



Our Heart and Technology for the Future

Toyo Denki Seizo Report

2014

Toyo Denki Seizo K.K., Contributes to the Development of Social Infrastructure Systems

Integrating the exceptional motor drive technologies since establishment with our breakthrough advanced technologies to help build social infrastructure systems that are considerate of the global environment through global business development.

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● Editorial Policy ●

We have been publishing this report since 2013 with the goal of allowing a wide range of stakeholders to have a better understanding of the Company. This report combines our management policy with reports on our businesses, CSR and finances. We are committed to describing our initiatives during the year and our future direction in a manner that is easy to understand.

● Period Covered by This Report ●

This report focuses on our activities in fiscal 2013 (from June 2013 to May 2014), but also contains some information from outside this period.

● Organizations Covered by This Report ●

This report covers the Toyo Denki Group, including Toyo Denki Seizo K.K. and its consolidated subsidiaries.

● Reference Guidelines ●

- Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines Version 3.1"
- Ministry of the Environment "Environmental Reporting Guidelines 2012"



Half a century of supporting safe transportation and development of the Panama Canal

August 15th, 2014 marked the 100th anniversary of the opening of the Panama Canal. Since the 1960's, we have been supplying electrical equipment for electric towing locomotives that tow ships using ropes to prevent the ships from colliding with the locks and banks as they pass through the narrow canal.

Currently, the electric towing locomotives used in the Panama Canal (third generation) are sourced jointly from four companies: Mitsubishi Corporation, Toyo Denki Seizo K.K., Kawasaki Heavy Industries, Ltd., and Mitsubishi Heavy Industries, Ltd. We oversee the technical aspects of the electric towing locomotives, and make electric equipment such as motors that drive electric locomotives, as well as the winding mechanism for the towing rope.

Consolidated Financial Highlights

Highlights of Toyo Denki Seizo K.K. and Consolidated Subsidiaries for the Consolidated Fiscal Year ended May 31 or as of May 31

Fiscal term	149	150	151	152	153
	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013

(Unit: Million yen)

Fiscal Year					
Net sales	35,429	37,893	38,570	30,575	34,957
Gross profit	7,403	8,663	8,834	7,696	8,097
Operating income	975	1,503	1,701	501	1,076
Net Income	512	678	785	722	644
Comprehensive income	-	272	1,071	3,761	1,421
Capital investment	2,073	1,142	1,307	1,296	612
Research and development costs	719	917	797	913	665

Fiscal Year-End					
Net assets	12,585	14,268	15,049	18,519	19,350
Total assets	34,385	36,892	38,086	42,364	44,752
Number of employees	1,073	1,177	1,175	1,170	1,201

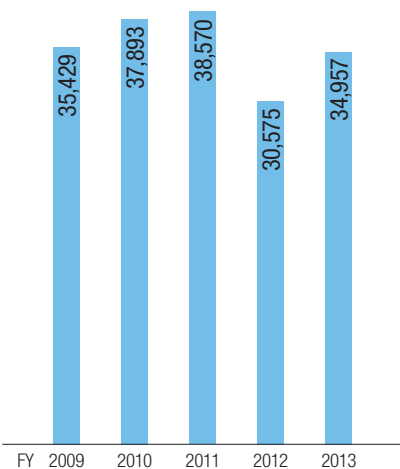
(Unit: Yen)

Per Share Information					
Net assets	285.86	295.89	312.12	384.14	401.45
Net income	11.63	14.86	16.29	14.98	13.37
Dividend	6	6	6	6	6

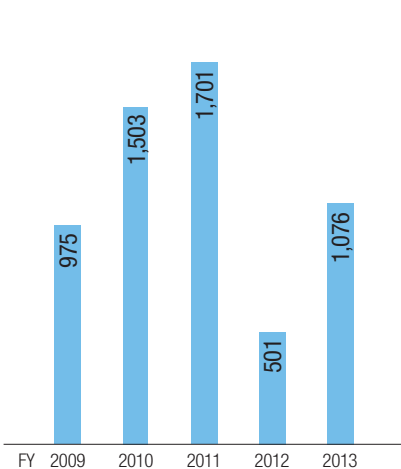
(Unit: %)

Major Management Indices					
Shareholders' equity ratio	36.6	38.7	39.5	43.7	43.2
Return on equity (ROE)	4.1	5.1	5.4	4.3	3.4
Operating income ratio	2.8	4.0	4.4	1.6	3.1
Overseas net sales ratio	20.0	26.5	34.7	23.7	27.3
Dividend payout ratio	51.6	40.4	36.8	40.0	44.9

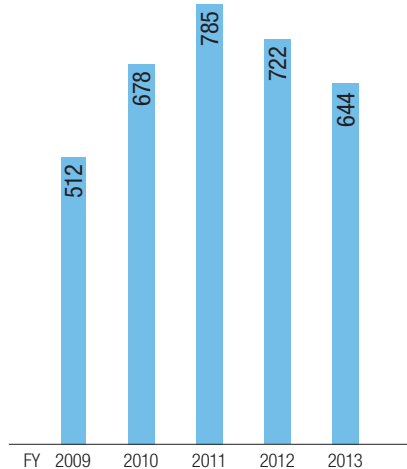
Net sales (Unit: Million yen)



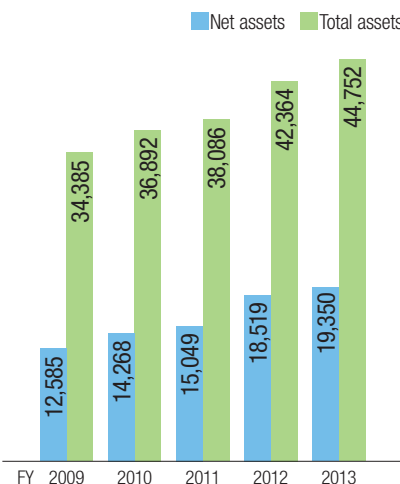
Operating income (Unit: Million yen)



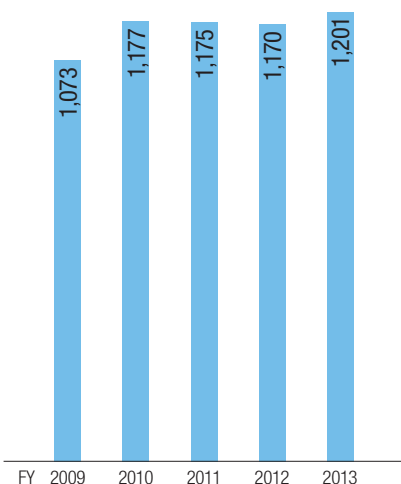
Net income (Unit: Million yen)



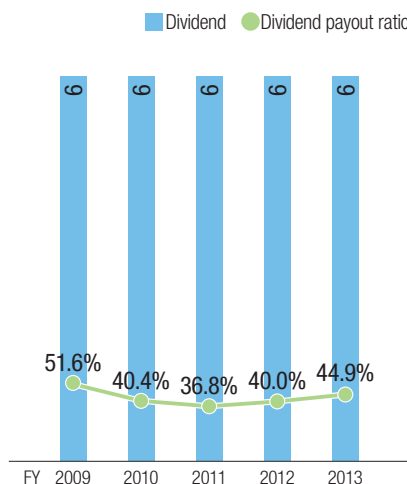
Net assets/Total assets (Unit: Million yen)



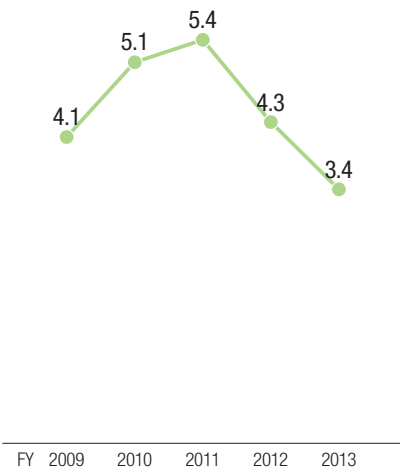
Number of employees (Unit: Persons)



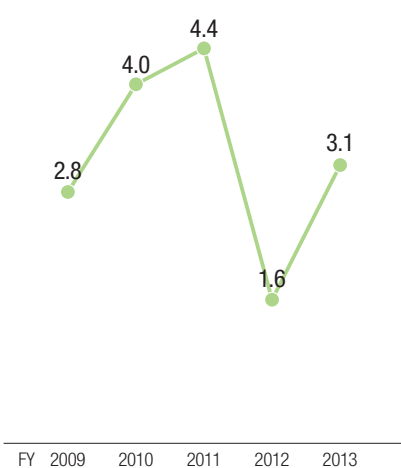
Dividend/Dividend payout ratio (Unit: Yen)



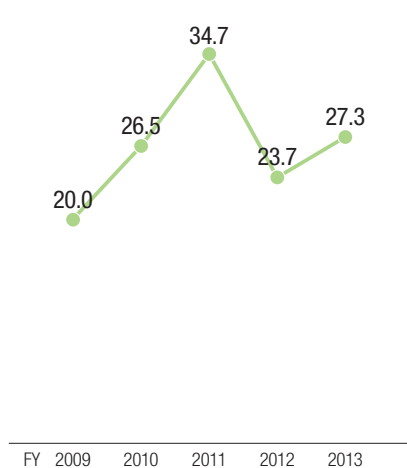
Return on equity (ROE) (Unit: %)



Operating income ratio (Unit: %)



Overseas net sales ratio (Unit: %)



Expanding businesses globally that supports transportation and social infrastructure and the industry, while contributing to environmental conservation

Although both revenue and operating income increased, profit did not reach planned figures. Orders received reached a record-high level.

Although we were able to largely meet our revenue growth plan in fiscal year ended May 31, 2014 as the growth in the Transportation Systems segment made up for the decreased revenue in the Industrial Systems segment, we failed to achieve our profit plan due to factors such as development and design costs being recorded in advance for increased number of new contracts in the Transportation Systems segment. Orders received reached a record-high level due to the robust Transportation Systems segment, and we are in a situation where an increase in revenue for this fiscal year (fiscal year ending May 31, 2015) can be expected.

Both revenue and profits for the Transportation Systems segment increased significantly, backed by the recovery in demand for rail vehicles in Japan and strong maintenance demand for high-speed railroad networks and city transit networks mainly in China and the U.S. Overseas railroad contracts including electrical equipment for a new type of light rail vehicle (LRV) in Los Angeles, U.S., for which the order was received in the previous fiscal year and driving gear units for the Chinese high-speed railroads, contributed to the expansion of sales, and we have newly received orders for electrical equipment for increased rail vehicles on Beijing Subway Line 10.



President
Kenzo Terashima

In the Industrial Systems segment, while the testing equipment for automobile development was strong, production facilities including printing equipment and processing equipment was weak and overall revenue declined. Nevertheless, we were able to maintain an increase in profits due to the effects of improved profitability of factories. Overseas, we proceeded with business development of factory system solutions, such as high-efficiency motors and inverters, in order to capture rising demand for energy saving at manufacturing sites centering on the Southeast Asian market.

Both sales and profits expanded for the Information Equipment Systems segment through reprogramming of railway station operating equipment, etc. corresponding to the increase in consumption tax.

New three-year medium-term management plan “NEXT 100: Beyond 100 years” has been launched. We will accelerate our overseas expansion to achieve net sales of 50.0 billion yen.

Although we promoted our three-year medium-term management plan “DASH 2015” for two years, we have formulated a new medium-term management plan “NEXT 100: Beyond 100 years,” with the fiscal year ending May 31, 2017 as its final year, after reviewing our strategies and goals based on the changes in the business environment and new challenges facing the Company.

In “NEXT 100,” we plan to achieve net sales of 50.0 billion yen and operating income of 3.0 billion yen (operating income ratio of 6%) through promotion of globalization and increase our overseas net sales ratio to 50% from the current 27.3%. Also, by implementing the six principal measures, we will build the base for “next” growth focusing on the year of our 100th anniversary of founding to come in 2018 (see page 6 for details).

Going forward, to promote globalization, we will accelerate overseas expansion of the Transportation Systems and Industrial Systems segments, while implementing measures such as strengthening production capacity, increasing the number of employees, developing suppliers, and improving quality and capabilities.

In the Transportation Systems segment, we plan to proceed with our global operations of the Japanese and overseas rail vehicle manufacturers mainly from our business bases in China, the U.S., Southeast Asia, and India, and enter the local rail vehicle

maintenance business.

In the Industrial Systems segment, while promoting increased sales of factory systems in Southeast Asia from our base at the representative office in Thailand, we will launch two new businesses. One is the sales of biomass power generation system mainly focusing on the Philippines. This is a circulating energy system that generates power from strained lees of sugar canes emitted by sugar mills, and that enables utilization of generated power and refined ethanol at sugar mills. The other business is mechanicalizing of presses, molds, and other production facility equipment. Leveraging our strength in servo-control technologies using permanent magnet motors, we will advance the business in collaboration with machine manufacturers.

We aim to increase our level of contribution to the society by our businesses and achieve sustainable corporate growth through promoting globalization.

Looking from the perspective of relationships with the society, our businesses not only play the role of supporting the development

of transportation and social infrastructure and the industry through the offering of superior and highly reliable products, but also largely contribute to protecting the environment through electrification and energy-conservation technologies.

As such, we aim to promote our business, in which such relationships play a key role, through overseas expansion and increasing our level of contribution to the society while further improving efficiency and reducing environmental burden with respect to our production activities. We will also aim to promote globalization and diversification of our organization, through such means as hiring foreign employees at our head office, and hiring locals at our overseas offices. We believe that, going forward, these initiatives will be vital themes for our CSR as well as essential elements for achieving sustainable corporate growth.

We would like to ask for the continued support of our stakeholders as we continue our commitment to meeting your expectations for future business development.

New three-year medium-term management plan <Fiscal 2014 to Fiscal 2016>

“NEXT 100: Beyond 100 years”

The Toyo Denki Group is committed to drastically enhancing its corporate value and thoroughly strengthening its management foundation in order to become a Group well adapted to the new era in anticipation of the year of our 100th anniversary of founding in 2018 and beyond.

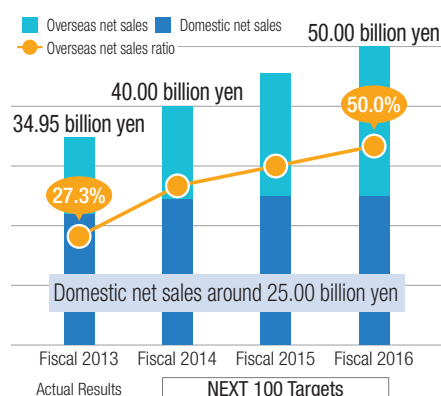


Numerical Targets (Billions of yen)

	Fiscal 2013 (Actual Results)	Fiscal 2016 (Forecast)
Net sales	34.95	50.00
Operating income	1.07	3.00
Operating income ratio	3.1%	6.0%
Ordinary income	1.03	3.20
Net income	0.64	1.90
Overseas net sales	9.56	25.00
Overseas net sales ratio	27.3%	50.0%

Segment Net Sales (Billions of yen)

	Fiscal 2013 (Actual Results)	Fiscal 2016 (Forecast)
Transportation Systems Segment	22.20	31.00
Industrial Systems Segment	10.92	16.00
Information Equipment Systems Segment	1.83	3.00



Overseas Expansion in New Medium-Term Management Plan “NEXT 100: Beyond 100 years”

Measures for Transportation Systems segment

We will promote the following measures to achieve dramatic global expansion of our Transportation Systems segment.

Utilization of alliances

Through alliances with FUJI ELECTRIC and Hitachi, we will proceed with development of new markets such as North America, Southeast Asia and India, and promote joint purchasing and joint development of products and systems based on market needs to strengthen international competitiveness.

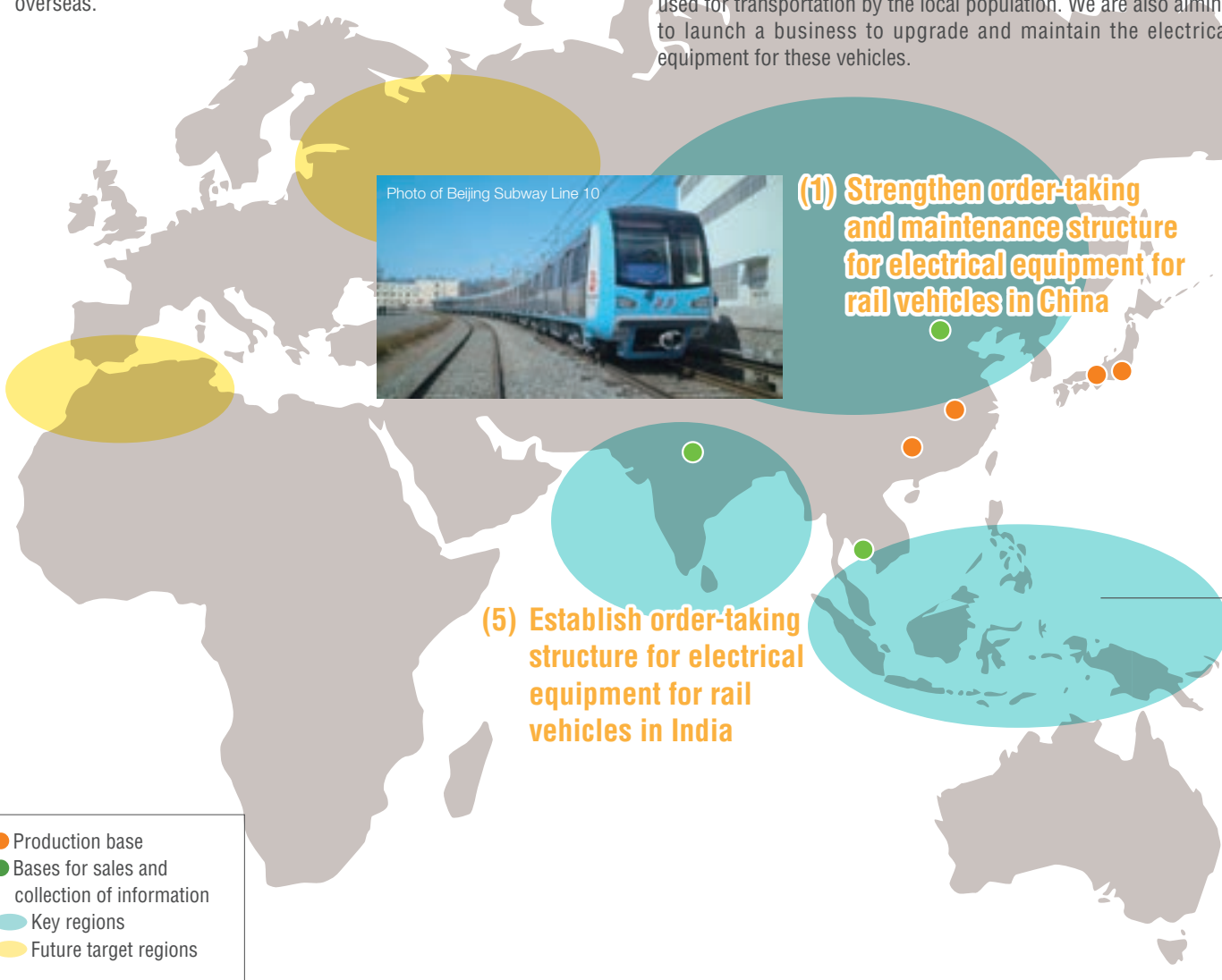
Approaching rail vehicle manufacturers

We will leverage our strengths as a dedicated manufacturer of electrical equipment for rail vehicles and actively seek export opportunities with rail vehicle manufacturers in Japan and overseas.

