Tokyo Tatemono Yaesu Building, 1-4-16, Yaesu, Chuo-ku, Tokyo 103-0028 Tel: +81-3-5202-8121 (General Affairs Division)
https://www.toyodenki.co.jp/en/

Toyo Denki Seizo Report 2015

Our Heart
and Technology
for the Future

Our Long-Term Vision

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.

On-site inspection by KINKISHARYO International, LLC. and TOYO DENKI SEIZO K.K.

A new type of light rail vehicle (LRV) equipped with electrical equipment supplied by the Company will start operations in Los Angeles in autumn 2015.

In November 2012, TOYO DENKI USA, Inc., the Company's wholly-owned U.S. subsidiary, received an order from KINKISHARYO International, LLC, a U.S. subsidiary of The Kinki Sharyo Co., Ltd. The order was for electrical equipment for LRVs of the Los Angeles County Metropolitan Transportation Authority (LA Metro). At long last, the new type of LRV will begin operating in autumn 2015. This marks the Group's second delivery of electrical equipment in the U.S., following the delivery of equipment for LRVs to Dallas Area Rapid Transit (DART).

By supplying high-quality electrical equipment for rail vehicles, we will continue contributing to the development of urban transportation in the U.S.

● 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 2014 (from June 2014 to May 2015), 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 4"

CONTENTS

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	150	151	152	153	154
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014

(Unit: Million yen)

Fiscal Year					
Net sales	37,893	38,570	30,575	34,957	39,617
Gross profit	8,663	8,834	7,696	8,097	9,282
Operating income	1,503	1,701	501	1,076	1,596
Net income	678	785	722	644	1,105
Comprehensive income	272	1,071	3,761	1,421	5,468
Capital investment	1,142	1,307	1,296	612	969
Research and development costs	917	797	913	665	897
Fiscal Year-End					
Net assets	14,268	15,049	18,519	19,350	24,895
Total assets	36,892	38,086	42,364	44,752	53,041
Number of employees	1,177	1,175	1,170	1,201	1,216

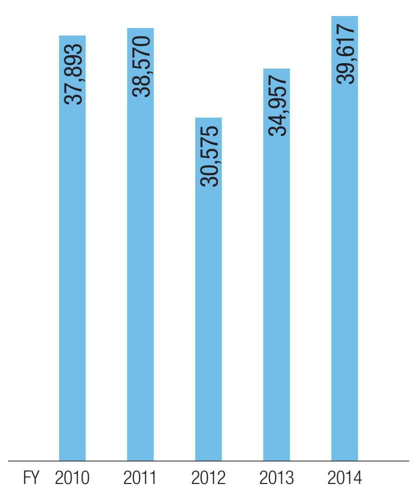
(Unit: Yen)

Per Share Information					
Net assets	295.89	312.12	384.14	401.45	516.61
Net income	14.86	16.29	14.98	13.37	22.94
Dividend	6	6	6	6	6

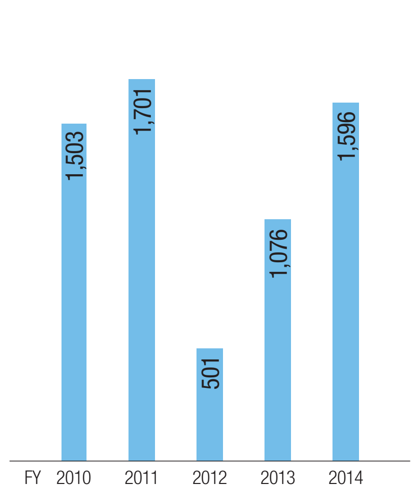
(Unit: %)

Major Management Indices					
Shareholders' equity ratio	38.7	39.5	43.7	43.2	46.9
Return on equity (ROE)	5.1	5.4	4.3	3.4	5.0
Operating income ratio	4.0	4.4	1.6	3.1	4.0
Overseas net sales ratio	26.5	34.7	23.7	27.3	38.0
Dividend payout ratio	40.4	36.8	40.0	44.9	26.2

