating to operating results forecasts.

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1. Results of Operation

(1) Analysis of Results of Operations

(a) Results of Operations in the Fiscal Year under Review

In fiscal 2011, the fiscal year ended May 31, 2012, economic conditions in Japan remained shrouded in uncertainty. Despite continued modest recovery due to factors such as restoration from the Great East Japan Earthquake, this uncertainty was largely attributable to the impacts of the prolonged high value of the yen, a slowdown in the European and U.S. economies touched off by the debt crisis in Europe, and weaker rates of economic growth in China and other developing countries.

Under these circumstances, the Toyo Denki Group has been working in unison to expand businesses and improve corporate value in the final year of its “Challenge Up Plan,” the Group’s medium-term management plan launched in June 2009, in accordance with the Plan.

Performance during the fiscal year under review was as follows. Note that the “Information Systems” segment was renamed the “Information Equipment Systems” segment under the organizational changes put into effect on June 1, 2012.

- Orders received amounted to 32,670 million yen, a decrease of 6.3% compared with the previous fiscal year. While orders received in the Industrial Systems segment and Information Equipment Systems segment increased, this overall result reflected a decrease in orders received in the Transportation Systems segment.
- Net sales increased 1.8% year on year to 38,570 million yen. Despite a decrease for the period in the Transportation Systems segment, this overall result reflected upswings in the Industrial Systems segment and Information Equipment Systems segment.
- From a profit perspective, operating income increased 13.1% compared with the previous fiscal year to 1,701 million yen. Ordinary income increased 13.4% year on year to 1,788 million yen. Net income increased 15.8% compared with the previous fiscal year to 785 million yen.

Results by business segment are presented briefly as follows.

Transportation Systems Segment

Orders received decreased outside of Japan in the Transportation Systems segment, falling 19.5% compared with the previous fiscal year to 17,506 million yen. Despite an upswing outside of Japan, net sales in this segment decreased 6.5% year on year to 23,991 million yen due mainly to the drop in Japan. Segment income totaled 2,701 million yen.

Industrial Systems Segment

Orders received in the Industrial Systems segment improved 3.8% compared with the previous fiscal year to 12,439 million yen. This was largely attributable to capital investment both in and outside Japan. Net sales in this segment rose 10.5% year on year to 12,265 million yen for the same reasons that caused the upswing in orders received. For the fiscal year under review, segment income amounted to 253 million yen.

Information Equipment Systems Segment

Orders received in the Information Equipment Systems segment jumped 145.6% compared with the previous fiscal year to 2,714 million yen owing mainly to a significant increase in orders for IC card-compatible equipment relating particularly to railway station operations. Net sales in this segment surged 103.3% year on year to 2,303 million yen. Segment income was 666 million yen for the fiscal year ended May 31, 2012.

Note: Net sales data by business segment represents sales to external customers and is exclusive of intersegment sales and transfers.

(b) Outlook for the Next Fiscal Year

Revenues in the Transportation Systems segment and Information Equipment Systems segment are expected to decrease, while revenue in the Industrial Systems segment is projected to increase. As a result, net sales and operating income are both expected to remain almost unchanged from the previous fiscal year.

Note: The aforementioned forecasts of business results are based on management assumptions and beliefs in light of currently available information. Toyo Denki cautions readers that actual results could differ materially from forecasts due to a variety of factors.

(2) Analysis of Financial Position

Status of Assets, Liabilities and Net Assets

(a) Assets

Total assets stood at 38,086 million yen as of May 31, 2012, up 1,193 million yen compared with the previous fiscal year-end. While inventories decreased by 2,647 million yen and cash and cash equivalents decreased by 921 million yen, total assets increased mainly as a consequence of upswings in notes and accounts receivable - trade of 3,396 million yen and investment securities of 1,311 million yen.

(b) Liabilities

Total liabilities amounted to 23,036 million yen, an increase of 412 million yen compared with the previous fiscal year-end.