Deployment of maintenance business

We have been delivering electrical equipment for rail vehicles to the Beijing Subway since the late 1990's, boasting the top share of approximately 40% in the electrical equipment delivered to the Subway. In October 2014, we founded a new company, “Beijing Jingche Shuangyang Traction System Co.,. Ltd.” to further strengthen our businesses by capturing demand for maintenance of such equipment.

Additionally, used rail vehicles that were manufactured in Japan are exported to Indonesia and other countries, where they are used for transportation by the local population. We are also aiming to launch a business to upgrade and maintain the electrical equipment for these vehicles.



Measures for Industrial Systems segment

The Industrial Systems segment will promote specialization in high value-added segments in an aim to achieve steady revenues, while advancing global expansion as a key measure for business growth.

Respond to demand for energy saving in Southeast Asia

We will grow our business by responding to demand for energy-saving production facilities in Southeast Asia, by offering industrial systems products based on high-efficiency motors and inverters leveraging our motor drive technology, with a center for information collection at our representative office in Bangkok, Thailand opened in September 2014.

Expand overseas sales of testing equipment for automobile development

Based on the technologies for testing systems for automobile development we have built for automobile manufacturers in Japan, we will promote initiatives aimed at receiving orders from overseas manufacturers as well.

Restructure production system

We will restructure our production system including our subsidiaries and joint ventures in Japan and overseas, centering on the Company's major production base, the Yokohama Plant, and aim to build a foundation to achieve net sales of 50.0 billion yen by the fiscal year ending May 31, 2017.



● (2) Enhance order-taking of electrical equipment for rail vehicles in North America

(3) Capture demand for upgrading electrical equipment of rail vehicles in Southeast Asia

(4) Strengthen order-taking of industrial systems products in Southeast Asia

(6) Expand overseas sales of testing equipment for automobile development

Business Report

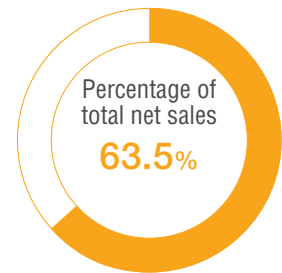


- 10** Transportation Systems segment
- 11** Industrial Systems segment
- 12** Information Equipment Systems segment
- 13** Expansion of New Businesses
- 14** Research and Development/Intellectual Property

Supporting the development of railway infrastructure worldwide through the supply of high-quality electrical equipment for rail vehicles

Business Overview

We contribute to the development of railway infrastructure by supplying the world with electrical equipment for rail vehicles used for various forms of city transit such as subways, LRVs (light rail vehicles), and APMs (automated people movers), as well as high-speed railroads such as the Shinkansen.



Results for fiscal 2013

Orders Received
29,790 million yen
(Up 42.3% year on year)

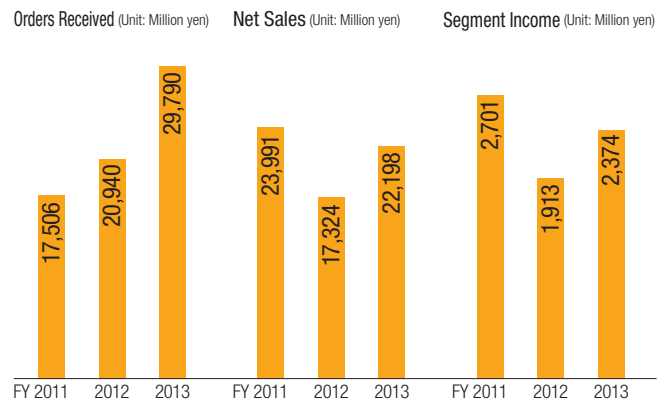
In addition to an increase in Japan, overseas orders increased significantly, including high-speed railroad and subway contracts in China as well as LRV in the U.S.

Net Sales
22,198 million yen
(Up 28.1% year on year)

Sales increased sharply as a result of a recovery in vehicle demand in Japan, as well as strengthened efforts for overseas.

Segment Income
2,374 million yen
(Up 24.1% year on year)

Profits increased due mainly to increased revenue and improvements in subsidiary earnings.



TOPICS

International Railway Industry Standard (IRIS) certification acquired for rail vehicle auxiliary power supply

The Company acquired International Railway Industry Standard (IRIS) certification for “auxiliary power supply (SIV)” in September 2013 in the field of rail vehicle auxiliary systems.

The IRIS is an international standard that calls for high quality and safety in the rail industry, and acquisition of the IRIS certification is recommended in Europe for railway-related transactions including major rail vehicle

manufacturers.

This marks the first time that certification has been acquired for an auxiliary power supply in Japan, and we will work to acquire IRIS for other products as well. We will also work to further promote global expansion of the Transportation Systems segment as we aim to expand sales of our electrical equipment for rail vehicles.

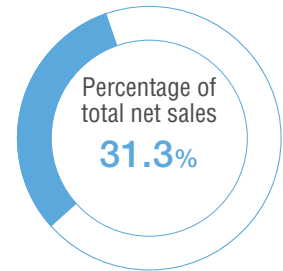


Auxiliary power supply (SIV)

Supplying advanced motor drive technology to contribute to improvement of efficiency in our customers' production facilities

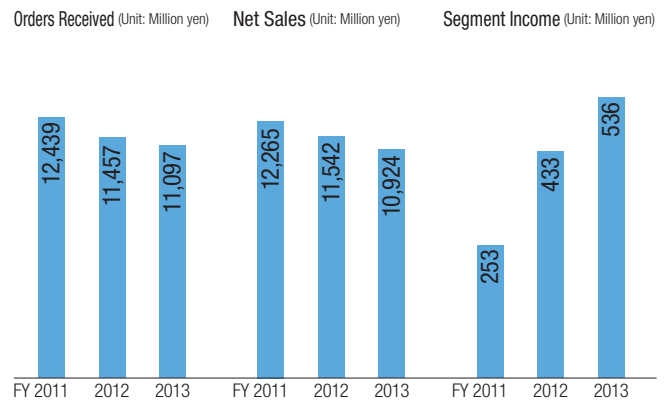
Business Overview

We propose optimal systems that suit needs of our customers using programmable controllers (PLC), intelligent inverters, and high-efficiency motors and allow customers to improve the efficiency of production facilities and shorten the period for development work.



Results for fiscal 2013

<p>■ Orders Received</p> <p>11,097 million yen (Down 3.1% year on year)</p>	<p>Orders decreased slightly due to slightly weak orders received for infrastructure-related despite being robust for testing systems for automobile development and capital investment-related.</p>
<p>■ Net Sales</p> <p>10,924 million yen (Down 5.4% year on year)</p>	<p>Sales decreased slightly for the same reason underlying the decrease in orders received.</p>
<p>■ Segment Income</p> <p>536 million yen (Up 23.8% year on year)</p>	<p>Profits increased due to improved profitability at factories.</p>



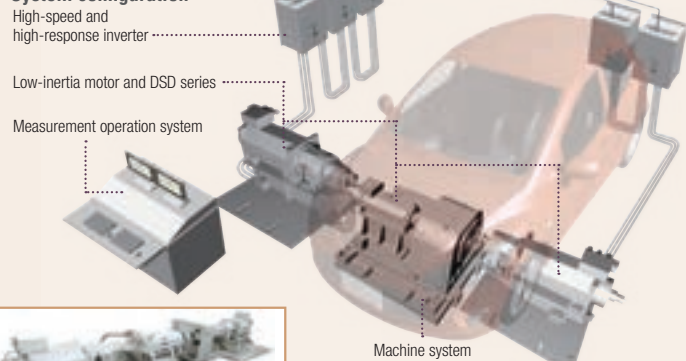
TOPICS

Testing system for automobile development

Our testing system for automobile development is composed of a high-speed and high-response inverter, low-inertia motor, mechanical system, and measurement operation system, and is used in the development sites by major automobile manufacturers and automobile parts manufacturers in performance evaluation tests and endurance tests for the traction systems of not only standard gasoline vehicles, but also for hybrid vehicles (HEVs) and electric vehicles (EVs) that are expected to become increasingly widespread in the future.

We support the development of next-generation vehicles by providing highly accurate and reliable testing systems that can help customers reduce development time.

Testing system for automobile development System configuration

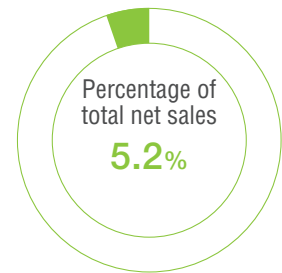


Transmission testing bench for FF vehicles

Developing and manufacturing railway station operating equipment and remote monitoring systems that contribute to improvement of operational efficiency

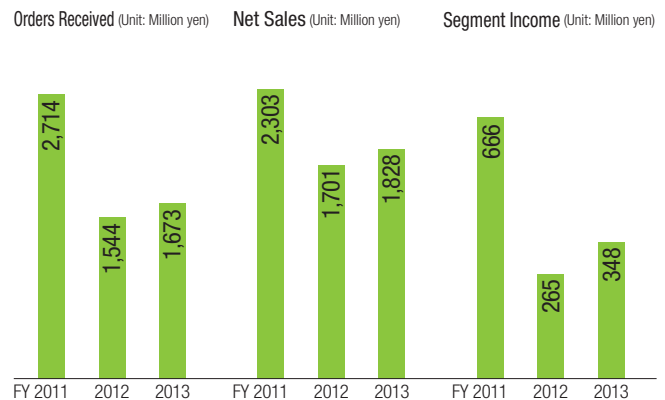
Business Overview

We provide “railway station operating equipment” including commuter pass issuing machines and onboard ticket vending machines (ticket issuing handy terminals) as well as remote monitoring systems that offer excellent customization qualities in combination with remote monitoring terminals developed based on programmable controllers (PLC), various communication networks, and our cloud servers.



Results for fiscal 2013

<p>■ Orders Received</p> <p>1,673 million yen (Up 8.4% year on year)</p>	<p>Orders for both railway station operating equipment and remote monitoring systems increased.</p>
<p>■ Net Sales</p> <p>1,828 million yen (Up 7.5% year on year)</p>	<p>Sales increased due to reprogramming of railway station operating equipment, etc. corresponding to the increase in consumption tax.</p>
<p>■ Segment Income</p> <p>348 million yen (Up 31.3% year on year)</p>	<p>Profits increased due to increased revenue.</p>



TOPICS

Remote monitoring system for agricultural facilities

In cooperation with JAPAN OPERATOR CO., LTD., a company that manufactures products including control equipment for greenhouse environments, we have developed the “House Mail F” remote monitoring system for agricultural facilities that allows the visualization of aspects including temperature and moisture within vinyl plastic hothouses and greenhouses.

This system contributes to efficient agricultural management by not only allowing standard monitoring of agricultural facilities, but also by immediately delivering warning emails to customers in the event of abnormalities, such as power outages or sudden changes in temperature at greenhouses, and by allowing customers to check the status of agricultural facilities in real-time as necessary from their computer or mobile phone at home or the office.



Example of a cucumber farm

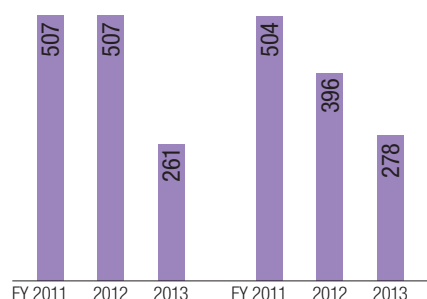
Continually expanding our unique motor drive technologies to “automotive electric equipment” and “mechanicalizing of industrial machines” fields

Business Overview

We develop and manufacture “automotive electrical equipment,” which supports hybrid electric vehicles (HEVs), electric vehicles (EVs), and construction machinery and motors and inverters supporting the mechanicalizing of industrial machines as a new core business for the Company alongside our Transportation Systems and Industrial Systems segments.

Currently, orders received, net sales, and profits and losses of these products are included in our results for the Industrial Systems segment. We will continue R&D going forward with this business as the drive for expansion of our businesses and actively work to receive orders with an eye to the global market.

Orders Received (Unit: Million yen) Net Sales (Unit: Million yen)



Reference:
Orders received and net sales

Our new business starts with the receipt of orders for the development and design of prototypes from manufacturers of construction machinery, automobiles, industrial machinery, and other products. Above figures are our orders received and net sales for the past three years for reference.

TOPICS

Dissolution of ELETT CORPORATION

● Reason for the dissolution

The Company and TOYOTA INDUSTRIES CORPORATION (“TOYOTA INDUSTRIES”) established ELETT CORPORATION (“ELETT”) as a joint venture and conducted operations in an aim to jointly develop and provide motors, inverters, and electric traction systems with excellent environmental performance for the industrial machine field. However, while it is certain that growth can be expected for the market for motors and inverters for industrial machineries and electric traction systems in the future, dissolution of ELETT has been decided as we are currently locked in the prototype stage before mass production and it is not possible to secure sufficient sales for maintaining this joint venture project.

● Cooperation between the two companies going forward

It has been decided to partially revise the Business and Capital Alliance Agreement concluded between the Company and TOYOTA INDUSTRIES on February 21, 2011 and continue the capital alliance and cooperation in a new

form. This cooperation will include (1) joint development aimed at improving mechanicalizing technologies and (2) entry into industries and fields not restricted to the conventional framework.

Both companies will continue to contribute to the development of electric traction of industrial machines supported by increasing environmental awareness and needs for fuel economy improvements.

● Sequence of events up to the dissolution of ELETT

February 21, 2011	Conclusion of Business and Capital Alliance Basic Agreement between the Company and TOYOTA INDUSTRIES
May 16, 2011	Establishment of the joint venture “ELETT”
February 20, 2014	Conclusion of new Business and Capital Alliance Basic Agreement between the Company and TOYOTA INDUSTRIES
March 31, 2014	Dissolution of ELETT

R&D to support the development of social infrastructure and supporting frameworks

Research and Development

Our research and development system consists of the research laboratory and the development divisions in each business unit. With regard to our R&D activities, we seek to create products that fully satisfy our customers in Japan and overseas and challenge the

creation and expansion of these products. That is, we actively promote development of technologies of our existing businesses and basic research that support this development as well as development of new products that expand our businesses.

Results and topics from fiscal 2013

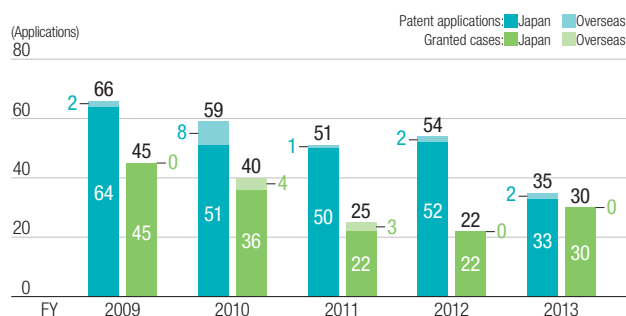
Segment	Project	Description
Transportation Systems	Fully enclosed induction traction motor	Completed a fully enclosed induction traction motor for trains that focuses on the reduction of maintenance labor.
	Guidance display system	Completed joint development of guidance display system for inside rail vehicles as part of a business alliance with FUJI ELECTRIC CO., LTD.
	Electric door operating equipment	Completed an electrically-powered door device that reduces air compressor volume and enables finely-tuned door operation.
Industrial Systems	Inverter-compatible products	Developed the unique "DC66" product that operates DC motors in inverters is compatible with VF66B inverters.
	Programmable controller (PLC)	Completed the embedding of function in the μGPCsH part of our PLCs that enables desktop simulation of machinery and motor operations.
	Motors for automotive test equipment	Developing a 20,000min ⁻¹ motor to follow the 16,000min ⁻¹ motor (already developed) in ultra-fast motors for EVs and HEVs.
Information Equipment Systems	Next-generation all-in-one ticketing machines (railway station operating equipment)	Completed preparations for the mass production of next-generation all-in-one ticketing machines that are main products for the Information Equipment Systems segment.
	New remote monitoring terminal	Scheduled to complete mass production during fiscal 2014 of remote monitoring terminals for four promising fields (industries) that are sales targets.

Intellectual Property

Our intellectual property is placed as a key corporate resource. Our intellectual property department is responsible for the management of intellectual property and our research laboratory and the development divisions in each business unit actively apply for patents and utility models.

In the overseas markets which we expect to further expand our businesses, we have started to actively engage in activities concerning our intellectual property in order to protect our technologies and brand.

Patent applications granted



CSR Report

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Actions to Deal with the Environment and Local Communities

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- 30 Contributions to Local Communities

In an effort to continuously enhance its corporate value, the Company is striving to ensure transparency of management and compliance, along with the maintenance and operation of an adequate governance framework while reinforcing its risk management framework.

Business Principles

Prioritize ethics and contribute to the prosperity of customers and society as a whole

Encourage creativity and enterprising spirit to meet the challenges of the future

Build trust by focusing on quality first

Code of Conduct

1. Respond to customers in a timely and speedy manner
2. Tackle all challenges with forethought and creativity
3. Continuous efforts toward self-development and skill improvement
4. Keep a broad perspective and influence each other toward growth
5. Act with awareness and pride of a good member of society and businessman

Established in June 2001

Corporate Governance

Our philosophy of corporate governance

The Group's business activities are based on the business principles that "prioritize ethics and contribute to the prosperity of customers and society as a whole." We therefore strive to attain sound corporate management through strengthening and reinforcing corporate governance, fully appreciating the significance of compliance based on corporate ethics. At the same time, we review as appropriate our management monitoring system to ensure its conformity to the changes in the business environment including social environment and relevant legislation.