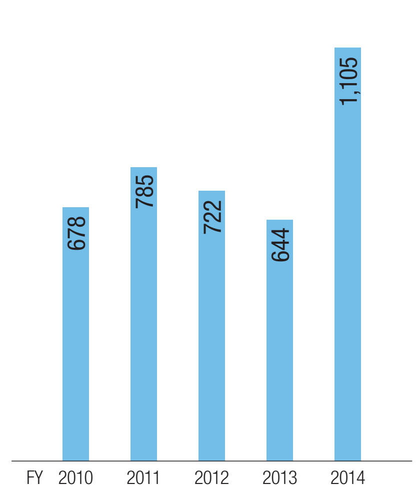
Net sales (Unit: Million yen)



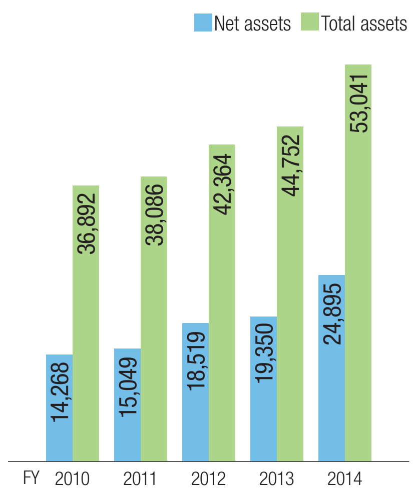
Operating income (Unit: Million yen)



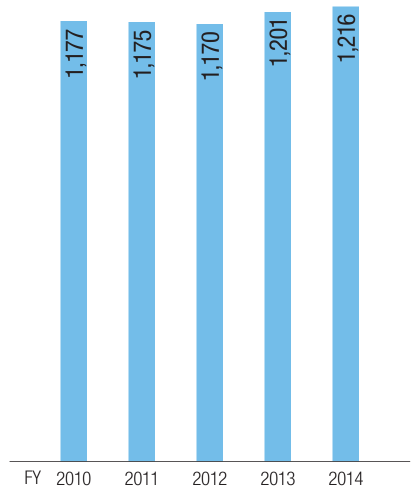
Net income (Unit: Million yen)



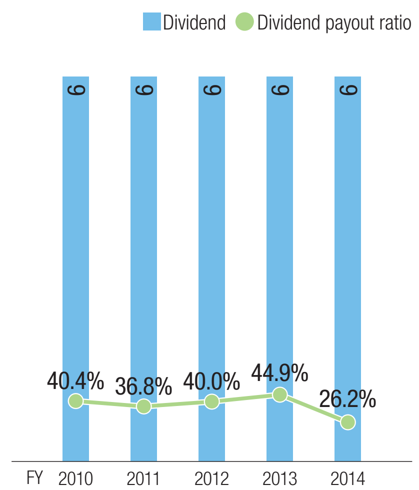
Net assets/Total assets (Unit: Million yen)



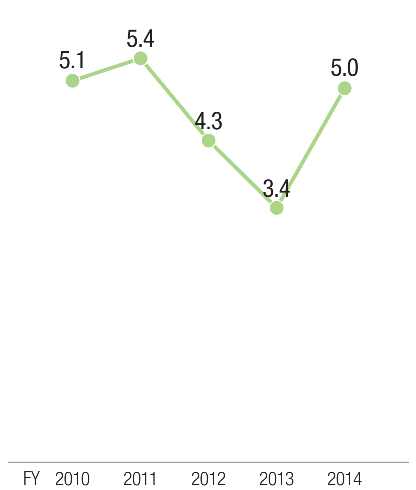
Number of employees (Unit: Persons)



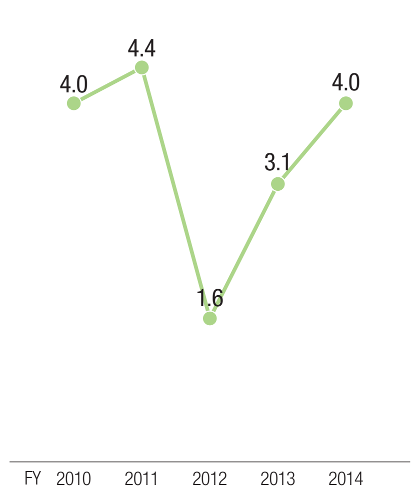
Dividend/Dividend payout ratio (Unit: Yen)