While notes and accounts payable - trade and accrued expenses contracted 1,139 million yen and 950 million yen, respectively, this upswing in total liabilities reflects 1,956 million yen and 1,094 million yen increases in short-term borrowings and long-term borrowings, respectively.

(c) Net assets

Net assets stood at 15,049 million yen as of May 31, 2012, an increase of 780 million yen compared with the previous fiscal year-end. This was largely attributable to increases of 496 million yen and 291 million yen in retained earnings and valuation difference on available-for-sale securities, respectively.

Status of cash flows

The balance of consolidated cash and cash equivalents as of May 31, 2012 stood at 1,489 million yen, a decrease of 921 million yen compared with the previous fiscal year-end.

Principal movements in operating, investing and financing cash flows for the fiscal year under review are presented briefly as follows.

Cash flows from operating activities

Net cash used in operating activities amounted to 1,328 million yen. Major cash outflows included an increase of 3,399 million yen in notes and accounts receivable - trade and a decrease of 1,134 million yen in notes and accounts payable - trade.

Cash flows from investing activities

Net cash used in investing activities totaled 2,148 million yen for the fiscal year under review and mainly comprised funds used for the purchase of tangible fixed assets at 918 million yen and funds used for the purchase of investment securities at 917 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 2,563 million yen. Principal cash inflows were the proceeds from long-term borrowings at 2,300 million yen and an increase of 1,500 million yen in short-term borrowings.

Trends in cash flow indices are as follows.

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Shareholders' equity ratio (%)	38.8	38.0	36.6	38.7	39.5
Shareholders' equity ratio based on market capitalization (%)	41.3	80.8	62.6	49.8	31.4
Ratio of interest-bearing liabilities to cash flows (Times)	—	3.6	10.7	2.6	—
Interest coverage ratio (Times)	—	13.0	5.1	18.1	—

Notes:

- Shareholders' Equity Ratio (%): Shareholders' equity / Total assets
 - Shareholders' equity ratio based on market capitalization (%): Market capitalization / Total assets
 - Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Cash flows
 - Interest coverage ratio: Cash flows / Interest payments
1. Indices are calculated based on consolidated financial data.
 2. Market capitalization is calculated by multiplying the period-end closing share price with the number of shares issued and outstanding as of the period-end (after deducting treasury stock).

3. Cash flows from operating activities are used in calculations that use cash flows.
4. Interest-bearing liabilities include all interest-bearing liabilities under liabilities recorded on the consolidated balance sheet.
5. In each period where cash flows from operating activities are negative, ratio of interest-bearing liabilities to cash flows and interest coverage ratio data is not recorded.

(3) 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 outside of Japan expansion, with the aims of growing its business and strengthening its management foundation in the future.