Corporate governance

We are a company with a board of statutory auditors, furnished with corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, and include the Board of Directors, Statutory Auditors, the Board of Statutory Auditors, Accounting Auditors, along with the General Meeting of Shareholders and Directors. At its regular monthly meetings as well as extraordinary meetings held when appropriate, the Board of Directors discusses and decides on important management matters such as reports on Directors' business execution and matters to be decided solely at the discretion of the Board of Directors, while supervising Directors' business execution. In addition, the Company has meeting bodies including the Management Strategy Meeting and Executive Officer Liaison Meeting. Through these bodies, critical management matters including matters related to their execution of duties and/or those subject to the deliberation of the Board of Directors are reported to the President by the general managers of business execution departments, and are deliberated and discussed preliminarily.

Internal audit and statutory auditor's audit

Action plans and results of internal audits are reported to the Board of Directors and Statutory Auditors by the Audit

Division under the direct control of the President as a function independent of all business operations subject to audit, as part of an effort to reinforce corporate governance. Statutory Auditors hold preliminary meetings with Accounting Auditors after the Ordinary General Meeting of Shareholders to exchange opinions regarding the audit plan. Statutory Auditors receive the results of quarterly reviews from Accounting Auditors both verbally and in writing, and confirm their action plans (if required by the reviews) to be taken at a fiscal year-end audit. Statutory Auditors also receive the results of the reviews on the fiscal year-end audit from Accounting Auditors in a statutory document along with verbal reviews. Furthermore, Statutory Auditors are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

External Statutory Auditors and Outside Directors

Although the Company has established neither guidelines nor policies regarding the independence required for a candidate for its External Statutory Auditor, we used the criteria for the independence of members of an independent committee established by stock exchanges as a reference in appointing the External Statutory Auditors, who have excellent insight in their areas of expertise. The Company appointed three External Statutory Auditors, each of whom is playing a role to enhance audit functions required by laws and regulations while independent from the Company.

Mr. Hiroshi Hamao and Mr. Eiichi Suzuki, our External Statutory Auditors, are engaged in the auditing activities for the Company, drawing on their wealth of experience and broad knowledge developed in corporate management and service at a financial institution.

Mr. Toshio Ikeda, our External Statutory Auditor, is a certified public accountant who utilizes his professional expertise in the area of corporate financial accounting for the Company's auditing work. Meanwhile, the Company has appointed Mr. Ikeda as an independent director and registered him as such at stock exchanges.

The Board of Directors consists of Directors who are familiar with the Company's business operations, so that maintenance and enhancement of management efficiency can be ensured. External Statutory Auditors are in place to thoroughly perform auditing functions to ensure management soundness. As such, the Company has not appointed Outside Directors as of the date of submission.

Executive remuneration

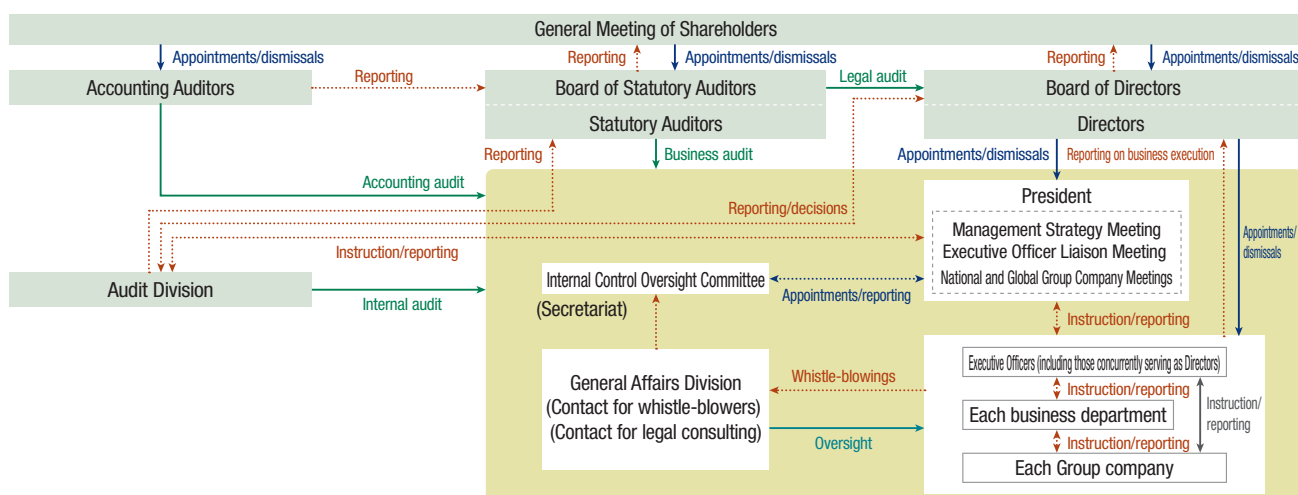
Amounts of remuneration for Directors and Statutory Auditors are decided by a resolution at the General Meeting of Shareholders. Basic remuneration for Directors is a fixed salary while a bonus is payable as determined by

each Director's contribution to management as well as business results of the Company. Basic remuneration for both Standing and Part-time Statutory Auditors is a fixed salary without bonus payments.

-As of the end of May 2014-

Category of executives	Number of executives applicable	Total amount of remuneration (Unit: Million yen)
Directors	7	147
Statutory Auditors (excluding External Statutory Auditors)	2	27
Outside Executives (External Statutory Auditors)	2	11

Corporate governance framework



Internal control and compliance

Internal control

The Company has developed an internal control system based on the Rules for the Internal Control Oversight Committee established in June 2006. The system reasonably ensures the achievement of objectives including effectiveness and efficiency of operations, reliability of financial reporting, compliance with relevant laws and regulations and protection of corporate assets. The Company has also introduced a self-inspection system to enhance monitoring so that an effective functioning of internal control can be ensured.

Furthermore, the Company has developed and operates an internal control system appropriately to ensure the reliability of its financial reporting, based on the Financial Instruments and Exchange Act (the so-called J-SOX Law). Accordingly, we determined that the internal control with respect to the Group's financial reporting was effective as of fiscal 2013, and we submitted an internal control report to the relevant authorities in August 2014.

The report has been endorsed as adequate by an audit report submitted by the Accounting Auditor. The report has been endorsed as adequate by an audit report submitted by the Accounting Auditor.

Principles of compliance

The Company has set "1. adherence to rules," "2. observance of confidentiality," "3. distinction between private and public matters," "4. strictness with money," "5. prohibition of side jobs," and "6. prohibition of discriminatory and sexually suggestive statements or behavior" as principles of compliance.

Compliance promotion framework

To focus on business principles and fulfill its social responsibility, the Company has provided all officers and employees with a copy of the Compliance Manual (Toyo Denki Seizo Ethical Standards) that stipulates its code of

conduct. The move is part of an effort to have the code and the basic rules of work fully known.

The Company has also introduced a whistle-blowing system that allows employees to provide information directly to the management. The system is aimed at ensuring that any illegal or inappropriate conduct within the Company is detected at the earliest possible stage and that adequate measures are taken promptly and as needed so that such conduct is rectified.

● Compliance education

The Company is organizing scheduled and systematic training sessions based on a compliance training master plan to enhance knowledge on compliance while promoting a conscious respect for corporate ethics.

Risk Management

● Basic policy

The Company is engaged in developing rules and a framework for risk management according to the Basic Rules for Risk Management established in August 2006.

● Promotion framework

The Company has established the Internal Control Oversight Committee, an advisory body chaired by the President and has some of its authority delegated from the

Board of Directors. It analyzes and assesses all the risks that exist in the Group and develops an effective risk management framework capable of dealing precisely with the risks of the types and degrees that the Group is exposed to. The committee specifically reviews the way such a risk management framework ought to be, and it reports periodically to the Board of Directors on the recommendations resulting from its deliberations.

Furthermore, the committee is committed to enhancing the Group-wide risk management framework in accordance with the Basic Rules for Risk Management.

Information Security

● Basic policy

The Company holds a vast amount of information assets including information presented by customers related to its business execution and confidential information concerning the Group's proprietary technologies and its trade. Each Group company is taking various measures in this respect based on an awareness of shared security under the Group's Information Security Guidelines, which have been established to adequately manage and use these information assets.

● Information security training

The Company is conducting educational activities to develop information security awareness among all employees including various training sessions, some involving the use of educational DVDs.

Risk Factors

From the perspective of proactive information disclosure, the Group intends to disclose a wide range of recognizable risks. Major risks that may affect its earnings and financial position are set out below. The Group aims for thorough understanding of these risks in order to establish a necessary risk management framework designed to prevent the risks from materializing or minimize the impact of risks if they do materialize.

(1) Business activities, business structure, economic trends, and other factors

The Group's sales heavily rely on the Transportation Systems and Industrial Systems segments. Its customers conduct business operations at home and overseas. As such, business climates and individual spending conditions in different countries may affect the Group's business performance.

- (2) Production bases
The great majority of the Group's production bases are located in the Kanto area. Production capacity may be severely affected by large-scale disasters in the area.
- (3) Intensifying competition
The Japanese market for the Transportation Systems segment has matured and thus faces intensifying competition. The Industrial Systems segment is under pressure from intensifying competition for product development. The Group's business performance may be affected by such intensifying competition.
- (4) Product quality
Defects in products may link to materialization of a risk that requires large-scale compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which may affect the Group's business performance.
- (5) Product development
With a view to providing attractive products to customers, the Group applies itself to gathering information about customer needs and leverages it in the development of new products to support its future growth. However, delays in the development of new products to respond to rapid technological or environmental changes may affect the Group's performance.
- (6) Material procurement
Owing to the fact that the Group's business has various distinctive characteristics, some of the materials it procures are not easily available due to factors such as a limited number of suppliers. Delays in supply or discontinuation in production of such materials may affect the Group's performance. In addition, disruptions to the entire supply chain caused by a large-scale disaster or other incidents could impact the Group's operations. Moreover, its business may be affected by the fluctuation in prices of raw materials, notably steel products and copper.
- (7) Overseas expansion
The Group proactively pursues the expansion of overseas operations including the Chinese market. Its performance may be affected by major changes in situations overseas.
- (8) Intellectual property rights
The Group attends to the protection of intellectual property rights. However, amid drastically advancing technical innovations and accelerating globalization of business, the Group is inevitably exposed to potential disputes with third parties over intellectual property rights. If a dispute occurs, the Group's business may be affected.
- (9) Business alliances
With the aim of business expansion and enhancing competitiveness, the Group proactively pursues various alliances with third parties. However, if these alliances do not deliver expected results due to a failure in forging favorable relationships with partners, the Group may face an impact on its performance.
- (10) Exchange rate fluctuations
On the back of aggressive expansion into overseas markets, the Group will inevitably face heavier impact of foreign currency exchange rate fluctuations on its earnings as it increases foreign currency denominated transactions.
- (11) Holding assets
Fluctuations in the fair value of assets held by the Group may affect its performance.
- (12) Financing
The Group's financing programs may be affected by unexpected changes in financial conditions.
- (13) Information security
The Group retains customer information related to its business executions. Also, it possesses various types of confidential information concerning the Group's proprietary technologies and operations. If these information assets leak outside the Group for unforeseeable reasons, it may impact its performance.
- (14) Compliance
The Group proactively pursues expansion in overseas operations, particularly the Chinese market; therefore its operations are subject to the laws and regulations of each country. Although the Group has established and conducts a robust compliance system, its operations are still at risk from the effects of unforeseeable events.
- (15) Litigation
If the Group becomes the subject of any legal action or other legal procedures, its business may be affected.

With Our Customers

The Company makes it one of our business principles to “build trust by focusing on quality first.” As such, we strive to enhance customer satisfaction through our commitment to thorough-going quality control as we believe delivering safe and secure products and services to customers is the Company’s most important mission.

Quality Control

– Providing Safe and High-Quality Products

● Basic policy on quality control

The Company’s electrical equipment for rail vehicles is installed in many rail vehicles. These extremely important products play a direct role in ensuring the safety of human life and property during rail transportation. In the Industrial Systems and Information Equipment Systems segments as well, the Company’s products and services are used in customers’ production facilities, development sites and in the field of social infrastructure, and they form the foundation supporting the sustainable development of a society that is safe and comfortable to live in.

In order to ensure the high quality of our products and services, the Company has established a “Basic Policy on Quality Control” which is deployed at all production bases as we strive to maintain and improve our human resources education, compliance with rules, and our facilities.

● Promotion framework

With regard to quality control, each fiscal year the Company develops policies and the promotion framework aimed at further maintaining and improving quality in each business unit, along with specific policies pertaining to the reduction of flaws and other issues. The Company’s Corporate Quality Control Division works together with the quality assurance department in each business unit to put together a report on the status of quality control and results in each unit. The report is delivered to top management at the monthly Executive Officer Liaison Meeting where measures are debated and decided. Furthermore, in the event that a flaw is discovered after a product has been shipped, the necessary steps are swiftly taken, mainly by the quality assurance department in each business unit, while at the same time the causes that led to the flaw and its mechanism are investigated, and this information is put into a database so that the information can be shared in-house in an effort to prevent recurrence.

● Quality management system

The Company has created and operates a quality management system at its production bases, the Yokohama Plant and the Shiga Factory, and has obtained ISO 9001 certification.

● Year ISO 9001 certification obtained

Yokohama Plant	1994
Shiga Factory	2000
Extended companywide	2007

Responding to the Global Market

● Proper export controls

The Export Control Department at General Affairs Division is responsible for export management as the export management control department. We have created a system for the proper management of exports in order to ensure compliance with the laws and regulations concerning export management in the countries and regions where we engage in business activities as well as to avoid involvement in transactions that could hinder the maintenance of international peace and safety.

The Export Control Department handles cargo and technology parameters used in determining whether or not export permits are required, as well as investigation of transactions. In addition, the Department carries out employee education and guidance and support for Group companies.

Towards Greater Customer Satisfaction

● Customer satisfaction survey

Through its sales department, the Company regularly conducts surveys on topics such as customer requests and customer satisfaction. The results are reported to the top management at Executive Officer Liaison Meetings, and the information is shared within the Company. We strive to maintain good relations with our customers by identifying problems that need to be solved and swiftly addressing them in order to raise customer satisfaction.

With Our Suppliers

The Company responds to the needs of our customers through the strong network we have built with suppliers in line with our unique characteristics as a business based on an individual build-to-order/multi-product small lot manufacturing model.

Towards Just and Fair Procurement

Communication with suppliers

The Company's products possess various distinctive characteristics such as being individually built-to-order, manufactured in multi-product small lots, and demanding high reliability. Therefore, the Company can be affected by the performance of our suppliers as a result of issues such as delays in supply due to fluctuations in production quantity or delays in processing due to the quality of products received.

In order to reduce these risks as much as possible, the Company carries out instruction and support related to quality, technology, and skills for our suppliers, as well as guidance for improvement of manufacturing sites, in order to ensure stable procurement of even better quality products. In addition, we actively promote information sharing through the "Toyo Denki Cooperation Association" to which our leading suppliers belong.

Training for material procurement officers

The Company endeavors to maintain proper execution of operations by implementing a variety of training programs for material procurement officers to deepen their knowledge of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and related laws and regulations and to cultivate awareness of legal compliance.

External whistle-blower system (for suppliers)

The Company has established an external whistle-blower system to receive consultations or reports on compliance from our suppliers. The legal compliance department handles complaints and consultations about transactions, and the Company's retained lawyer resolves issues when necessary.

TOPICS

Establishment of "Procurement Action Guidelines"

In March 2014, the Company improved its procurement-related regulations and established the "Procurement Action Guidelines."

Procurement Action Guidelines

These guidelines indicate the codes of conduct that the Company's executives and employees should comply with in the procurement of purchased parts and outsourced parts as required for the manufacturing of products ordered by customers ("procurement transactions").

1. Procurement transactions shall be conducted in compliance with the laws of the relevant countries.
2. Information concerning suppliers in procurement transactions shall only be obtained within the scope necessary for conducting procurement activities in accordance with contracts. Furthermore, efforts shall be made to carefully manage and observe the confidentiality of information gained during business operations.
3. Personal interests with suppliers shall be prohibited in procurement transactions, including the lending and borrowing of money.
4. Receiving of remuneration or any other forms of personal rewards from suppliers shall be prohibited in procurement transactions.

In addition, entertainment or gifts beyond the scope of normal social behavior shall be prohibited.

5. Forceful requests for entertainment, gifts, or donations from suppliers shall be prohibited in procurement transactions.

With Our Shareholders and Investors

Through the timely and proper disclosure of information and various modes of communication, we strive to receive an appropriate evaluation of the Company from our shareholders and investors.

Towards Enhancement of Corporate Value

● Basic philosophy

Through timely and appropriate disclosure of information to our shareholders and investors, the Company accurately conveys our management policy and business conditions while making use of IR tools such as our website to promote a full range of IR activities that contribute to the improvement of our corporate value.

● Development of IR activities

IR activities for institutional investors and securities analysts

The Toyo Denki management team holds a financial results briefing each quarterly period and gives a report including the state of progress of the medium-term management plan, an overview and forecast for each segment, major orders, and other topics.

In addition, we strive to deepen understanding of the Company through individual visits to institutional investors or holding factory tours, participating in small meetings organized by securities companies, and so on.

IR activities for individual shareholders and individual investors

The Company website includes a “For Individual Investors” page which offers a clear introduction to our business activities and our results, as well as making available a variety of IR materials.