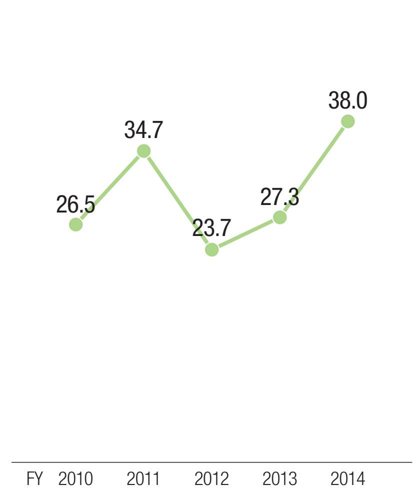
Return on equity (ROE) (Unit: %)



Operating income ratio (Unit: %)



Overseas net sales ratio (Unit: %)



Contributing to the society through technology based on the keywords of energy saving, high efficiency, and cleanliness

The medium-term management plan "NEXT 100: Beyond 100 years" got off to a good start as the overseas net sales ratio grew to 38.0%.

Both revenue and profits increased significantly during the fiscal year ended May 31, 2015 as sales grew mainly in overseas for the Transportation Systems segment and performance was also strong in the Industrial Systems segment. In terms of profits, contributions were made by the effects of the improved profitability of factories in addition to foreign exchange gains.

In the Transportation Systems segment, order backlog was maintained at high level despite lower orders compared to the previous fiscal year led by factors such as delays in some scheduled overseas projects. Net sales increased significantly, especially in China and the United States, boosting profits. A subsidiary in the maintenance business for electrical equipment for railroads, established in August 2014 in Beijing, China, is also off to a steady start. Business is developing based on the strong relationships of trust we have built in China, and further expansion going forward can be expected.

In the Industrial Systems segment, a greater number of orders of testing equipment for automobile development and infrastructure-related systems were received, and the level of orders received was restored to levels before the bankruptcy of Lehman Brothers. Overseas, we received orders of factory systems in Southeast Asia, centered on our representative office in Bangkok, Thailand, which was established in September 2014, as we responded to rising demand for energy saving at manufacturing sites. For net sales, a significant increase in profits was achieved as revenue grew in particular for testing equipment for automobile development and profits were improved through structural reform.

In the Information Equipment Systems segment, the year marked a low point in demand for updates to railway station operating equipment, and coupled with a decreased number of orders for remote monitoring systems, net sales and profits were both lower than the previous fiscal year.

From the results above, we believe that we were able to make a strong start for the first year of the three-year medium-term management plan "NEXT 100" during the fiscal year ended May 31, 2015. In particular, the overseas net sales ratio grew from 27.3% in the previous fiscal year to 38.0%, as we took a big step forward towards global growth.

President
Kenzo Terashima

We will restructure our production system as we aim for net sales of 50.0 billion yen. We are also promoting launch of new businesses in preparation for the future.

In the medium-term management plan "NEXT 100," we have set the targets of achieving net sales of 50.0 billion yen in the fiscal year ending May 31, 2017, of which 25.0 billion yen are overseas net sales (overseas net sales ratio of 50%), through the promotion of globalization. In order to achieve this, we will further strengthen overseas expansion and promote the restructuring of production system to support future growth in orders. This will mainly consist of the expansion of the Yokohama Plant, which is the mainstay production base for the Transportation Systems segment, and the new establishment of a factory and consolidation of functions in the Shiga region, which is responsible for production of the Industrial Systems segment. (Please see page 7 to 8 for information on the strengthening of overseas expansion and the restructuring of the production system.)

At the same time, in an aim to improve company-wide operations efficiency in addition to production, we plan to install a core system that will comprehensively manage operations from the sales stage to production processes and accounting processing. Preparations are underway to begin operation of the system in summer 2016.

On the other hand, launching new businesses in preparation for future growth is one of the fundamental policies of "NEXT 100." In the Transportation Systems segment, we will make the maintenance business in China for electrical equipment for railroads fully operational and capture rapidly-increasing demand for the overhaul of electrical equipment for the Beijing Subway. In the Industrial Systems segment, we will focus on industrial electric power generators as a new measure as we develop markets for sales both domestically and overseas, such as renewable energy systems including biomass power generation and waste disposal furnaces, and emergency and non-emergency power equipment.

During this second year of "NEXT 100" (the fiscal year ending May 31, 2016), we expect continued growth in revenue and profits through maintaining favorable performance in the Transportation Systems segment and further recovery in the Industrial Systems segment. As growth investments is planned to be increased significantly from the fiscal year ending May 31, 2017, mainly for the restructuring of the production system and the introduction of the core system, the policy is to control such investments during the current fiscal year for preparation.