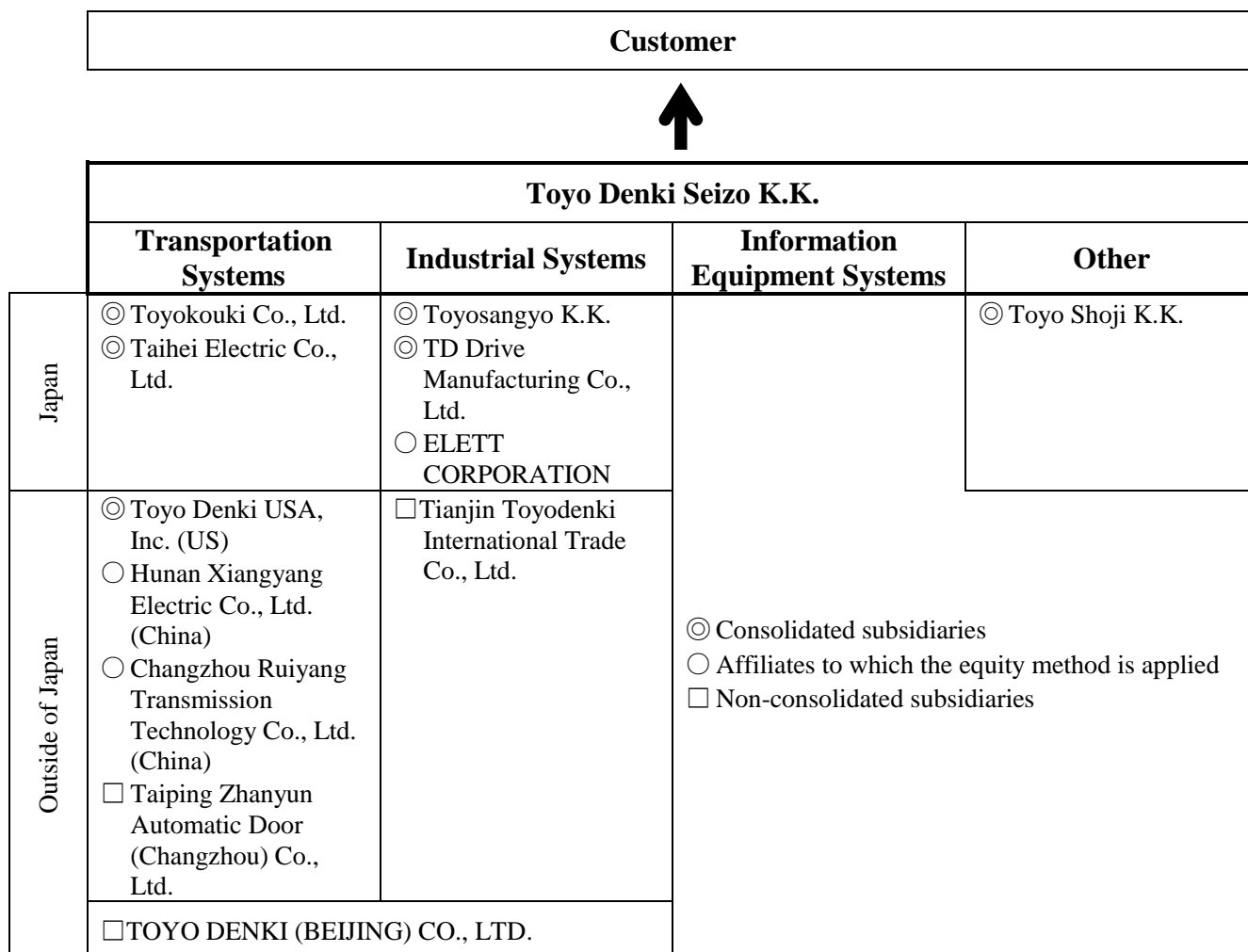
Dividends for the fiscal year under review remained at six yen per share, unchanged from the previous term. The Company intends to maintain dividends at six yen per share or more from the fiscal year ending May 31, 2013 onward.

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

2. Overview of the Group

The Toyo Denki Group is composed of Toyo Denki, nine subsidiaries (including four subsidiaries outside of Japan) and three affiliated companies (including two affiliated companies outside of Japan). The Group is engaged in the manufacture and sale of electrical equipment for transportation, industrial, and information equipment systems as well as incidental projects.

The organization and position of companies within the Toyo Denki Group together with business flows are presented as follows.



3. Management Policies

(1) Basic Management Policies of the Company

The Toyo Denki Group has newly developed and is working on “Dash 2015,” the medium-term management plan set to conclude at the end of fiscal 2014 (on May 31, 2015). Based on the foundation established by its former medium-term management plan, the “Challenge Up Plan,” the Toyo Denki Group will pursue further growth towards the achievement of its long-term vision by proactively promoting several measures under the basic policies described below.

Long-Term Vision

The Toyo Denki Group will contribute to the realization of an environmental-compatibility-based society through global business development by fusing advanced breakthrough technologies together with the excellent motor drive technologies it has cultivated since its foundation.