URL “For Individual Investors”

http://www.toyodenki.co.jp/html/ir_individual.html

● Holding of company presentations for individual investors

- Friday, September 6, 2013
Mitsubishi UFJ Morgan Stanley Securities (Osaka Branch)
Attendance: 89 people
- Tuesday, February 18, 2014
Mitsubishi UFJ Morgan Stanley Securities (Head Office)
Attendance: 98 people

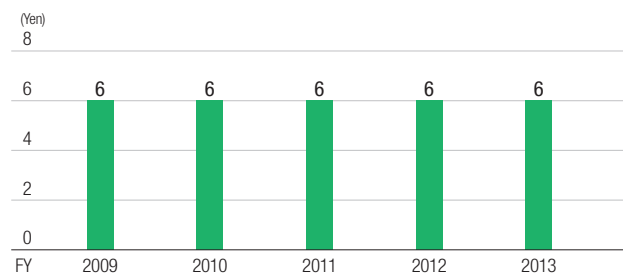
● Holding of factory tour for shareholders

- Friday, April 11, 2014 at the Yokohama Plant
Attendance: 31 people (120 applicants)

● Dividends

Maintenance of stable dividends forms the basis of the Company’s distribution of profit, and the dividend for the fiscal year ended May 31, 2014 was 6 yen per share (interim dividend of 0 yen, fiscal year-end dividend of 6 yen). The Company also intends to maintain dividends at 6 yen or more per share from the fiscal year ending May 31, 2015 onward.

● Dividend per share



Record of 153rd Ordinary General Meeting of Shareholders
Date held: Wednesday, August 27, 2014
Attendance: 97 people



President Terashima greeting visitors at the factory tour for shareholders

With Our Employees

The Company seeks to cultivate a dynamic corporate culture and to create a pleasant and safe workplace where each and every employee can unleash his or her diverse capabilities.

Towards the Development of Human Resources with Competitive Strengths

Human resources development policy

The Company has set the following policy on human resources development and carries out education and training.

Fundamental policy

- (1) To develop human resources who understand and practice our business principles and code of conduct and who are of value both as company employees and as members of society.
- (2) To develop human resources who are professionals, each possessing a high degree of specialized expertise, by enhancing the knowledge, techniques, and skills they need to carry out their duties.
- (3) To provide a variety of educational opportunities in order to promote personal development, with emphasis on a self-directed approach to study and growth.

Education and training system

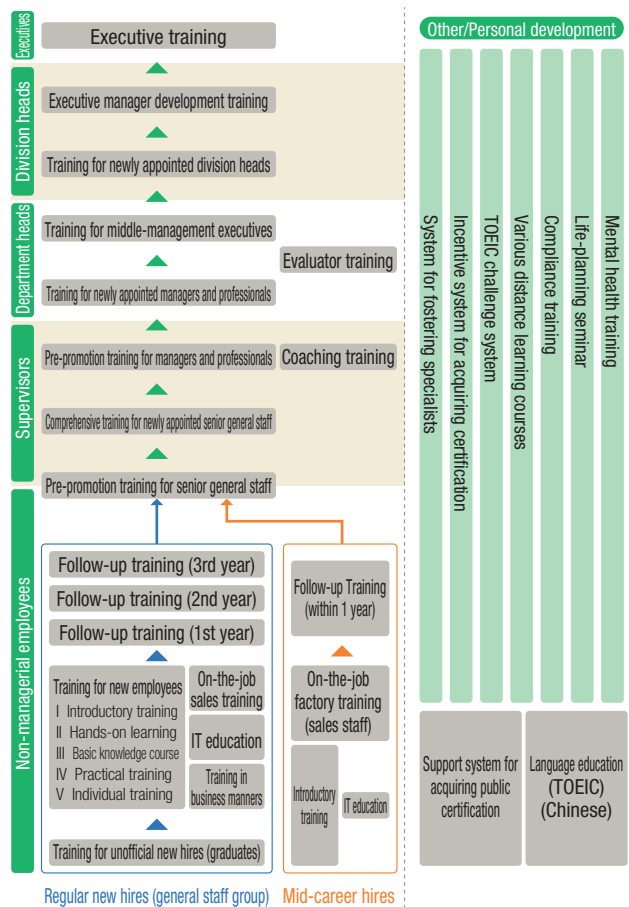
Training programs at the Company are divided into several categories according to the employee's year of service, type of work and role, and training is carried out after clarifying what part each employee is expected to play.

Furthermore, in response to globalization of the Company's operations, we offer English and Chinese language programs. The Company covers the full cost for a variety of courses tailored to the level of the participating employees, including distance learning, enrollment in schools, and classes provided by teachers in-house.



Training for new employees

Training system



Passing on skills

In order to proactively promote the transmission of outstanding skills to maintain high quality, the Company encourages employees to obtain official certifications. Furthermore, employees with exceptional manufacturing skills or expertise are recognized as "My Star" internally and given responsibility to instruct and train younger workers.

In April 2013, the Technical Training Center was newly established within the Yokohama Plant, where training is carried out for technical staff through lectures and various hands-on workshops.

Creating a Pleasant Workplace

○ Safety and hygiene initiatives

The Company holds monthly meetings of the Safety and Hygiene Committee jointly with labor and management, where ongoing discussions are held in order to build a safer working environment and to reduce workplace injuries to zero, and to find solutions to mental health issues at each of our bases. In particular, sub-committees are set up to address important topics related to safety and hygiene at production bases in an effort to create an even better workplace.

○ Acquisition of the “Kurumin” certification logo (June 2014)

In recognition of our efforts as a “company that supports child-rearing,” which includes a substantial childcare system, educational activities concerning a work-life balance, the creation of an environment in which it is easy to obtain childcare leave, and the acquisition record of childcare leave by male employees, we received the “Kurumin” certification logo from the Tokyo Labor Bureau in June 2014.



○ Initiatives for diverse work-styles

The Company has implemented a flexible work-style including a flextime system for sales staff and those involved in development. Furthermore, in order to encourage retention and utilization of employees with knowledge and skills, we have put in place the “System for Rehiring Employees” for employees who have resigned due to life events that occur in the course of their career (childbirth, childcare, family care, spouse’s transfer, etc.), so that they can be rehired when they reach the stage when it is possible to return to work.

As for employees who wish to be rehired after they reach the mandatory retirement age (60), in principle, we continue to employ them until the age of 65.

○ Initiatives for employment of the disabled

The Company makes improvements to the workplace environment and carries out workplace training with the aim of creating a workplace where the disabled and those in normal health can work together energetically. We also promote collaboration with local governing agencies and special-needs schools regarding employment of the disabled.

○ Mental health measures

As measures to address mental health, the Company conducts “Line care training” for administrative professionals and “Self care training” for employees. In addition, we have partnered with an external medical institution to set up a telephone and e-mail consultation service to provide support for prevention, treatment, and return to work.

○ Implementation of employee satisfaction survey

The Company conducts an “employee satisfaction survey” once per year, and relevant departments work to resolve various issues extracted from the survey results. In addition, the company-wide “Dynamism Committee,” whose purpose is to create a “dynamic corporate culture,” leads various activities aimed at revitalizing internal communication.

Work and family life balance

“Childcare leave is for men too!!” It was a very valuable period for me.

Daisuke Yokomizo (Human Resources Division)

When I learned of my wife’s pregnancy, I decided to take childcare leave in consideration of my wife’s recovery after giving birth.

I took leave for approximately three and a half months, and during this time I did all that I could to support my wife 24 hours a day, day and night with tasks such as preparing milk, changing diapers, daily shopping, and giving medicine to my child when she felt unwell. I also actively participated in events that were mainly for mothers and babies (such as baby massage classes), and I was able to share with people about concerns such as how to communicate with my child and concerns related to childcare.

During this leave, I was able to realize how hard it must be for my wife to take care of our child everyday, as well as

the fact that while childcare is difficult, it is also a lot of fun. Although it was a short period of time, I feel that this valuable experience has added to my life. The fact that my one-year old daughter is very fond of me proves that the leave has really paid off, and this makes me extremely happy.

I am very grateful to my superiors and coworkers who enabled me to have this valuable opportunity. Thanks to this I was the first male employee at the Company to apply for childcare leave, and I hope that my experience will encourage other male employees to apply for childcare leave as well.



Data Concerning Personnel and Labor

Data concerning personnel and labor (at Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of employees	Total	700 * ¹	748 * ²	744 * ²	791 * ³	797 * ³
	Men	649	697	693	735	737
	Women	51	51	51	56	60
Ratio of female employees	%	7.3	6.8	6.9	7.1	7.5
Number of administrative professionals	Total	170	171	155	152	156
	Men	169	170	153	151	155
	Women	1	1	2	1	1
Ration of female administrative professionals	%	0.6	0.6	1.3	0.7	0.6
Average age	Overall	39.7	40.8	41.1	41.0	41.1
	Men	40.0	41.1	41.4	41.1	41.2
	Women	35.7	36.5	38.2	38.9	39.0
Average years of employment	Overall	16.2	16.4	16.5	16.1	16.3
	Men	16.4	16.6	16.7	16.3	16.5
	Women	13.3	13.5	14.6	14.5	14.5
Average annual salary	Yen	5,831,972	5,953,210	6,039,332	5,885,559	5,750,453
Overturn rate (within 3 years of joining the Company)	%	5.9	5.9	13.5	3.8	0.0
Number taking childcare leave	Persons	0	1	2	3	1
Number taking family care leave	Persons	0	0	0	0	0
Number of temporary staff (including part-timers)	Persons	222	155	149	167	158
Notes		*1 Number of regular employees excluding Executive Officers *2 Number of regular employees including Executive Officers and number of special employees, temporary employees and temporary and part-time employees *3 Number of regular employees including Executive Officers, and number of special employees, temporary employees, contract employees and staff on loan from other companies, etc.				

Reference data I: Number of Officers (at Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of Officers	Total	10	12	10	10	11
	Men	10	12	10	10	11
	Women	0	0	0	0	0
Notes		For each fiscal year as of May 31 (Executives include Directors, Internal Statutory Auditors, and External Statutory Auditors)				

Reference data II: Number of employees at the Group Companies in Japan and overseas (at the 6 consolidated subsidiaries of Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of employees at Group companies in Japan and overseas	Persons	373	429	431	379	404
Number of temporary staff (including part-timers)	Persons	353	262	235	256	243
Notes		As of May 31 for each fiscal year				

Reference data III: System for support of work-family balance (at Toyo Denki Seizo K.K.)

Maternity and childcare related	Prenatal leave	Can be taken from 8 weeks prior to due date (14 weeks prior in the case of multiple births). (6 weeks is required by law)
	Maternity leave	Can be taken for up to 8 weeks after birth.
	Childcare leave	In principle, childcare leave can be taken for a period as needed from the day after 8 weeks have elapsed since birth (completion of maternity leave), until the day before the child turns 1 year old. In cases where it is difficult to find a place in daycare, etc., it is possible to apply for an extension of childcare leave until the child is 1 year and 6 months, or until the last day of the month of March after the child has reached the age of 1 year, whichever is longer.
	Repeat childcare leave (Mom and Dad Childcare Leave Plus)	If an employee has taken childcare leave within the 8-week period after his spouse has given birth, he may take repeat childcare leave until the child reaches one year of age. Further, if the employee and spouse both take childcare leave, the childcare leave period can be extended until the child reaches 1 year and 2 months.
	Shorter working hours for childcare	Working hours may be set at 5 hours 45 minutes or 6 hours 45 minutes per day for a period as needed from the end of childcare leave until the child graduates from elementary school.
	Nursing leave	Up to 5 special days off may be taken per family member for nursing care for pre-elementary school age children.
Family care related	Family care leave	A total of up to 3 years of family care leave may be taken per person needing care.
	Family care work hours	Employees not taking family care leave may limit working hours to 5 hours and 45 minutes or 6 hours and 45 minutes per day.
Other	System for Rehiring Employees	Employees who have resigned due to marriage, infertility treatment, childbirth, childcare, family care, or spouse's transfer, etc., may be rehired when they are able to return to work depending on the employee's request and workplace needs.

Initiatives to Protect the Environment

With a view to realizing an environment-friendly society, the Company will further strive to provide more efficient and energy-saving products that generate lower noise, while promoting the reduction of environmental burden.

● Environmental Philosophy ●

The Toyo Denki Group sets initiatives to protect the global environment as its priority task and contributes to the development of a sustainable society.

● Action Guidelines ●

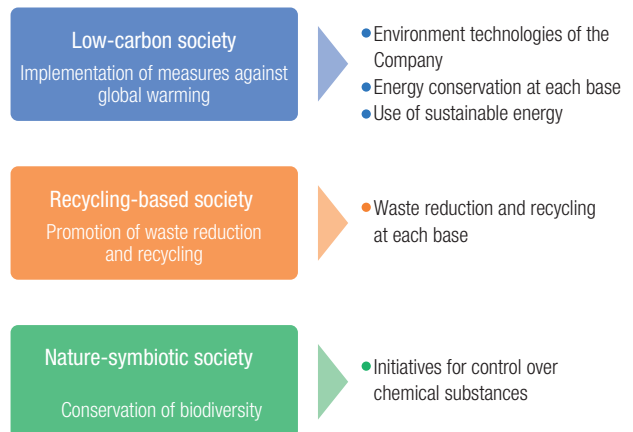
We will continue to provide products and services that are considerate of the burden on the global environment by drawing on our “future-oriented technologies friendly to the Earth and mankind.”

1. We will comply with all environmental requirements including those under the relevant laws and regulations.
2. We will strive to minimize environmental burden through a reduction of energy consumption and other measures at all stages of product lifecycle, namely planning, development, design, production, sales, use and disposal.
3. We will establish and execute a system to continuously promote activities to protect the global environment.
4. We will raise environmental awareness among individuals through enlightenment activities within the Group

Aiming for Realization of a Sustainable Society

A sustainable society as envisaged by the Company is the combination of a “low-carbon society,” a “recycling-based society” and a “nature-symbiotic society.”

The Company has produced numerous products that facilitate the efficient use of energy, including high efficiency motors and inverters that capitalize on the amalgamation of our outstanding motor drive technology and other state-of-the-art technologies. In the meantime, the Company has been striving to reduce the size and weight of its products as part of its efforts to conserve resources, while lowering the level of noise involved in their use to make them friendlier to the surrounding environment. As a member of society, the Company will make further contribution to make society more sustainable, fully utilizing on its environmental technologies on a global scale, while following through various environmental actions at each of its bases.



Environmental Management System

In order to tackle environmental issues on an independent and continuous basis, the Company has developed and operates an environmental management system and thereby obtained ISO 14001 certification. This certification has been acquired for all offices and the production bases Yokohama Plant and Shiga Factory.

● Years of ISO 14001 certification

Shiga Factory	2001
Yokohama Plant	2004
Extended to all offices	2010

Initiatives to Prevent Global Warming

Initiatives to reduce greenhouse gas (CO₂) emissions

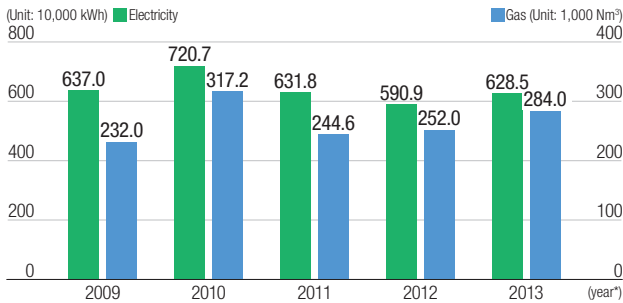
The Company is promoting energy conservation at each of its production bases and offices to reduce its CO₂ emissions.

At the production bases in particular, the progress of energy-saving efforts at workplaces is checked on a monthly basis to encourage an energy-saving awareness among employees, along with general power-saving and streamlining at production facilities.

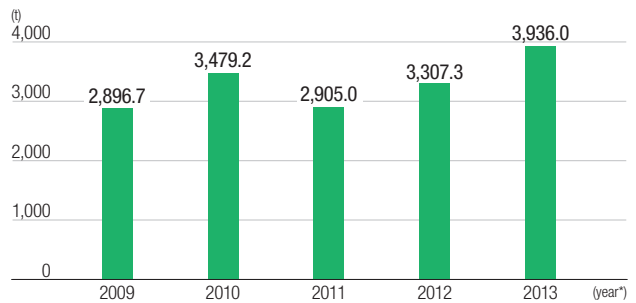
Targeted reduction of CO₂ emissions and progress status

Aiming to reduce CO₂ emissions per unit of production output by 1% year on year, the Company's main production base, the Yokohama Plant, achieved a 1.3% reduction in fiscal 2013 with growth in production output despite an increase in power and gas consumption.

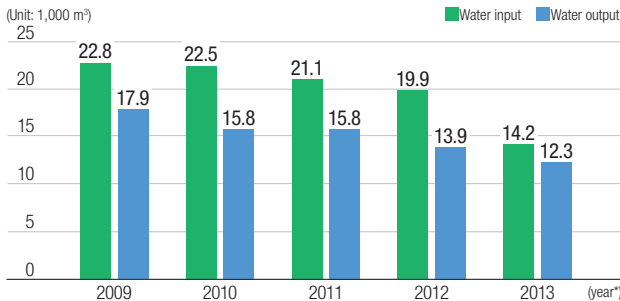
Total energy input at Yokohama Plant (electricity and gas)



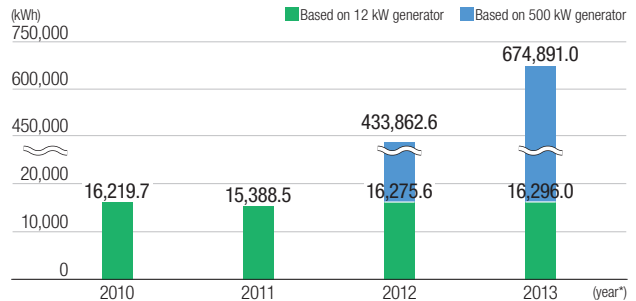
Total CO₂ emissions at Yokohama Plant



Total water input/output at Yokohama Plant



Total solar power generation at Yokohama Plant



Environmental Data

Indices		Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks
Electric power (10,000 kWh)	Production bases total		662.1	756.9	667.1	624.1	664.8	
	Yokohama Plant		637.0	720.7	631.8	590.9	628.5	
	Shiga Factory		25.1	36.2	35.3	33.2	36.3	
	Non-production bases total		24.8	35.5	28.9	31.2	27.9	*1
Urban gas (1,000 Nm ³)	Production bases total		232.0	317.2	244.6	252.0	284.0	
	Yokohama Plant		232.0	317.2	244.6	252.0	284.0	
	Shiga Factory		-	-	-	-	-	
Water input (1,000 m ³)	Production bases total		22.8	22.5	21.1	19.9	14.2	
	Yokohama Plant		22.8	22.5	21.1	19.9	14.2	
	Shiga Factory		0.0	0.0	0.0	0.0	0.0	*2
CO ₂ emissions (t)	Production bases total		2,985.7	3,585.2	3,014.0	3,456.3	4,122.0	
	Yokohama Plant		2,896.7	3,479.2	2,905.0	3,307.3	3,936.0	
	Shiga Factory		89.0	106.0	109.0	149.0	186.0	
	Non-production bases total		-	212.0	231.0	169.0	168.0	*3
Solar power generation (kWh)	Power generation total		3,217.1	16,219.7	15,388.5	450,138.2	691,187.0	
	Based on 500 kW generator	Yokohama Plant	-	-	-	433,862.6	674,891.0	*4
	Based on 12 kW generator	Yokohama Plant	3,217.1	16,219.7	15,388.5	16,275.6	16,296.0	*5
Water output (1,000 m ³)	Production bases total		17.9	15.8	15.8	13.9	12.3	
	Yokohama Plant		17.9	15.8	15.8	13.9	12.3	
	Shiga Factory		0.0	0.0	0.0	0.0	0.0	*6

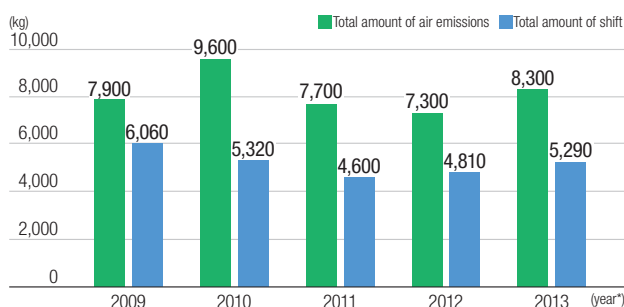
Initiatives for Control over Chemical Substances

Volatile organic compounds (VOCs) emitted as a result of our business activities are adequately controlled and the amount of emission is monitored under the Pollutant Release and Transfer Register (PRTR).