We will work on establishing transparency and efficiency in management that is appropriate for a company striving for global growth.

In response to the "Corporate Governance Code" introduced by the Financial Services Agency and the Tokyo Stock Exchange, which took effect on June 1, 2015, we have established independence guidelines for Outside Executives and the election of one Outside Director was approved. We will continue to take steps to comply with each item set forth by the "Corporate Governance Code," and aim to establish transparency and efficiency in management that is appropriate for a company striving for global growth.

While we have decided upon 6 yen per share for the year-end dividends for the current fiscal year, the same as the previous fiscal year, based on our fundamental profit return policy of providing continuous and stable dividends, in the future, we will work to improve return on equity (ROE) and the level of profit return.

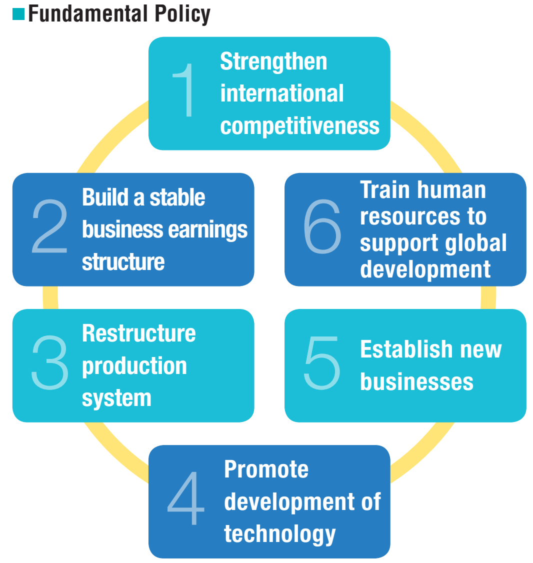
Through technologies centered on the keywords of "energy saving," "high efficiency," and "cleanliness" that contributes to environmental preservation, we would like to fulfill even more significant social contribution and live up to the expectations of stakeholders as a sustainably developing company.

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.

■Fundamental Policy



■Numerical Targets

(Unit: Billion yen)

		NEXT 100	
	Fiscal 2013 (Actual Results)	Fiscal 2014 (Actual Results for the First Year)	Fiscal 2016 (Forecast for the Final Year)
Net sales	34.95	39.61	**50.00**
Operating income (Operating income ratio)	1.07 (3.1%)	1.59 (4.0%)	**3.00 (6.0%)**
Ordinary income	1.03	2.05	**3.20**
Net income	0.64	1.10	**1.90**
Overseas net sales (Overseas net sales ratio)	9.55 (27.3%)	15.06 (38.0%)	**25.00 (50.0%)**

Restructuring of the Production System

Details of reorganization plans for Yokohama and Shiga have been specified and the plans have started, as we work toward achieving net sales of 50.0 billion yen. By strengthening development and production capabilities of both production bases, we will respond to increased orders both domestically and overseas.

From June 1, 2014, we began a medium-term management plan, "NEXT 100: Beyond 100 years." As we work toward achieving the final goals of net sales of 50.0 billion yen and an overseas net sales ratio of 50%, we have set "restructure production system" as one part of the fundamental policy. We recognize that our most important challenge is to establish a production system that can respond to expanded orders both domestically and overseas.

To respond to an anticipated expansion of orders in the future, we will expand production capabilities of the Yokohama Plant, which is the main production base for the Transportation Systems segment, and newly establish a factory and consolidate functions in the Shiga region, which is responsible for production of the Industrial Systems segment, in order to establish a structure to support net sales of 50.0 billion yen.