Fundamental Policy

The Toyo Denki Group is committed to drastically improving its corporate value while thoroughly strengthening its management foundation, in order to become a Group well adapted to the new era as it approaches 2018, the 100th anniversary of its foundation.

- Strengthen business outside of Japan
- Increase market share in Japan
- Develop new business and products
- Promote alliance strategy
- Be consistent for efficient management

(2) Pending Issues

The Toyo Denki Group is currently implementing "Dash 2015," its medium-term management plan started at the beginning of fiscal 2012 (on June 1, 2012) and set to conclude at the end of fiscal 2014 (on May 31, 2015). Under this plan, the Group is working to settle issues that remained unsettled under its former medium-term management plan, along with new pending issues.

Principal measures under this plan are presented as follows.

- (a) Establish a global business promotion system
 - Further cultivate and expand markets in China, the U.S., South Korea, and Taiwan
 - Improve business bases in India and Southeast Asia
 - Expand and newly establish outside of Japan production bases
 - Fortify alliances
- (b) Develop and promote new businesses
 - Establish early the mass production of automotive electric equipment
 - Open up new business fields suited to the trends of “electrification” and “environmental suitability”
- (c) Develop new products and new technologies
 - Develop new strategic products
 - Reorganize and expand research and development departments
 - Acquire certification through international attestation
- (d) Pursue cost reduction, high quality, and high reliability
 - Implement drastic cost reductions in production and management departments as a whole
 - Strengthen cash-generating potential by improving asset efficiency
 - Strengthen quality control systems
- (e) Promote CSR activities
 - Establish CSR activities and expand their sphere
- (f) Establish and promote a dynamic corporate culture
 - Improve the pleasant environment of each workplace
 - Procure next-generation human resources and capacity-development systems

4. Consolidated Financial Position

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2011	As of May 31, 2012
Assets		
Current assets		
Cash and cash equivalents	2,410	1,489
Notes and accounts receivable-trade	10,332	13,728
Products and finished goods	2,565	1,598
Work in process	3,389	2,242
Raw materials and stored goods	2,224	1,690
Advances	15	37
Other accounts receivable	31	66
Deferred tax assets	609	517
Other	84	73
Allowance for doubtful accounts	(40)	(28)
Total current assets	21,621	21,415
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,295	6,279
Accumulated depreciation	(3,710)	(3,905)
Buildings and structures, net	2,584	2,373
Machinery and equipment	6,291	6,404
Accumulated depreciation	(4,933)	(5,174)
Machinery and equipment, net	1,357	1,229
Land	289	289
Construction work in progress	48	495
Other	2,429	2,714
Accumulated depreciation	(2,033)	(2,242)
Other, net	395	472
Total tangible fixed assets	4,675	4,861
Intangible fixed assets		
Software	209	279
Other	179	66
Total intangible fixed assets	389	346
Investments and other fixed assets		
Investment securities	7,618	8,929
Deferred tax assets	1,296	960
Other	1,306	1,589
Allowance for doubtful accounts	(16)	(16)
Total investments and other fixed assets	10,204	11,463
Total fixed assets	15,270	16,670
Total assets	36,892	38,086

(Millions of yen)

	As of May 31, 2011	As of May 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,683	4,544
Short-term borrowings	4,420	6,376
Current portion of corporate bonds	200	160
Income taxes payable	463	473
Consumption and other taxes payable	117	185
Accrued expenses	3,859	2,909
Advances received	677	182
Deposits received	210	213
Reserve for directors' bonuses	42	46
Reserve for employees' bonuses	933	891
Reserve for order losses	148	197
Allowance for environmental development	89	—
Other	273	540
Total current liabilities	17,119	16,720
Long-term liabilities		
Corporate bonds	280	120
Long-term borrowings	1,635	2,729
Reserve for employees' retirement benefits	3,208	3,136
Allowance for environmental development	43	43
Long-term payables	301	251
Other	36	35
Total long-term liabilities	5,504	6,316
Total liabilities	22,623	23,036
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	6,226	6,722
Treasury stock	(160)	(162)
Total shareholders' equity	14,241	14,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	124	415
Foreign currency translation adjustment	(97)	(102)
Total accumulated other comprehensive income	27	313
Total net assets	14,268	15,049
Total liabilities and net assets	36,892	38,086