PCB waste is also subject to adequate control, storage and disposal in accordance with Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

We will further engage in the reduction of waste through such measures including using non-VOC materials and implementing recovery and reuse of solvents.

Notification volume for Pollutant Release and Transfer Register (PRTR) substances



Initiatives for Reducing Disposed Waste as Well as Recycling

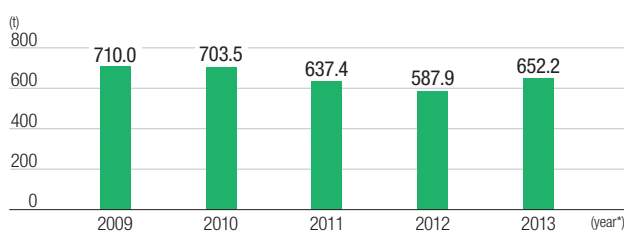
Main actions

The Company successfully reduced its landfill waste rate to 0.9% in fiscal 2013, as a result of thoroughly implementing waste processing rules, sorting of metal waste and recycling of paper resources.

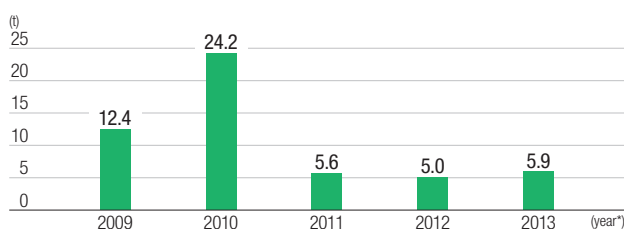
Promotion of green procurement

The Company is promoting green procurement with respect to office equipment and supplies, stationery and worker's clothes used at the Yokohama Plant. A 75% green procurement ratio was achieved in fiscal 2013 based on purchase value.

Output of general and valuable waste



Volume of landfill waste



PRTR Data

Indices		Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks	
PRTR ^{*7}	Total amount of air emissions (kg)		7,900	9,600	7,700	7,300	8,300		
	Total amount of shift (kg)		6,060	5,320	4,600	4,810	5,290		
	Bisphenol A (kg)	Total amount of air emissions	Production bases total	0	0	0	0	0	
			Yokohama Plant	0	-	-	-	-	*8
			Shiga Factory	0	-	-	-	-	
		Total amount of shift	Production bases total	940	0	0	0	0	
			Yokohama Plant	940	-	-	-	-	
			Shiga Factory	0	-	-	-	-	
	Ethylbenzene (kg)	Total amount of air emissions	Production bases total	1,700	2,300	1,800	1,800	2,000	
			Yokohama Plant	1,700	2,300	1,800	1,800	2,000	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	230	450	550	330	430	
			Yokohama Plant	230	450	550	330	430	
			Shiga Factory	0	0	0	0	0	
	Xylene (kg)	Total amount of air emissions	Production bases total	2,900	4,000	3,300	2,900	3,300	
			Yokohama Plant	2,900	4,000	3,300	2,900	3,300	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	190	370	450	280	360	
			Yokohama Plant	190	370	450	280	360	
			Shiga Factory	0	0	0	0	0	
Tetrahydromethylphthalic anhydride (kg)	Total amount of air emissions	Production bases total	0	0	0	0	0		
		Yokohama Plant	0	0	0	0	0		
		Shiga Factory	0	0	0	0	0		
	Total amount of shift	Production bases total	3,700	2,800	1,600	3,000	2,900		
		Yokohama Plant	3,700	2,800	1,600	3,000	2,900		
		Shiga Factory	0	0	0	0	0		
Toluene (kg)	Total amount of air emissions	Production bases total	3,300	3,300	2,600	2,600	3,000		
		Yokohama Plant	3,300	3,300	2,600	2,600	3,000		
		Shiga Factory	0	0	0	0	0		
	Total amount of shift	Production bases total	1,000	1,700	2,000	1,200	1,600		
		Yokohama Plant	1,000	1,700	2,000	1,200	1,600		
		Shiga Factory	0	0	0	0	0		

Waste Data

Indices		Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks
Wastes	① Industrial waste (tons)	Production bases total	242.5	319.8	316.7	279.9	290.3	
		Yokohama Plant	242.5	292.8	282.4	244.1	262.0	
		Shiga Factory	-	27.0	34.3	35.8	28.3	*9
	② General waste (tons)	Production bases total	113.1	130.2	114.9	101.9	99.3	
		Yokohama Plant	113.1	130.2	114.9	101.9	99.3	
		Shiga Factory	-	-	-	-	-	
	③ Valuable metal waste (tons)	Production bases total	354.4	280.5	240.1	255.6	290.9	
		Yokohama Plant	354.4	280.5	240.1	255.6	290.9	
		Shiga Factory	-	-	-	-	-	
	Waste output (①+②+③) (tons)	Production bases total	710.0	730.5	671.7	637.3	680.5	
		Yokohama Plant	710.0	703.5	637.4	601.5	652.2	
		Shiga Factory	-	27.0	34.3	35.8	28.3	*9
	Recycled amount (tons)	Production bases total	556.5	524.3	436.4	435.2	462.4	
		Yokohama Plant	556.5	524.3	436.4	435.2	462.4	
		Shiga Factory	-	*10	*10	*10	*10	*9
	Volume of landfill waste (tons)	Production bases total	12.4	24.2	5.6	5.0	5.9	
		Yokohama Plant	12.4	24.2	5.6	5.0	5.9	
		Shiga Factory	-	*10	*10	*10	*10	*9
	Percentage of landfill waste (%) Yearly comparison	Production bases total	1.7	3.3	0.8	0.8	0.9	
		Yokohama Plant	1.7	3.4	0.9	0.8	0.9	
Shiga Factory		-	*10	*10	*10	*10	*9	

*The fiscal year is from April to March of the following year.

*Non-production bases: Toyo Denki Seizo Head Office, Osaka Branch, Nagoya Branch, Hokkaido Branch, Kyushu Branch, Hiroshima Branch

*1 ISO 14001 certification was obtained for non-production bases in June 2010.

*2 Production activities at Shiga Factory recorded close to zero water input.

*3 Data collection started in fiscal 2010.

*4 500 kW solar panel became operational in July 2012.

*5 12 kW solar panel became operational in January 2010.

*6 Production activities at Shiga Factory recorded close to zero water output.

*7 PPTR: Pollutant Release and Transfer Register

*8 Bisphenol A has been inapplicable thus outside the scope of registration since fiscal 2010.

*9 Data collection started at Shiga Factory in fiscal 2010, prior to which no data existed.

*10 The recycled amount and the volume of landfill waste at the Shiga Factory are scheduled for investigation starting in fiscal 2014.

Contributions to Local Communities

We are committed to various social contribution activities, to facilitate our own co-existence with communities and to foster young people who will represent the next generation.

To Convey the Mission and the Appeal of Electrical Industry as Well as of Toyo Denki

As an electrical manufacturer that contributes to the development of social infrastructures, the Company performs various activities to promote understanding of our missions and business contents among many people.

● Receiving interns

We are committed to activities that raise awareness and appreciation of our manufacturing expertise by accepting interns from local technical high schools and providing them with hands-on experience at manufacturing sites. This internship system serves as an effective means of recruiting outstanding technical staff on a consistent basis as some students in the schools apply for positions at the Company.

● On-demand lectures on career workshops

The Company also dispatches its employees, primarily engineers, for a career workshop at educational institutions. The employees provide useful information to promote autonomous career choice among the students at junior high schools and high schools. We offer audience-friendly presentations that provide practical information on the design and development work at manufacturers and give advice to students who are interested in becoming engineers.



A career workshop at a high school

● Factory tours

We are conducting "factory tours" to provide opportunities for members of local communities to actually see our manufacturing facilities and products in order to develop deeper understanding about the business operations of the Company. During these tours, we inform the participants of our products as well as our actions for environmental protection, in an effort to build up relationships built on trust with local communities.



A factory tour

● Cooperation with Yokohama Kyodo no Mori Fund

The Company cooperates in small woodlands conservation activities led mainly by the city of Yokohama by donating part of the proceeds from vending machines installed at the Engineering Center of the Yokohama Plant to the fund.

● Cleanup campaigns within the vicinity of the production bases

In cooperation with neighboring companies, we conduct cleanup campaigns within the vicinity of the Yokohama Plant and the Shiga Factory.



Cleanup campaign (Yokohama Plant)



Cleanup campaign (Shiga Factory)

Financial Report

Financial Report

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Consolidated Operating Results, Consolidated Financial Position, and Consolidated Cash Flow for Fiscal 2013 (from June 1, 2013 to May 31, 2014) are as follows:

Results of Operation

Orders received
YoY **+25.4%**

Orders received increased 25.4% compared with the previous fiscal year to 42,568 million yen. This overall result reflected a surge in orders received in the Transportation Systems segment both in and outside Japan.

Net sales
YoY **+14.3%**

Net sales increased 14.3% year on year to 34,957 million yen. Despite a slight decrease in the Industrial Systems segment, this overall result reflected a significant surge in the Transportation Systems segment both in and outside Japan, and a slight increase in the Information Equipment Systems segment.

Profit/Loss
Net Income
YoY **-10.8%**

From a profit perspective, operating income increased 575 million yen compared with the previous fiscal year to 1,076 million yen, mainly due to the increase in net sales and reductions in expenses. Ordinary income decreased 115 million yen to 1,035 million yen, which was partly attributable to foreign exchange losses, albeit small. Net income declined 78 million yen to 644 million yen.

Financial Position

Assets
Total Assets
44,752 million yen

Total assets as of May 31, 2014 stood at 44,752 million yen, an increase of 2,388 million yen compared with the end of the previous fiscal year. Despite a decrease in trade notes and accounts receivable of 578 million yen, the increase in total assets was largely attributable to increases in cash and cash equivalents of 1,695 million yen, inventories of 436 million yen, and investment securities of 944 million yen.

Liabilities
Total liabilities
25,402 million yen

Total liabilities amounted to 25,402 million yen, an increase of 1,558 million yen compared with the previous fiscal year end. While short-term debt contracted 2,308 million yen, this upswing in total liabilities reflected a 1,521 million yen increase in long-term debt and a 909 million yen increase in accrued expenses as well as an increase of 755 million yen in net defined benefit liability (deduction of decrease in the provision for employees' retirement benefits) as a result of application of the revised retirement benefits accounting standards.

Net Assets
Total net assets
19,350 million yen

Net assets as of May 31, 2014 stood at 19,350 million yen, an increase of 830 million yen compared with the previous fiscal year. This increase was largely attributable to a 355 million yen increase in retained earnings and a 622 million yen increase in unrealized holding gain on available-for-sale securities despite a decrease of 298 million yen from remeasurements of defined benefit plans.

Cash Flows

Cash flow from operating activities
Net cash provided by operating activities
3,621 million yen

Net cash provided by operating activities amounted to 3,621 million yen. Apart from accrued expenses, major cash outflows were an increase of 1,537 million yen in accrued expenses and trade notes and accounts payable. Principal cash inflows were income before income taxes and minority interests at 1,030 million yen and depreciation and amortization at 1,000 million yen.

Cash flow from investing activities
Net cash used in investing activities
753 million yen

Net cash used in investing activities totaled 753 million yen for the fiscal year under review and mainly comprised funds used for the purchases of property, plant and equipment at 635 million yen.

Cash flow from financing activities
Net cash used in financing activities
1,199 million yen

Net cash used in financing activities was 1,199 million yen. The principal cash inflow was an increase in long-term debt at 2,650 million yen, while major cash outflows were a decrease in short-term loans payable at 2,265 million yen and repayment of long-term debt at 1,172 million yen.

TOYO DENKI SEIZO K.K.

Consolidated Balance Sheets

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Assets			
Current assets:			
Cash on hand and in banks (Notes 19 and 21)	¥ 2,998	¥ 1,302	\$ 29,488
Trade notes and accounts receivable (Notes 4 and 19)	12,806	13,384	125,964
Inventories (Note 5)	7,101	6,665	69,855
Deferred tax assets (Note 14)	545	453	5,360
Other current assets	140	179	1,376
Allowance for doubtful accounts	(34)	(40)	(335)
Total current assets	23,556	21,943	231,708
Property, plant and equipment (Note 6):			
Buildings and structures	2,847	2,985	28,007
Machinery and vehicles	909	1,109	8,938
Land	289	289	2,848
Construction in progress	63	81	623
Other	548	548	5,386
Total property, plant and equipment	4,656	5,012	45,802
Investments and other assets (Note 7):			
Investment securities (Notes 7, 19 and 20)	14,263	13,318	140,301
Deferred tax assets (Note 14)	36	39	352
Intangible assets	268	322	2,636
Other	1,986	1,893	19,541
Allowance for doubtful accounts	(12)	(163)	(121)
Total investments and other assets	16,541	15,409	162,709
Total assets	¥44,753	¥42,364	\$440,219

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Notes 4 and 19)	¥ 5,286	¥ 4,647	\$ 51,993
Short-term borrowings and current portion of long-term debt (Notes 8 and 19)	1,988	4,296	19,555
Current portion of bonds payable (Note 9)	—	120	—
Income taxes payable (Note 14)	375	319	3,685
Accrued expenses	3,792	2,883	37,302
Accrued directors' bonuses	28	17	279
Accrued employees' bonuses	915	773	9,004
Reserve for losses on order acknowledgements (Note 5)	130	196	1,278
Other	983	1,029	9,666
Total current liabilities	13,497	14,280	132,762
Long-term liabilities:			
Long-term debt (Notes 8, 19 and 22)	6,934	5,413	68,208
Accrued retirement benefits (Note 10)	—	3,289	—
Deferred tax liabilities (Note 14)	653	615	6,424
Reserve for ecological countermeasures	44	44	431
Liability for retirement benefits (Note 10)	4,045	—	39,788
Long-term payables	146	165	1,433
Other	84	38	832
Total long-term liabilities	11,906	9,564	117,116
Commitments and contingencies (Note 17)			
Net assets (Notes 11 and 18):			
Shareholders' equity:			
Common stock	¥ 4,998	¥ 4,998	\$ 49,168
Capital surplus	3,178	3,178	31,256
Retained earnings	7,511	7,156	73,882
Treasury stock	(168)	(164)	(1,647)
Total shareholders' equity	15,519	15,168	152,659
Accumulated other comprehensive income:			
Unrealized holding gain on securities	3,990	3,367	39,247
Deferred loss on hedging instruments	(26)	—	(256)
Translation adjustments	166	(15)	1,631
Retirement benefits liability adjustments (Note 10)	(299)	—	(2,940)
Total accumulated other comprehensive income	3,831	3,352	37,682
Total net assets	19,350	18,520	190,341
Total liabilities and net assets	¥44,753	¥42,364	\$440,219

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K. Consolidated Statements of Income

For the Years Ended	May 31,	May 31,	May 31,
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales (Note 23)	¥34,958	¥30,575	\$343,869
Cost of sales (Note 5)	26,860	22,879	264,214
Gross profit	8,098	7,696	79,655
Selling, general and administrative expenses (Note 12)	7,022	7,195	69,069
Operating income	1,076	501	10,586
Non-operating income (expenses):			
Interest and dividend income	169	160	1,660
Interest expense	(182)	(215)	(1,790)
Equity in losses of unconsolidated subsidiaries and affiliates	(14)	(16)	(140)
Dividend income on life insurance	6	91	57
Foreign exchange gain (loss)	(15)	630	(144)
Loss on disposal of property, plant and equipment	(13)	(16)	(131)
Other income, net	9	16	93
	(40)	650	(395)
Ordinary income	1,036	1,151	10,191
Special gains (losses), net (Note 13)	(6)	122	(53)
Income before income taxes and minority interests	1,030	1,273	10,138
Income taxes (Note 14):			
Current	624	496	6,139
Deferred	(238)	55	(2,340)
	386	551	3,799
Income before minority interests	644	722	6,339
Minority interests	—	—	—
Net income	¥ 644	¥ 722	\$ 6,339

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K. Consolidated Statements of Comprehensive Income

For the Years Ended	May 31,	May 31,	May 31,
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Income before minority interests	¥ 644	¥ 722	\$ 6,339
Other comprehensive income (Note 15):			
Unrealized holding gain on securities	623	2,951	6,127
Deferred loss on hedging instruments	(26)	—	(256)
Translation adjustments	14	27	138
Share of other comprehensive income of affiliates accounted for by the equity method	167	61	1,637
Total other comprehensive income	778	3,039	7,646
Comprehensive income	¥1,422	¥3,761	\$13,985
Comprehensive income attributable to:			
Owners of the parent	¥1,422	¥3,761	\$13,985
Minority interests	—	—	—

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred loss on hedging instruments	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	
Balance as of June 1, 2012	¥4,998	¥3,178	¥6,722	¥(162)	¥14,736	¥ 415	—	¥(102)	—	¥ 313	¥15,049
Changes during the year											
Cash dividends paid	—	—	(288)	—	(288)	—	—	—	—	—	(288)
Net income	—	—	722	—	722	—	—	—	—	—	722
Purchase of treasury stock	—	—	—	(2)	(2)	—	—	—	—	—	(2)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	2,952	—	87	—	3,039	3,039
Total changes during the year	—	—	434	(2)	432	2,952	—	87	—	3,039	3,471
Balance as of May 31, 2013	¥4,998	¥3,178	¥7,156	¥(164)	¥15,168	¥3,367	—	¥ (15)	—	¥3,352	¥18,520
Balance as of June 1, 2013	¥4,998	¥3,178	¥7,156	¥(164)	¥15,168	¥3,367	—	¥ (15)	—	¥3,352	¥18,520
Cash dividends paid	—	—	(289)	—	(289)	—	—	—	—	—	(289)
Net income	—	—	644	—	644	—	—	—	—	—	644
Purchase of treasury stock	—	—	—	(4)	(4)	—	—	—	—	—	(4)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	623	(26)	181	(299)	479	479
Total changes during the year	—	—	355	(4)	351	623	(26)	181	(299)	479	830
Balance as of May 31, 2014	¥4,998	¥3,178	¥7,511	¥(168)	¥15,519	¥3,990	¥(26)	¥ 166	¥(299)	¥3,831	¥19,350

(Thousands of U.S. dollars) (Note 3)

	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred loss on hedging instruments	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	
Balance as of June 1, 2013	\$49,168	\$31,256	\$70,388	\$(1,613)	\$149,199	\$33,120	—	\$ (144)	—	\$32,976	\$182,175
Cash dividends paid	—	—	(2,845)	—	(2,845)	—	—	—	—	—	(2,845)
Net income	—	—	6,339	—	6,339	—	—	—	—	—	6,339
Purchase of treasury stock	—	—	—	(34)	(34)	—	—	—	—	—	(34)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	6,127	(256)	1,775	(2,940)	4,706	4,706
Total changes during the year	—	—	3,494	(34)	3,460	6,127	(256)	1,775	(2,940)	4,706	8,166
Balance as of May 31, 2014	\$49,168	\$31,256	\$73,882	\$(1,647)	\$152,659	\$39,247	\$(256)	\$1,631	\$(2,940)	\$37,682	\$190,341

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.