Yokohama Plant (aerial photo)

Shiga Factory (Inverter manufacturing workshop)

Specific measures for the restructuring of the production system

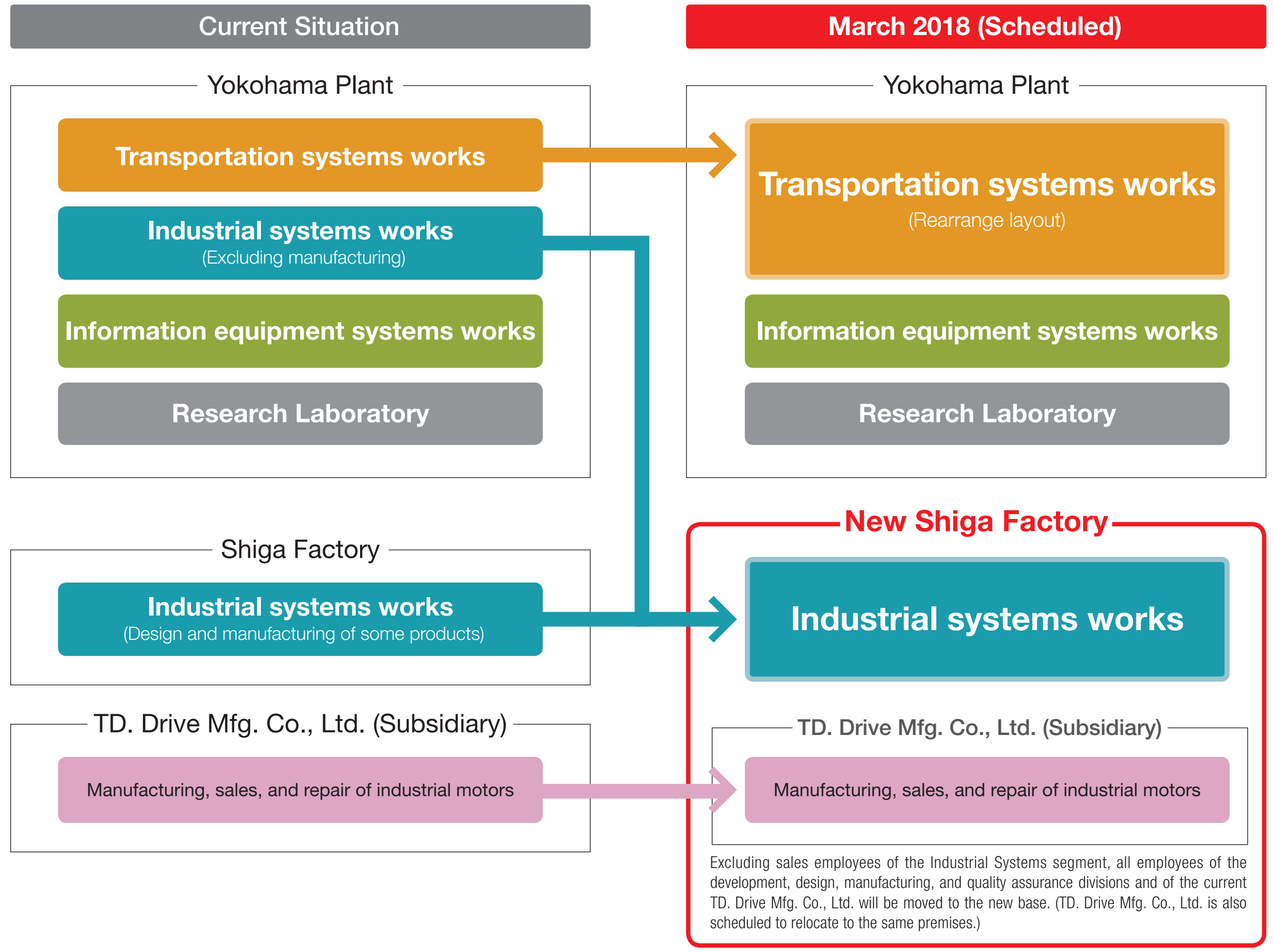
1 Rearrangement of layout of transportation systems factory at Yokohama Plant

- Due to increased workloads in the Transportation Systems segment, an expansion of manufacturing space was required. By combining the industrial systems factories that were split into the Yokohama Plant and the Shiga Factory, and rearranging the layout of the transportation systems factory, we will work on improving our production capability.
- Specifically, the Yokohama Plant currently has design, development, and quality assurance divisions for industrial systems products, and by consolidating these functions in the Shiga region, the production system for electrical equipment for railroads will be strengthened at the Yokohama Plant. Production lines will also be replaced with high-efficiency facilities and we plan on achieving an increase of between 30% and 40% in production capacity as an end result.