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Net sales	37,893	38,570
Cost of sales	29,229	29,736
Gross profit	8,663	8,834
Selling, general and administrative expenses	7,160	7,133
Operating income	1,503	1,701
Non-operating income		
Interest income	0	0
Dividends income	121	116
Equity in earnings of equity-method investments	107	113
Life insurance dividend income	95	47
Technical support income	94	—
Miscellaneous income	34	53
Total non-operating income	453	330
Non-operating expenses		
Interest expenses	135	163
Loss on disposal of fixed assets	10	4
Loss on foreign currency exchange	198	23
Miscellaneous loss	35	51
Total non-operating expenses	380	242
Ordinary income	1,577	1,788
Extraordinary income		
Reversal of allowance for doubtful accounts	5	—
Total extraordinary income	5	—
Extraordinary loss		
Loss on devaluation of investment securities	99	22
Provision for allowance for environmental development	132	—
Impact of adopting the Accounting Standard for Asset Retirement Obligations	38	—
Loss on disaster	24	7
Loss on valuation of golf club membership	5	—
Total extraordinary losses	301	30
Income before income taxes and minority interests	1,280	1,758
Corporate, local and enterprise taxes	607	730
Corporate, local and enterprise taxes for prior periods	89	(16)
Corporate tax adjustments, etc.	(94)	258
Total income taxes	602	972
Income before minority interests	678	785
Net income	678	785

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Income before minority interests	678	785
Other comprehensive income		
Valuation difference on available-for-sale securities	(345)	291
Deferred gains or losses on hedges	(22)	(5)
Share of other comprehensive income of affiliates to which the equity method is applied	(37)	0
Total other comprehensive income	(405)	286
Comprehensive income	272	1,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	272	1,071
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Shareholders' equity		
Capital stock		
Balance as of the beginning of the fiscal period under review	4,482	4,998
Change during fiscal period under review		
Changes of items during the period		
Issuance of new shares	515	—
Total change during fiscal period under review	515	—
Balance as of the end of fiscal period under review	4,998	4,998
Capital surplus		
Balance as of the beginning of the fiscal period under review	2,661	3,177
Change during fiscal period under review		
Changes of items during the period		
Issuance of new shares	515	—
Total change during fiscal period under review	515	—
Balance as of the end of fiscal period under review	3,177	3,177
Retained earnings		
Balance as of the beginning of the fiscal period under review	5,909	6,226
Change during fiscal period under review		
Changes of items during the period		
Distribution of retained earnings	(264)	(289)
Change in the scope of consolidation	(68)	—
Disposal of treasury stock	(29)	—
Net income	678	785
Total change during fiscal period under review	316	496
Balance as of the end of fiscal period under review	6,226	6,722
Treasury stock		
Balance as of the beginning of the fiscal period under review	(901)	(160)
Change during fiscal period under review		
Changes of items during the period		
Disposal of treasury stock	743	—
Acquisition of treasury stock	(2)	(1)
Total change during fiscal period under review	741	(1)
Balance as of the end of fiscal period under review	(160)	(162)
Total shareholders' equity		
Balance as of the beginning of the fiscal period under review	12,152	14,241
Change during fiscal period under review		
Changes of items during the period		
Issuance of new shares	1,031	—
Distribution of retained earnings	(264)	(289)
Change in the scope of consolidation	(68)	—
Disposal of treasury stock	714	—
Net income	678	785
Acquisition of treasury stock	(2)	(1)
Total change during fiscal period under review	2,088	494
Balance as of the end of fiscal period under review	14,241	14,735