Consolidated Statements of Cash Flows

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 1,030	¥ 1,273	\$ 10,138
Depreciation and amortization	1,001	1,144	9,843
(Reversal of) provision for allowance for doubtful accounts	(157)	158	(1,544)
Provision for (reversal of) accrued employees' bonuses	143	(118)	1,400
(Reversal of) provision for accrued retirement benefits	(3,289)	153	(32,355)
Increase in liability for retirement benefits	3,580	—	35,219
Interest and dividends income	(169)	(160)	(1,660)
Interest expenses	182	215	1,790
Gain on sales of investment securities	—	(72)	—
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	586	231	5,766
Inventories	(430)	(1,123)	(4,231)
Trade notes and accounts payable	635	100	6,249
Reserve for losses on order acknowledgements	(68)	(6)	(671)
Advances received	(142)	201	(1,399)
Accrued expenses	902	(29)	8,876
Other, net	384	(243)	3,778
Subtotal	4,188	1,724	41,199
Interest and dividends income received	169	172	1,660
Interest expenses paid	(168)	(211)	(1,654)
Income taxes paid	(568)	(615)	(5,583)
Net cash provided by operating activities	3,621	1,070	35,622
Investing activities			
Purchases of property, plant and equipment	(635)	(1,426)	(6,251)
Purchases of investment securities	(13)	(13)	(131)
Proceeds from sales of investment securities	—	127	—
Other payments	(75)	(178)	(734)
Other receipts	4	124	40
Other, net	(34)	(92)	(338)
Net cash used in investing activities	(753)	(1,458)	(7,414)
Financing activities			
Decrease in short-term loans payable	(2,265)	(2,000)	(22,281)
Increase in long-term debt	2,650	3,800	26,067
Repayment of long-term debt	(1,172)	(1,196)	(11,529)
Redemption of bonds payable	(120)	(160)	(1,180)
Purchases of treasury stock	(3)	(1)	(34)
Cash dividends paid	(288)	(288)	(2,830)
Other, net	(1)	(0)	(9)
Net cash (used in) provided by financing activities	(1,199)	155	(11,796)
Effect of exchange rate change on cash and cash equivalents	27	46	264
Net increase (decrease) in cash and cash equivalents	1,696	(187)	16,676
Cash and cash equivalents at beginning of period	1,302	1,489	12,812
Cash and cash equivalents at end of period (Note 21)	¥ 2,998	¥ 1,302	\$ 29,488

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of TOYO DENKI SEIZO K.K. (the “Company”) and consolidated subsidiaries (collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements included the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The Company applies the “Practical Solution of Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for using Equity Method” (PITF No. 24). In accordance with these PITF, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including goodwill, actuarial differences and capitalized development costs.

As of May 31, 2014, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 6 and 2 (6 and 3 in 2013). A subsidiary, TOYO DENKI USA, INC., whose fiscal year end is December 31, is consolidated by using their pro forma financial statements as of March 31 which are prepared solely for consolidation purposes and necessary adjustments are made to their financial statements to reflect any significant transactions from April 1 to May 31. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

(c) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

(d) Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of purchase, which can easily be converted to cash and are subject to little risk of change in value.

(e) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined principally by the specific identification method for finished products and work in process and by the moving average cost method for raw material and supplies.

(f) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities (available-for-sale securities). Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Available-for-sale securities with market quotation are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities without market quotation are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Property, plant and equipment (except for leased assets) and depreciation

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives and the residual value, while buildings except for leasehold improvements acquired on or after April 1, 1998 are depreciated by the straight-line method. The estimated useful lives of these assets are as follows:

Buildings and structures:	8 to 60 years
Machinery and vehicles:	3 to 12 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

(h) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized over the internal available period (5 years) using the straight-line method.

(i) Leases

Non-cancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets to the lessee are accounted for as finance leases. Leased assets capitalized under the finance lease arrangements are depreciated over the lease period without any residual value using the straight-line method.

All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

(j) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(k) Accrued directors' bonuses

Accrued directors' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future for the performance incentive bonuses.

(l) Accrued employees' bonuses

Accrued employees' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future.

(m) Reserve for losses on order acknowledgements

Reserve for losses on order acknowledgements is provided based on the amounts expected to be incurred during the current fiscal year and which are able to estimate the losses reasonably to cover the future losses on order acknowledgements. Provision of reserve for losses on order acknowledgements in the amounts of ¥(66) million (\$650 thousand) and ¥(2) million is included in cost of sales for the years ended May 31, 2014 and 2013, respectively.

(n) Reserve for ecological countermeasures

Reserve for ecological countermeasures is provided based on the amounts expected to be incurred in future to cover the costs on ecological countermeasures such as soil pollution countermeasures.

(o) Retirement benefits

Retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is amortized as incurred by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees.

Actuarial differences are amortized in the following year in which gain or loss is recognized primarily by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees.

Net retirement benefit obligation at transition is amortized principally over a period of 15 years by the straight-line method.

(p) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(q) Construction revenue and costs

Construction revenue and construction costs are recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. The percentage of completion is measured based on the percentage of the costs incurred to the estimated total costs. For other construction contracts, the completed-contract method is applied.

(r) Research and development expenses

Research and development expenses are charged to income when incurred.

(s) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(t) Derivative financial instruments

The Company and certain consolidated subsidiaries enter into various derivative transactions in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for these which meet the criteria for deferred hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferred hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are derivative transactions and hedged items are primarily interest on debts. Hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same.

(u) Standards issued but not yet adopted

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and other related practical guidances, followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for the retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The revised accounting standard and guidance were adopted as of the end of the fiscal year ended May 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending May 31, 2015.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating what effect these modifications will have on its consolidated financial statements.

2. Accounting Changes

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012; hereinafter the "Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012; hereinafter the "Guidance") (excluding provisions described in the main clause of Paragraph 35 of the Standard and in the main clause of Paragraph 67 of the Guidance) as of the end of the fiscal year ended May 31, 2014. Accordingly, retirement benefit obligation has been changed to the method where it is recorded as liability for retirement benefits and unrecognized actuarial differences and unrecognized prior service cost are recorded under liability for retirement benefits. Concerning the application of the Standard, in accordance to the provisional treatments set out in Paragraph 37 of the Standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments included in accumulated other comprehensive income. As result of this change, liability for retirement benefits was recognized in the amount of ¥4,045 million (\$39,788 thousand) and accumulated other comprehensive income decreased by ¥299 million (\$2,940 thousand) as of May 31, 2014. The effect on per share information is described in Note 18.

3. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥101.66=U.S.\$1, the approximate rate of exchange prevailing at May 31, 2014. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

4. Notes Receivable and Payable

As May 31, 2014 falls on a bank holiday, the following notes receivable and payable were accounted for as if they were settled on the maturity date:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Notes receivable	¥155	¥—	\$1,520
Notes payable	66	—	652

5. Inventories

Inventories as of May 31, 2014 and 2013 were as follows:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished products	¥1,483	¥1,465	\$14,593
Work in process	3,459	3,082	34,027
Raw materials and supplies	2,159	2,118	21,235
	¥7,101	¥6,665	\$69,855

Inventories are stated at the lower of cost or market and the Company recognized losses on write-down of inventories held for the ordinary sales purpose due to a decline in profitability in the amount of ¥200 million (\$1,968 thousand) and ¥55 million for the years ended May 31, 2014 and 2013, respectively. These amounts were included in "Cost of sales".

Inventories related to construction contracts which are estimated to make losses are stated after deducting the corresponding reserve for losses on order acknowledgements in the following amounts:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished products	¥ 18	¥ 8	\$ 176
Work in process	147	30	1,447
	¥165	¥38	\$1,623

6. Property, Plant and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥ 7,076	¥ 6,973	\$ 69,600
Machinery and vehicles	6,679	6,757	65,700
Other	3,171	3,025	31,198
	16,926	16,755	166,498
Accumulated depreciation	(12,623)	(12,113)	(124,167)
	¥ 4,303	¥ 4,642	\$ 42,331

Depreciation of property, plant and equipment for the years ended May 31, 2014 and 2013 were as follows:

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
	¥1,001	¥1,144	\$9,843

Accumulated depreciation of property, plant and equipment amounted to ¥12,623 million (\$124,167 thousand) and ¥12,113 million as of May 31, 2014 and 2013, respectively.

The following amount of deferred gain was directly deducted from the acquisition costs of the related property, plant and equipment acquired during the year ended May 31, 2013:

Buildings and structures: ¥29 million

Other: 6 million

No deferred gain was recorded as of May 31, 2014.

7. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in "Investment securities" as of May 31, 2014 and 2013 were as follows:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Equity securities	¥ —	¥ 59	\$ —
Investments in capital	1,034	856	10,175

8. Short-Term Borrowings and Long-Term Debt

As of May 31, 2014 and 2013, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks	¥ 915	¥3,180	\$ 9,000
Current portion of long-term debt	1,073	1,116	10,555
	¥1,988	¥4,296	\$19,555

The annual weighted average interest rates applicable to short-term borrowings and current-portion of long-term debt as of May 31, 2014 were 1.125% and 1.847%, respectively.

As of May 31, 2014 and 2013, long-term debts were as follows:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Long-term debt, excluding current portion, serially due from 2015 through 2020	¥6,934	¥5,413	\$68,208

The annual weighted average interest rate applicable to long-term debt as of May 31, 2014 was 1.312%.

The maturities of long-term debt are summarized as follows:

Years ended May 31	(Millions of yen)	(Thousands of U.S. dollars)
2015	¥1,073	\$10,555
2016	794	7,810
2017	352	3,463
2018	4,002	39,367
2019 and thereafter	1,786	17,568
	¥8,007	\$78,763

The assets pledged as collateral for short-term borrowings of ¥1,638 million (\$16,112 thousand) and long-term debt of ¥1,929 million (\$18,975 thousand) as of May 31, 2014 were as follows:

<u>As of May 31</u>	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	¥1,731	\$17,023
Machinery and vehicles	711	6,996
Other property, plant and equipment	399	3,923
Land	158	1,559
	¥2,999	\$29,501

The following assets included in the above are set by factory foundation fixed collateral security:

<u>As of May 31</u>	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	¥1,731	\$17,023
Machinery and vehicles	711	6,996
Other property, plant and equipment	399	3,923
	¥2,841	\$27,942

9. Bonds Payable

As of May 31, 2014 and 2013, bonds payable consisted of the following:

<u>As of</u>	May 31, 2014	May 31, 2013	May 31, 2014
<u>Issued by:</u>	(Millions of yen)		(Thousands of U.S. dollars)
The Company 5th unsecured bonds issued on Mar. 25, 2009 at 1.12%, due on Mar. 25, 2014	¥—	¥120	\$—
	¥—	¥120	\$—

10. Retirement Benefit Plans

For the year ended May 31, 2014

The Company and its consolidated subsidiaries have retirement benefit plans combined by defined contribution plans and lump-sum payment plans.

Under defined contribution plans and lump-sum payment plans held by certain consolidated subsidiaries, the liability for retirement benefits and retirement benefit expenses are calculated using a simplified method.

The changes in the retirement benefit obligation during the year ended May 31, 2014 are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation as of June 1, 2013	¥4,052	\$39,860
Service cost	211	2,079
Interest cost	59	581
Actuarial loss	5	48
Retirement benefits paid	(282)	(2,780)
Retirement benefit obligation as of May 31, 2014	¥4,045	\$39,788

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of May 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	(Millions of yen)	(Thousands of U.S. dollars)
Unfunded retirement benefit obligation	¥4,045	\$39,788
Net liability (asset) for retirement benefits on the consolidated balance sheet	4,045	39,788
Liability for retirement benefits	¥4,045	\$39,788
Net liability (asset) for retirement benefits on the consolidated balance sheet	4,045	39,788

Notes: The plan adopting the simplified method is included.

The components of retirement benefit expenses for the year ended May 31, 2014 are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Service cost	¥211	\$2,079
Interest cost	59	581
Amortization of actuarial loss	44	430
Amortization of prior service cost	(10)	(99)
Amortization of net retirement benefit obligation at transition	270	2,653
Retirement benefit expenses	¥574	\$5,644

Retirement benefits liability adjustments (before tax effect) as of May 31, 2014 are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ (39)	\$ (386)
Unrecognized actuarial loss	234	2,309
Unamortized net retirement benefit obligation at transition	269	2,646
Total	¥464	\$4,569

Major actuarial assumption (weighted average) used in accounting for the above plans as of May 31, 2014 were as follows:

Discount rate: 1.5%

The amount of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries was ¥109 million (\$1,074 thousand) for the year ended May 31, 2014.

For the year ended May 31, 2013

The Company and its consolidated subsidiaries have retirement benefit plans combined by defined contribution plans and lump-sum payment plans.

The following table sets forth the components of the amounts recognized in the consolidated balance sheets as of May 31, 2013 for the Company and its consolidated subsidiaries' benefit plans:

	(Millions of yen)
Retirement benefit obligation	¥(4,052)
Unrecognized net retirement benefit obligation at transition	539
Unrecognized actuarial loss	273
Unrecognized prior service cost	(49)
Accrued retirement benefits	¥(3,289)

Consolidated subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

The components of retirement benefit expenses for the year ended May 31, 2013 are outlined as follows:

	(Millions of yen)
Service cost	¥229
Interest cost	61
Amortization of net retirement benefit obligation at transition	270
Amortization of actuarial loss	44
Amortization of prior service cost	(10)
Other	112
Retirement benefit expenses	¥706

Notes: 1. Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."
2. "Other" represents contributions paid to defined contribution pension plans.

The assumptions used in accounting for the above plans for the year ended May 31, 2013 were as follows:

Inter-period allocation method of estimated retirement benefits	Straight-line method
Discount rate	1.5%
Amortization period of actuarial loss	10 years
Amortization period of prior service cost	10 years
Amortization period of net retirement benefit obligation at transition	15 years

11. Net Assets

Information regarding changes in net assets for the years ended May 31, 2014 and 2013 are as follows:

a. Shares issued and outstanding/ Treasury stock

For the year ended May 31, 2014

Type of shares	Number of shares as of June 1, 2013	Increase	Decrease	Number of shares as of May 31, 2014
		(Shares)		
Shares issued:				
Common stock	48,675,000	—	—	48,675,000
Treasury stock:				
Common stock	463,566	10,961	—	474,527

Note:

Detail of the increase is as the following:

Increase due to purchase of shares of less than standard unit 10,961 shares

For the year ended May 31, 2013

Type of shares	Number of shares as of June 1, 2012	Increase	Decrease	Number of shares as of May 31, 2013
		(Shares)		
Shares issued:				
Common stock	48,675,000	—	—	48,675,000
Treasury stock:				
Common stock	458,570	4,996	—	463,566

Note:

Detail of the increase is as the following:

Increase due to purchase of shares of less than standard unit 4,996 shares

b. Dividends

1) Dividends paid

For the year ended May 31, 2014

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 27, 2013	Common stock	¥289	\$2,845	¥6.00	\$0.06	May 31, 2013	August 28, 2013

For the year ended May 31, 2013

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 28, 2012	Common stock	¥289	¥6.00	May 31, 2012	August 29, 2012

2) Dividends with the cut-off date in the year ended May 31, 2014 and the effective date in the year ending May 31, 2015

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 27, 2014	Common stock	¥289	\$2,845	Retained earnings	¥6.00	\$0.06	May 31, 2014	August 28, 2014

12. Selling, General and Administrative Expenses

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and allowances	¥1,849	¥1,760	\$18,189
Provision for accrued directors' bonuses	28	17	279
Provision for accrued employees' bonuses	389	320	3,828
Retirement benefit expenses	317	347	3,121
Provision for allowance for doubtful accounts	(21)	165	(209)
Research and development expenses	666	917	6,550

13. Special Gains (Losses), net

The components of "Special Gains (Losses), net" for the years ended May 31, 2014 and 2013 were as follows:

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Special gains:			
Gain on sales of investment securities	¥—	¥ 72	\$ —
Refund of temporary exceptional enterprise tax	—	65	—
Special losses:			
Office relocation costs	—	(15)	—
Loss on liquidation of an affiliate	(6)	—	(53)
Total	¥ (6)	¥122	\$(53)

14. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 38.0% for the years ended May 31, 2014 and 2013. Income taxes of a foreign consolidated subsidiary are based generally on the tax rates applicable in the country of incorporation.