2 Improve productivity of the Industrial Systems segment by establishing a new base in Shiga

- By establishing a new base in Shiga Prefecture, we will advance efficient development and creation centered on high value-added system products at a base that combines development, design, manufacturing, and quality assurance divisions.
- Concerning the production system in the Industrial Systems segment, land has been acquired in Ryuoh Town, Shiga Prefecture, which is near our existing Shiga Factory (Moriyama City), and our plans call for construction of a new factory that will begin operations in spring 2018. Also at the new factory, we will promote segmentation of production lines, striving to create the ideal next-generation production base where female employees can play an even greater role.

The current situation of the production system and future development



Regarding the acquisition of fixed assets (conclusion of purchase reservation agreement)

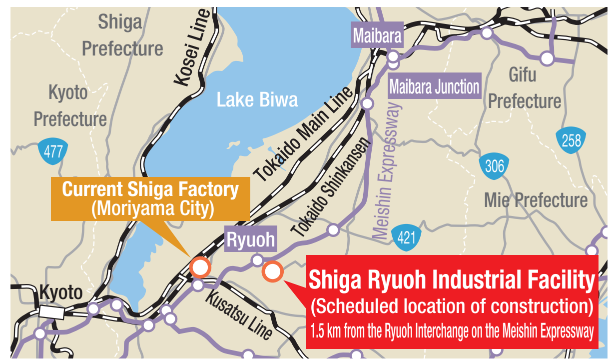
On March 23, 2015, to secure land for building a new factory with the aim of strengthening production capabilities and improving production efficiency, we concluded a purchase reservation agreement for a piece of industrial land.

●Details of industrial land to be acquired

Location	2982 Aza-Tsutsumigatani, Aza-Okaya, Ryuoh-cho, Gamo-gun, Shiga and others (Within Shiga Ryuoh industrial park)
Area	Land: 34,400 m² (tentative size)
Acquisition cost	1,112 million yen (tentative price)
Current state	Forest. The land is being prepared as an industrial park by Shiga Prefecture Land Development Public Corporation.

●Details of counterparty

Name	Shiga Prefecture Land Development Public Corporation
Business domains	Acquisition, management, disposal, etc., of land for public works projects, public land, etc.



●Schedule of acquisition

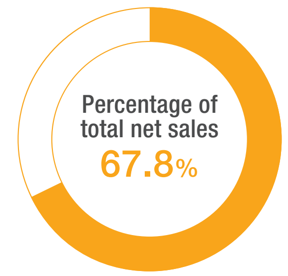
Conclusion date of purchase reservation agreement	March 23, 2015
Conclusion date of purchase agreement	March 2017 (Scheduled completion of preparations)
Date of land transfer	March 2017 (Same as above)

Business Report

Electrical equipment for rail vehicles that responds to robust demand for railway infrastructure development in global market

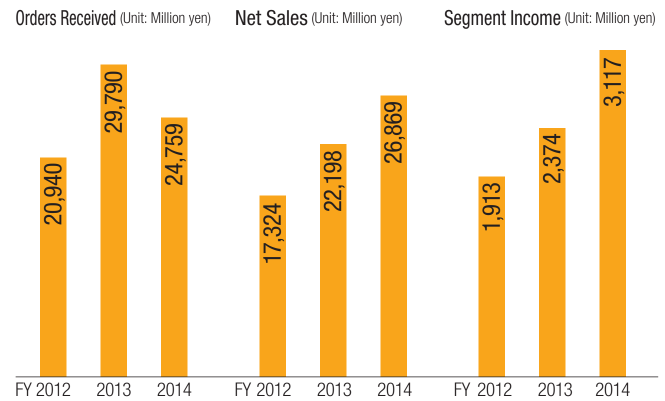
Business Overview

We delivered electrical equipment including motors for the Hokuriku Shinkansen, which started its service in March 2015. Overseas, we received orders for subway contracts in Southeast Asia and the Middle East and got started in preparation for service launch from 2017. In the future, we will pursue overseas expansion even more aggressively as a driver of growth through means such as expansion of maintenance business for the Beijing Subway.



Results for fiscal 2014

Orders Received **24,759 million yen** (Down 16.9% year on year)	While orders increased in Japan, overseas orders decreased due to a rebound from major orders received in the previous year and a delay in contracts that were scheduled.
Net Sales **26,869 million yen** (Up 21.0% year on year)	While sales decreased slightly in Japan, revenue increased significantly as a result of growth in subways and high-speed railroad in China.
Segment Income **3,117 million yen** (Up 31.3% year on year)	Profits increased as the effects of significant increase in revenue and improved profitability at factories absorbed negative factors such as an increase in expenses.