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance as of the beginning of the fiscal period under review	470	124
Changes during fiscal period under review		
Net changes of items other than shareholders' equity	(345)	291
Total change during fiscal period under review	(345)	291
Balance as of the end of the fiscal period under review	124	415
Foreign currency translation adjustment		
Balance as of the beginning of the fiscal period under review	(37)	(97)
Changes during fiscal period under review		
Net changes of items other than shareholders' equity	(60)	(4)
Total change during fiscal period under review	(60)	(4)
Balance as of the end of the fiscal period under review	(97)	(102)
Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal period under review	432	27
Changes during fiscal period under review		
Net changes of items other than shareholders' equity	(405)	286
Total change during fiscal period under review	(405)	286
Balance as of the end of the fiscal period under review	27	313
Total net assets		
Balance as of the beginning of the fiscal period under review	12,585	14,268
Changes during fiscal period under review		
Issuance of new shares	1,031	—
Distribution of retained earnings	(264)	(289)
Change in the scope of consolidation	(68)	—
Disposal of treasury stock	714	—
Net income	678	785
Acquisition of treasury stock	(2)	(1)
Net changes of items other than shareholders' equity	(405)	286
Total change during fiscal period under review	1,682	780
Balance as of the end of the fiscal period under review	14,268	15,049

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Cash flows from operating activities		
Net income before taxes	1,280	1,758
Depreciation expenses	1,169	1,145
Increase (decrease) in allowance for doubtful accounts	(2)	(12)
Increase (decrease) in reserve for employees' bonuses	92	(42)
Increase (decrease) in reserve for employees' retirement benefits	226	(71)
Increase (decrease) in reserve for directors' retirement benefits	(163)	—
Interest and dividends income	(121)	(116)
Interest expenses	135	163
Loss (gain) on valuation of investment securities	99	22
Decrease (increase) in notes and accounts receivable-trade	(750)	(3,399)
Decrease (increase) in inventories	(532)	2,648
Increase (decrease) in notes and accounts payable-trade	628	(1,134)
Increase (decrease) in accrued liabilities at time of transfer to defined contribution pension plan	(13)	—
Increase (decrease) in reserve for order losses	(191)	46
Increase (decrease) in advances received	(269)	(492)
Increase (decrease) in accrued expenses	774	(950)
Increase (decrease) in allowance for environmental development	132	(89)
Other	477	(51)
Subtotal	2,974	(576)
Interest and dividends income received	121	135
Interest paid	(137)	(163)
(Payments for) refund of corporate and other taxes	(462)	(724)
Net cash provided by (used in) operating activities	2,495	(1,328)
Cash flows from investing activities		
Funds used for the purchase of tangible fixed assets	(1,157)	(918)
Funds used for the purchase of investment securities	(1,938)	(917)
Other outflows	(139)	(72)
Other inflows	83	31
Other	(194)	(270)
Net cash used in investing activities	(3,345)	(2,148)

(Millions of yen)

	For the fiscal year ended May 31, 2011	For the fiscal year ended May 31, 2012
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(60)	1,500
Proceeds from long-term borrowings	300	2,300
Repayments of long-term borrowings	(680)	(750)
Redemption of bonds	(200)	(200)
Proceeds from issuance of new shares	1,031	—
Proceeds from retirement of treasury stock	714	—
Payment for the acquisition of treasury stock	(2)	(1)
Cash dividends paid	(266)	(284)
Cash provided by financing activities	836	2,563
Effect of exchange rate change on cash and cash equivalents	(32)	(8)
Increase (decrease) in cash and cash equivalents	(46)	(921)
Balance of cash and cash equivalents at the beginning of the period	2,456	2,410
Balance of cash and cash equivalents at the end of the period	2,410	1,489