The information for the year ended May 31, 2014 is omitted since the difference between the effective statutory tax rate and effective tax rate is less than 5% of the effective statutory tax rate.

The reconciliation between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rate for the year ended May 31, 2013 was as follows:

For the Year Ended	May 31, 2013
Effective statutory tax rate	38.0%
Effect of :	
Non-deductible expenses for income tax purpose	1.3
Non-taxable income such as dividends income, etc.	(1.7)
Per capita inhabitant tax	2.1
Valuation allowance	(4.4)
Income from affiliates accounted for by the equity method	0.5
Unrecognized tax benefits from losses of subsidiaries	5.2
Other	2.2
Effective tax rate	43.2%

The significant components of deferred tax assets and liabilities as of May 31, 2014 and 2013 were as follows:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Write-down of inventories	¥ 140	¥ 177	\$ 1,376
Accrued retirement benefits	—	1,187	—
Liability for retirement benefits	1,444	—	14,200
Accrued employees' bonuses	328	295	3,228
Reserve for losses on order acknowledgements	36	65	359
Other	854	776	8,402
Total gross deferred tax assets	2,802	2,500	27,565
Valuation allowance	(674)	(792)	(6,634)
Total deferred tax assets	2,128	1,708	20,931
Deferred tax liabilities:			
Unrealized holding gain on securities	(2,196)	(1,828)	(21,602)
Other	(4)	(3)	(41)
Total deferred tax liabilities	(2,200)	(1,831)	(21,643)
Net deferred tax liabilities	¥ (72)	¥ (123)	\$ (712)

Adjustments of deferred tax assets and liabilities due to a change in the income tax rate:

"Act on Partial Revision, etc. of the Income Tax Act, etc." proclaimed on March 31, 2014 repealed the special reconstruction corporate tax from the year beginning on or after April 1, 2014. As a result, the effective statutory tax rate used in computing deferred tax assets and liabilities has been reduced from 38.0% to 35.6% for the temporary differences expected to be settled in the year beginning on June 1, 2014. The effects from this rate change were a decrease in net deferred tax assets (after deducting deferred tax liabilities) as of May 31, 2014 by ¥50 million (\$494 thousand) and an increase in income taxes – deferred for the year ended May 31, 2014 by the same amount.

15. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended May 31, 2014 and 2013:

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gain on securities:			
Amount arising during the year	¥990	¥ 4,568	\$9,741
Reclassification adjustments for gains and losses included in net income	—	(73)	—
Amount before tax effect	990	4,495	9,741
Tax effect	(367)	(1,544)	(3,614)
Unrealized holding gain on securities	623	2,951	6,127
Deferred gains or losses on hedging instruments:			
Amount arising during the year	(40)	—	(398)
Amount before tax effect	(40)	—	(398)
Tax effect	14	—	142
Deferred gains or losses on hedging instruments	(26)	—	(256)
Translation adjustments			
Amount arising during the year	14	27	138
Amount before tax effect	14	27	138
Translation adjustments	14	27	138
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	167	61	1,637
Share of other comprehensive income in affiliates accounted for by the equity method	167	61	1,637
Total other comprehensive income	¥778	¥ 3,039	\$7,646

16. Lease Transactions

The information about finance leases that do not transfer ownership of the leased property to the lessee is omitted since there is no materiality in terms of value.

In addition, finance leases that do not transfer ownership of the leased property to the lessee and whose lease inception was on or before March 31, 2008 are permitted to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements, but such information is omitted since there is no materiality in terms of value.

17. Contingent Liabilities

As of May 31, 2014 and 2013, the Company was committed to provide guarantees on bank borrowings of the following affiliates:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Hunan Xiangyang Electric Co., Ltd.	¥138	¥198	\$1,361
Changzhou Ruiyang Transmission Technology Co., Ltd.	185	187	1,817

18. Amounts Per Share

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Yen)		(U.S. dollars)
Net income: Basic	¥13.37	¥14.98	\$0.13
<u>As of</u>	May 31, 2014	May 31, 2013	May 31, 2014
	(Yen)		(U.S. dollars)
Net assets	¥401.45	¥384.14	\$3.95

Diluted net income per share is omitted since there is no dilution of equity.

The bases for calculation are as follows:

Basic net income per share

For the Years Ended	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥644	¥722	\$6,339
Net income not attributable to common shareholders	—	—	—
Net income attributable to common stock	644	722	6,339
	(Thousand shares)		
Average number of shares of common stock during the year	48,206	48,214	

As noted in Note 2, the Company applied the Accounting Standard for Retirement Benefits, etc. and followed the provisional treatment set out in Paragraph 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share decreased by ¥6.20 (\$0.06) as of May 31, 2014.

19. Financial Instruments

Overview

(1) Policy for financial instruments

The Group raises its necessary funds for capital investments to reinforce and renew production facilities and working capital principally through bank borrowings and issuance of corporate bonds. The Group manages temporary cash surpluses through low risk financial assets. The Group uses interest rate swaps for the purpose of reducing the interest rate fluctuation risk on long-term debt and fixing the interest expenses and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers.

Investment securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships and exposed to market risk.

Certain long-term debt raised for the purpose of making capital investments with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding hedging instruments and hedged items in hedge accounting, hedging policy, and assessment of the effectiveness of hedging activities, etc., please see note 1 (t) “Derivative financial instruments.”

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

Investment securities are composed of mainly the shares of common stock of highly rated companies with which the Group has business relationships. Accordingly, the Group believes that the credit risk deriving from such investment securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(b) Monitoring of market risks (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Group utilizes interest rate swap transactions to reduce interest rate fluctuation risk on long-term debt.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transactions data are submitted to the Board of Directors for their review.

(c) Monitoring of liquidation risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidation risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 22, Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of May 31, 2014 and 2013 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below):

<u>As of May 31, 2014</u>	Carrying value	Fair value	Difference
	(Millions of yen)		
Assets			
1) Cash on hand and in banks	¥ 2,998	¥ 2,998	¥ —
2) Trade notes and accounts receivable	12,806	12,806	—
3) Investment securities	13,621	13,621	—
Total assets	¥29,425	¥29,425	¥ —
Liabilities			
4) Trade notes and accounts payable	¥ 5,286	¥ 5,286	¥ —
5) Short-term borrowings	915	915	—
6) Bonds payable	—	—	—
7) Long-term debt	8,007	8,020	(13)
Total liabilities	¥14,208	¥14,221	¥(13)
8) Derivative transactions*	¥ (40)	¥ (40)	¥ —

<u>As of May 31, 2014</u>	Carrying value	Fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
1) Cash on hand and in banks	\$ 29,488	\$ 29,488	\$ —
2) Trade notes and accounts receivable	125,964	125,964	—
3) Investment securities	133,988	133,988	—
Total assets	\$289,440	\$289,440	\$ —
Liabilities			
4) Trade notes and accounts payable	\$ 51,993	\$ 51,993	\$ —
5) Short-term borrowings	9,000	9,000	—
6) Bonds payable	—	—	—
7) Long-term debt	78,763	78,889	(126)
Total liabilities	\$139,756	\$139,882	\$(126)
8) Derivative transactions*	\$ (397)	\$ (397)	\$ —

*Derivative transactions are presented in a net amount of receivables and payables and net payables are shown in parenthesis.

As of May 31, 2013

	Carrying value	Fair value	Difference
	(Millions of yen)		
Assets			
1) Cash on hand and in banks	¥ 1,302	¥ 1,302	¥ —
2) Trade notes and accounts receivable	13,384	13,384	—
3) Investment securities	12,618	12,618	—
Total assets	¥27,304	¥27,304	¥—
Liabilities			
4) Trade notes and accounts payable	¥ 4,647	¥ 4,647	¥ —
5) Short-term borrowings	3,180	3,180	—
6) Bonds payable	120	121	(1)
7) Long-term debt	6,529	6,494	35
Total liabilities	¥14,476	¥14,442	¥ 34
8) Derivative transactions	¥ —	¥ —	¥ —

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Assets:

Cash on hand and in banks and trade notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

However, if they are settled in a long period of time, the fair value of receivables is based on the present value of the receivables classified by definite periods discounted using interest rates on the corresponding period until settlement.

Investment securities

The fair value of stocks is based on quoted market prices. Investment securities held by the Group are classified as available-for-sale securities and please see Note 20 "Securities".

Liabilities:

Trade notes and accounts payable and short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds payable

The fair value of bonds payable is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new bonds were issued.

Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt with variable interest rates, which is hedged by the interest rate swaps and to which hedge accounting is applied (refer to the following paragraph), is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions

The fair value of interest rate swaps accounted for by the hedge accounting is included in the fair value of the related long-term debt, since such interest rate swaps are accounted for together with long-term debt as hedged items.

The fair value of interest rate swaps accounted for by the normal method is determined based on the price, etc. provided by the financial institutions.

2. Financial instruments for which it is extremely difficult to determine the fair value

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted equity securities	¥642	¥700	\$6,313

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3. Redemption schedule for receivables and securities with maturities at May 31, 2014 and 2013 are as follows:

As of May 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Millions of yen)			
Cash on hand and in banks	¥ 2,995	¥ —	¥—	¥—
Trade notes and accounts receivable	10,933	1,873	—	—
	¥13,928	¥1,873	¥—	¥—

As of May 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Thousands of U.S. dollars)			
Cash on hand and in banks	\$ 29,461	\$ —	\$—	\$—
Trade notes and accounts receivable	107,540	18,424	—	—
	\$137,001	\$18,424	\$—	\$—

As of May 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Millions of yen)			
Cash on hand and in banks	¥ 1,299	¥ —	¥—	¥—
Trade notes and accounts receivable	12,095	1,289	—	—
	¥13,394	¥1,289	¥—	¥—

4. The redemption schedule for long-term debt is disclosed in Note 8.

20. Securities

As of May 31, 2014

(1) Information regarding securities classified as available-for-sale securities

Available-for-sale securities

As of May 31, 2014	Carrying value	Acquisition cost	Unrealized Gain (Loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥13,228	¥6,962	¥6,266
Subtotal	¥13,228	¥6,962	¥6,266
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 393	¥ 405	¥ (12)
Subtotal	¥ 393	¥ 405	¥ (12)
Total	¥13,621	¥7,367	¥6,254

As of May 31, 2014	Carrying value	Acquisition cost	Unrealized Gain (Loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$130,123	\$68,479	\$61,644
Subtotal	\$130,123	\$68,479	\$61,644
Securities whose acquisition cost exceeds their carrying value:			
Stock	\$ 3,865	\$ 3,987	\$ (122)
Subtotal	\$ 3,865	\$ 3,987	\$ (122)
Total	\$133,988	\$72,466	\$61,522

Note: Unlisted stocks are not included in the above table because there were no quoted market prices available and they are extremely difficult to determine the fair value.

(2) Impairment of investment securities

No impairment loss on investment securities was recognized for the year ended May 31, 2014.

(3) No securities classified as available-for-sale securities were sold for the year ended May 31, 2014

As of May 31, 2013

(1) Information regarding securities classified as available-for-sale securities

Available-for-sale securities

As of May 31, 2013	Carrying value	Acquisition cost	Unrealized Gain (Loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥12,083	¥6,777	¥5,306
Subtotal	¥12,083	¥6,777	¥5,306
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 535	¥ 575	¥ (40)
Subtotal	¥ 535	¥ 575	¥ (40)
Total	¥12,618	¥7,352	¥5,266

Note: Unlisted stocks are not included in the above table because there were no quoted market prices available and they are extremely difficult to determine the fair value.

(2) Impairment of investment securities

No impairment loss on investment securities was recognized for the year ended May 31, 2013.

(3) Sales of securities classified as available-for-sale securities and the aggregate gain and loss for the year ended May 31, 2013

For the Year ended May 31, 2013	Sales proceeds	Gain on sales	Loss on sales
	(Millions of yen)		
Stock	¥127	¥72	¥—

21. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the years ended May 31, 2014 and 2013 are reconciled to cash on hand and in banks in the consolidated balance sheets as follows:

As of	May 31, 2014	May 31, 2013	May 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥2,998	¥1,302	\$29,488
Cash and cash equivalents	¥2,998	¥1,302	\$29,488

22. Derivative Transactions

Hedging policies

The Company utilizes interest rate swaps for the purpose of hedging its exposure to fluctuations in interest rates. However, based on internal management rules on financial market risk approved by the Company's Board of Directors, Group companies do not enter into transactions involving derivatives for speculative or trading purposes.

Types and purpose of derivative transactions

The Company primarily uses interest rate swaps to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

There is no derivative transaction to which hedge accounting is not applied.

Derivative transactions to which hedge accounting is applied:

Interest-related derivatives:

As of May 31, 2014	Major hedged item	Notional amount		Fair value
		Maturing within one year	Maturing after one year	
(Millions of yen)				
Interest rate swaps accounted for by the normal method: Receive/floating and pay/fixed	Long-term debt	¥1,500	¥1,500	¥(40)
Interest rate swaps accounted for by the exceptional method: Receive/floating and pay/fixed	Long-term debt	¥7,152	¥6,389	Note 2

As of May 31, 2014	Major hedged item	Notional amount		Fair value
		Maturing within one year	Maturing after one year	
(Thousands of U.S. dollars)				
Interest rate swaps accounted for by the normal method: Receive/floating and pay/fixed	Long-term debt	\$14,755	\$14,755	\$(397)
Interest rate swaps accounted for by the exceptional method: Receive/floating and pay/fixed	Long-term debt	\$70,352	\$62,847	Note 2

As of May 31, 2013	Major hedged item	Notional amount		Fair value
		Maturing within one year	Maturing after one year	
(Millions of yen)				
Interest rate swaps accounted for by the exceptional method: Receive/floating and pay/fixed	Long-term debt	¥5,789	¥4,988	Note 2

Notes: 1. The fair value of interest rate swaps accounted for by the normal method is determined based on the price, etc. provided by the financial institutions.

2. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreement is recognized and included in interest expenses. Accordingly, the fair value of interest rate swaps is included in the fair value of long-term debt. The notional amount of long-term debt includes current portion of long-term debt.

23. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group establishes business units by product and each business unit designs domestic and overseas comprehensive strategies for its products and is developing business activities. Accordingly, the Group consists of the three reportable segments by product based on the business units, which are Transportation Systems, Industrial Systems and Information Equipment Systems.

The accounting policies of the segments are substantially same as those described in the significant accounting policies in Note 1. Segment profit is evaluated based on operating income.

Inter-segment sales are recorded at the same prices used in transactions with third parties.

	For the year ended May 31, 2014						
	Reportable segments			Other (Note)	Total	Adjustments	Consolidated
	Transportation	Industrial	Information Equipment				
	(Millions of yen)						
Sales, profits or losses and asset by reportable segments							
Net sales:							
Sales to third parties	¥22,198	¥10,925	¥1,829	¥ 6	¥34,958	¥ —	¥34,958
Inter-segment sales and transfers	35	1	—	490	526	(526)	—
	22,233	10,926	1,829	496	35,484	(526)	34,958
Segment profit	¥ 2,374	¥ 537	¥ 348	¥ 41	¥ 3,300	¥(2,224)	¥ 1,076
Segment assets	¥17,199	¥ 7,923	¥ 731	¥525	¥26,378	¥18,375	¥44,753
Other items:							
Depreciation	¥ 594	¥ 208	¥ 24	¥ 0	¥ 826	¥ 175	¥ 1,001
Capital expenditures	¥ 392	¥ 121	¥ 17	¥ 2	¥ 532	¥ 80	¥ 612

	For the year ended May 31, 2014						
	Reportable segments			Other (Note)	Total	Adjustments	Consolidated
	Transportation	Industrial	Information Equipment				
	(Thousands of U.S. dollars)						
Sales, profits or losses and asset by reportable segments							
Net sales:							
Sales to third parties	\$218,358	\$107,462	\$17,988	\$ 61	\$343,869	\$ —	\$343,869
Inter-segment sales and transfers	348	13	—	4,818	5,179	(5,179)	—
	218,706	107,475	17,988	4,879	349,048	(5,179)	343,869
Segment profit	\$ 23,357	\$ 5,279	\$ 3,426	\$ 403	\$ 32,465	\$(21,879)	\$ 10,586
Segment assets	\$169,182	\$ 77,941	\$ 7,190	\$5,164	\$259,477	\$180,742	\$440,219
Other items:							
Depreciation	\$ 5,839	\$ 2,049	\$ 232	\$ 6	\$ 8,126	\$ 1,717	\$ 9,843
Capital expenditures	\$ 3,859	\$ 1,188	\$ 170	\$ 20	\$ 5,237	\$ 785	\$ 6,022

For the year ended May 31, 2013

	Reportable segments				Total	Adjustments	Consolidated
	Transportation	Industrial	Information Equipment	Other (Note)			
(Millions of yen)							
Sales, profits or losses and asset by reportable segments							
Net sales							
Sales to third parties	¥17,325	¥11,543	¥1,701	¥ 6	¥30,575	¥ —	¥30,575
Inter-segment sales and transfers	37	2	—	545	584	(584)	—
	17,362	11,545	1,701	551	31,159	(584)	30,575
Segment profit	¥ 1,914	¥ 434	¥ 265	¥ 41	¥ 2,654	¥(2,153)	¥ 501
Segment assets	¥16,680	¥ 8,614	¥ 823	¥525	¥26,642	¥15,722	¥42,364
Other items:							
Depreciation	¥ 691	¥ 239	¥ 28	¥ 0	¥ 958	¥ 186	¥ 1,144
Capital expenditures	¥ 792	¥ 159	¥ 29	¥ —	¥ 980	¥ 316	¥ 1,296

Note: "Other" represents business units which are not included in reportable segments and consists of worker dispatching service related activities, etc.

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended May 31, 2014 and 2013 are summarized as follows:

For the Years Ended	May 31,	May 31,	May 31,
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Japan	¥25,399	¥23,341	\$249,838
China	7,119	5,495	70,026
Other	2,440	1,739	24,005
Consolidated	¥34,958	¥30,575	\$343,869

Note: Net sales information above is based on customers' location.

Major customer information

Major customer information for the years ended May 31, 2014 and 2013 is omitted since there was no customer to whom sales exceeds 10% of net sales recorded in the accompanying consolidated statements of income.



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Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
TOYO DENKI SEIZO K.K.