TOPICS

Jointly developed high-speed circuit breakers for control devices with Hitachi

We agreed to a business and capital alliance involving the overseas electrical equipment for rail vehicle business with Hitachi on October 2010, and both companies have since promoted activities including order-taking, the joint development of products, and joint purchases. Recently, we have jointly developed a high-speed circuit breaker for control devices such as VVVF inverters, and we exhibited this product at the world's largest railway technology trade fair, InnoTrans2014, which was held in Berlin, Germany in September 2014. This product has attracted the attention of many customers, and we have received many inquiries from not only overseas, but also from Japanese railway operators and electrical manufacturers.

We will fully utilize the resources of both companies as we work to expand this business.


High-speed circuit breakers

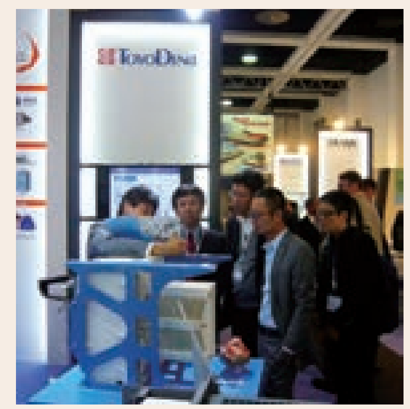
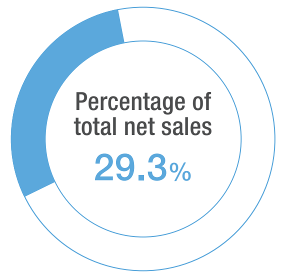


Exhibit at InnoTrans2014

Enhance functions of high-efficiency inverters and contribute to further energy savings for production facilities

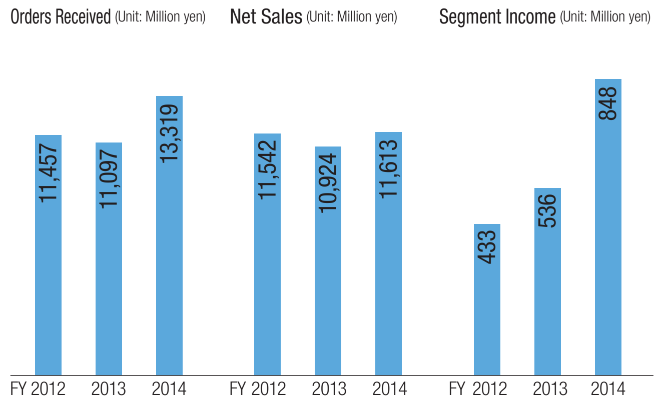
Business Overview



In our "VF66 series" of intelligent inverters, we now support distributed power source systems such as wind power generation and hydropower generation by adding a lineup that supports interconnected systems. For factories in areas such as Southeast Asia, we will actively work to receive orders for systems such as "biomass power generation systems" that serve as independent power generation facilities as we also work to expand the power generation business.

Results for fiscal 2014

Orders Received **13,319 million yen** (Up 20.0% year on year)	There was a significant increase in orders received for testing systems for automobile development and infrastructure-related, and the levels were back to those before the bankruptcy of Lehman Brothers.
Net Sales **11,613 million yen** (Up 6.3% year on year)	While sales for processing equipment were sluggish, revenue increased as a result of strong sales for testing systems for automobile development.
Segment Income **848 million yen** (Up 58.1% year on year)	Profits increased due to the contribution of increased revenue, improved profitability at factories, and increased earnings at subsidiaries.