We have audited the accompanying consolidated financial statements of TOYO DENKI SEIZO K.K. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at May 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOYO DENKI SEIZO K.K. and its consolidated subsidiaries as at May 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

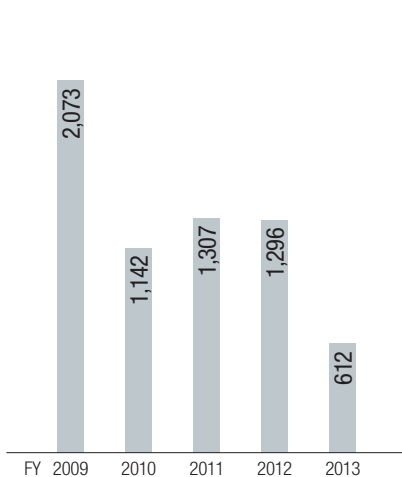
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

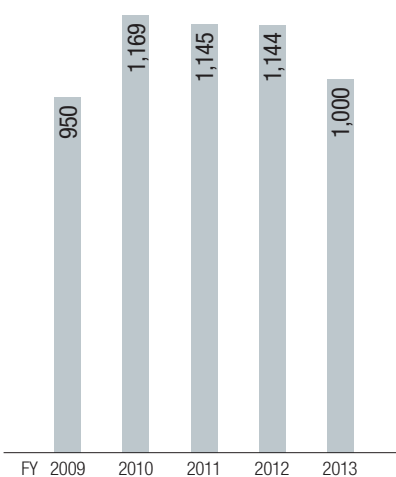
August 28, 2014
Tokyo, Japan

Reference Data for Management Indices

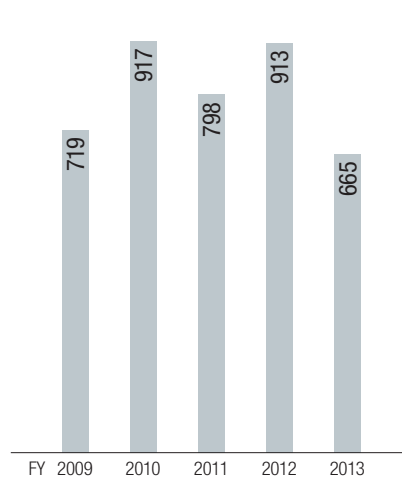
Capital investment (Unit: Million yen)



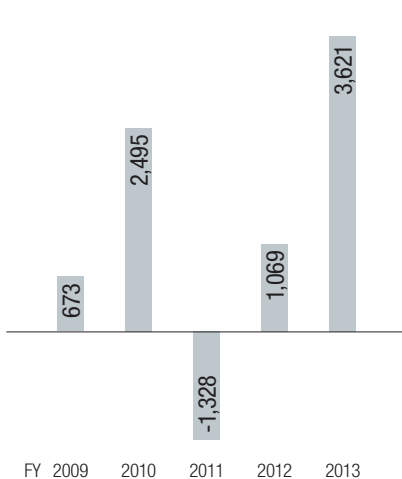
Depreciation and amortization (Unit: Million yen)



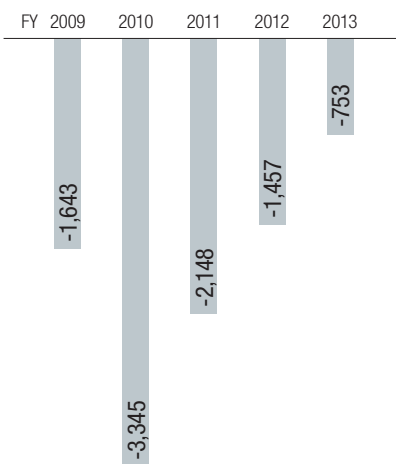
Research and development costs (Unit: Million yen)



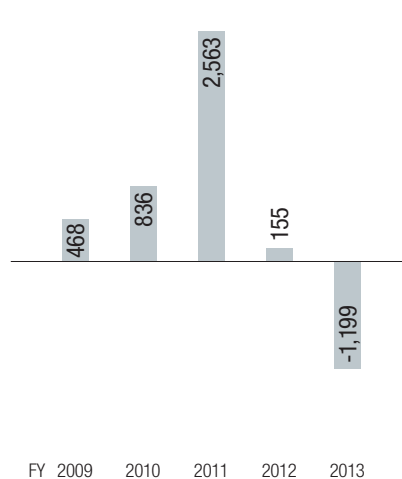
Cash flows from operating activities (Unit: Million yen)



Cash flows from investing activities (Unit: Million yen)



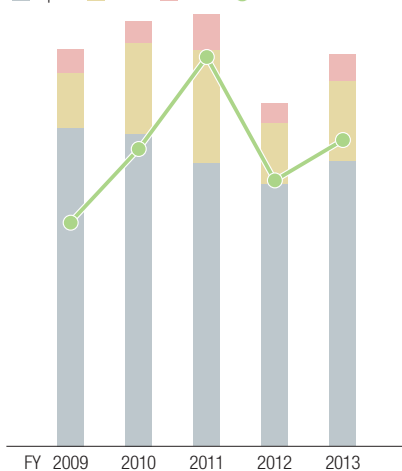
Cash flows from financing activities (Unit: Million yen)



Net sales by region

(Unit: Million yen)

Japan China Others Overseas net sales ratio

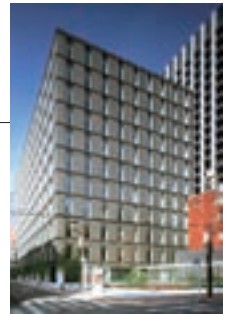


	FY 2009	2010	2011	2012	2013
Japan	28,358	27,835	25,200	23,340	25,398
China*	4,873	8,110	10,081	5,495	7,118
Others	2,198	1,947	3,289	1,738	2,440
Total	35,429	37,893	38,570	30,575	34,957
Overseas net sales ratio	20.0%	26.5%	34.7%	23.7%	27.3%

*Reported classified as Asia from fiscal 2009 to fiscal 2010.

Company Profile

Company Name	TOYO DENKI SEIZO K.K. (TOYO ELECTRIC MFG. CO., LTD.)
Established	June 20, 1918
Capital	4,998,390,000 yen
Number of Employees	1,201 (Consolidated) 797 (TOYO DENKI SEIZO K.K.)
Head Office	Tokyo Tatemono Yaesu Building, 1-4-16, Yaesu, Chuo-ku, Tokyo, 103-0028, Japan TEL +81-3-5202-8121 (General Affairs Division) http://www.toyodenki.co.jp/
Stock Exchange Listing	The Tokyo Stock Exchange, First Section
Code Number	6505
Number of Shares Authorized	180,000,000 shares
Number of Shares Issued	48,675,000 shares
Number of Shareholders	6,808



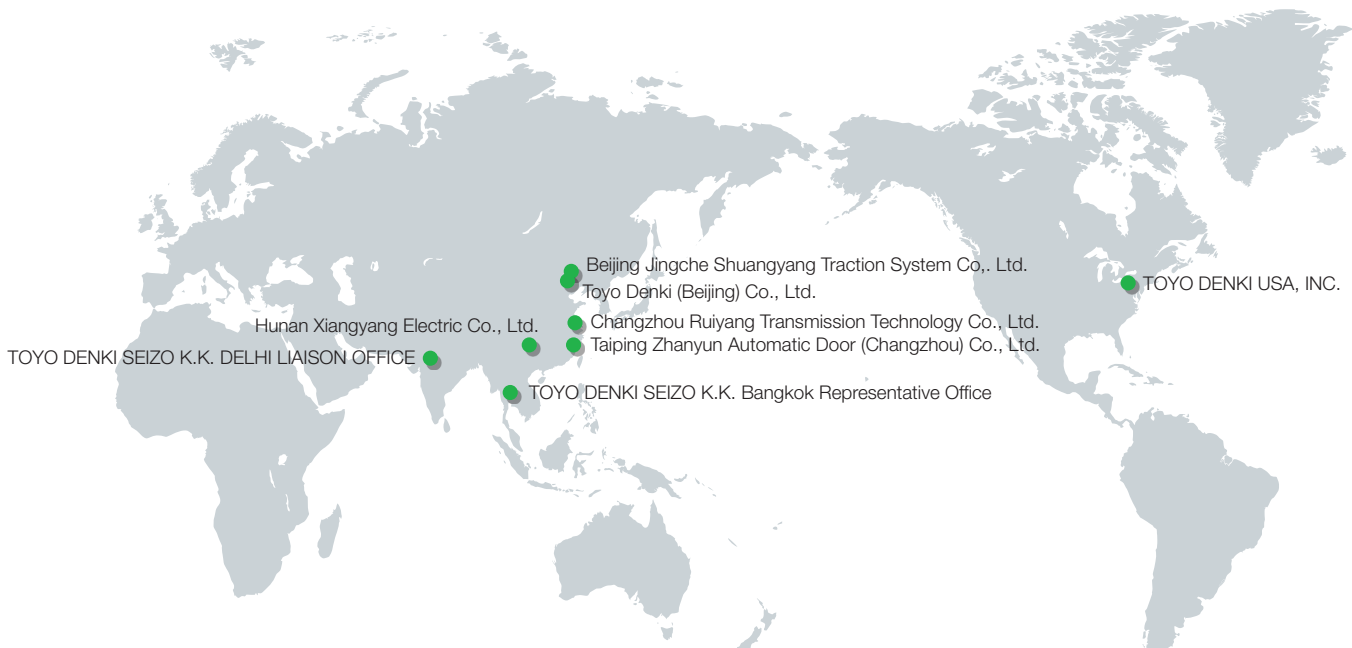
Head office building

Subsidiaries and Affiliates

- TOYOKOUKI Co., Ltd.
- Taihei Electric Co., Ltd.
- Toyo Sangyo Co., Ltd.
- TD Drive Co., Ltd.
- Toyo Shoji Co., Ltd.
- TOYO DENKI USA, INC.
- Toyo Denki (Beijing) Co., Ltd.
- Taiqing Zhanyun Automatic Door (Changzhou) Co., Ltd.
- Hunan Xiangyang Electric Co., Ltd.
- Changzhou Ruiyang Transmission Technology Co., Ltd.
- Beijing Jingche Shuangyang Traction System Co., Ltd.



Yokohama Plant



Executive Profiles



Chairman, Representative Director
Hiroshi Tsuchida



President, Representative Director
Kenzo Terashima



Senior Managing Director
Yoshio Hosoda



Managing Director
Hiroshi Shimotakahara



Managing Director
Masami Tsuchiya



Director
Yoshihiko Yoshino



Director
Hiroyuki Arai



Director
Kenichi Gotoh



Standing Statutory Auditor
Akira Isogai



Standing Statutory Auditor
Hiroshi Hamao



Statutory Auditor
Toshio Ikeda



Statutory Auditor
Eiichi Suzuki

Executive Officers

Hisashi Sone
Akihiko Ishii

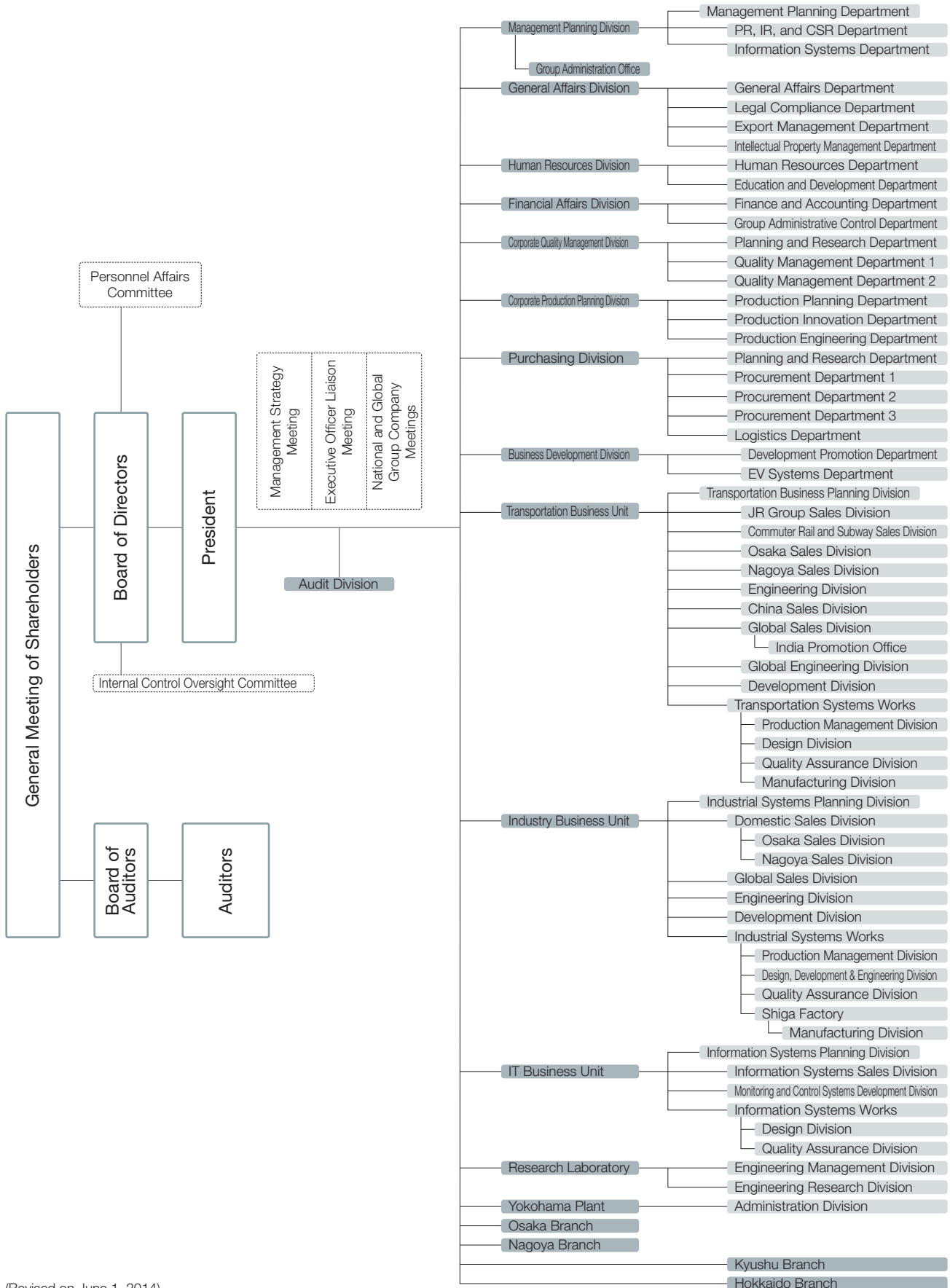
Hitoshi Katayama
Toshihiko Akihiro

Shuji Horie
Kenji Tanimoto

Yoshifumi Otsubo
Tetsuto Iwaki

Isami Takase

Organization Chart



(Revised on June 1, 2014)

Stock Related Information

Number of shares (As of May 31, 2014)

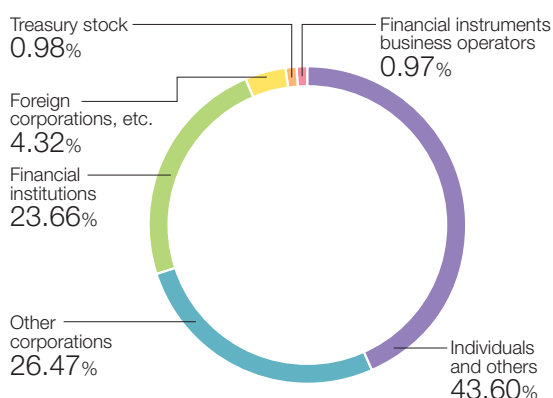
Number of shares authorized	180,000,000
Number of shares issued	48,675,000
Number of shareholders	6,808

Major shareholders

Shareholders	Number of shares held (Thousands)	% of total shares held
East Japan Railway Company	2,400	4.98
Employees Stock Ownership Plan	2,153	4.47
TOYOTA INDUSTRIES CORPORATION	2,100	4.36
Hitachi, Ltd.	2,100	4.36
NIPPON LIFE INSURANCE COMPANY	2,044	4.24
Japan Trustee Services Bank, Ltd. (Trust account)	1,778	3.69
The Master Trust Bank of Japan, Ltd. (Trust account)	1,425	2.96
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,350	2.80
The Bank of Yokohama, Ltd.	1,038	2.15
Ohkuraya Juutaku Co., Ltd.	1,030	2.14

(Note) The percentages of total shares held are calculated excluding 475,000 treasury stocks held by the Company.

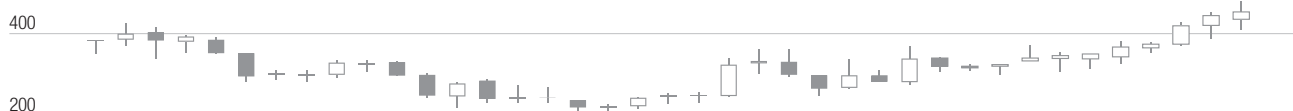
Distribution of shares by type of shareholder



Transition of share price

Share price

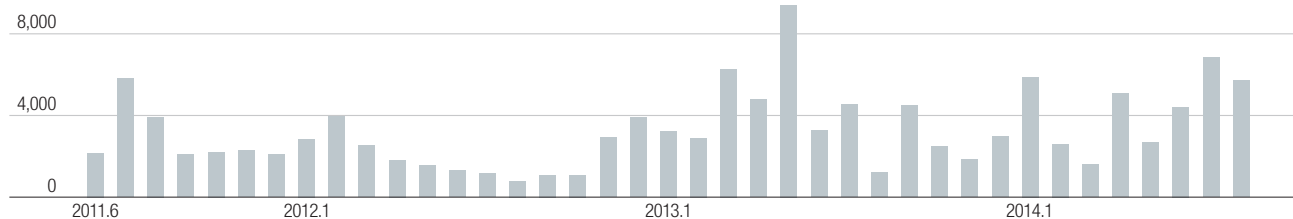
(Yen)
600



Trading volume

0

(Thousands)
12,000



Disclaimer on the forward-looking statements

Information in this corporate report contains forward-looking statements. Such statements were developed based on the information available at the time when this report was prepared. These forward-looking statements may be largely revised in the future, and the actual outcome could significantly vary from the stated or implied contents of such statements subject to various factors. This report is not intended to solicit investment. Investors are kindly asked to make your investment decision at your own judgment and responsibility. Numbers presented in 100 million yen or million yen are rounded down to the nearest respective unit.



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