TOPICS

DC drive mode of the intelligent inverter VF66B

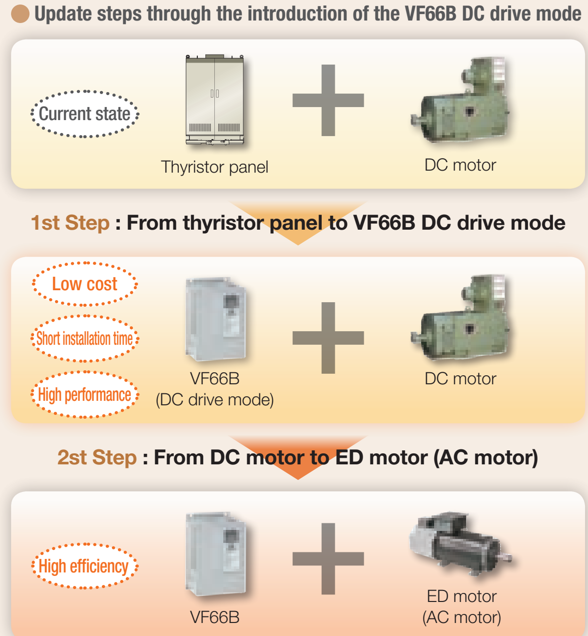
Direct current motors (DC motors) were used as the main type of variable-speed drive from the 1970s to the first half of the 1990s, and they were adopted in various production facility lines in combination with thyristor Leonard equipment.

The DC drive mode of our latest inverter "VF66B" helps to control investment costs as DC drive mode can convert control equipment into an inverter with the DC motors as is for equipment using DC motors that continues to operate. This can also lead to gradual updates to AC motors, which is the next step.

In addition, the introduction of the DC drive mode will not only enable total digital control for all forms of control, but also make equipment more high performance through adoption of various latest networks and PLC.

Going forward, we will support the needs of customers with the products that leverage our advanced motor drive technologies.

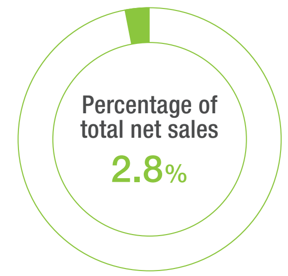
Update steps through the introduction of the VF66B DC drive mode



*ED motor: our permanent magnet-type high-efficiency motor

Provision of railway station operating equipment that achieve multi-functions and a compact size and IoT/M2M solutions in various fields

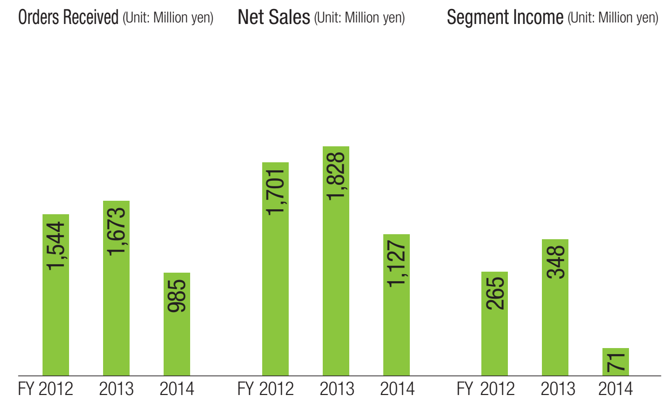
Business Overview



We develop and manufacture railway station operating equipment that can achieve mechanization and reduction of labor in railway station operations of railway operators. We also contribute to improvements of efficiency in operations through IoT/M2M solutions and power visualization solutions using mobile phone networks and cloud servers which enable monitoring and control to be conducted at the same time.

Results for fiscal 2014

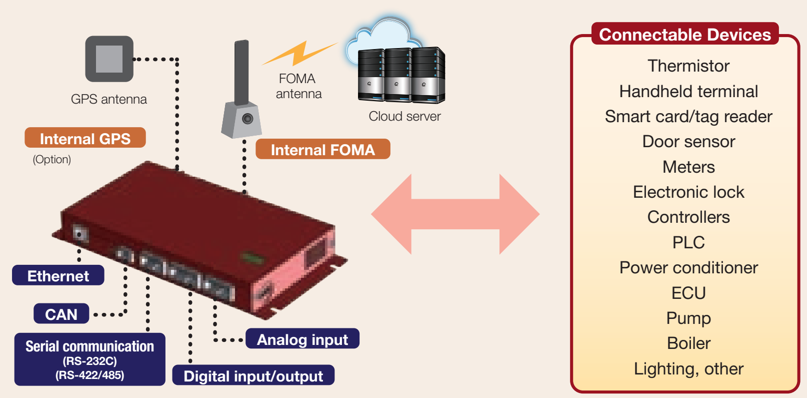
Orders Received **985 million yen** (Down 41.1% year on year)	Orders for both railway station operating equipment and remote monitoring equipment decreased.
Net Sales **1,127 million yen** (Down 38.3% year on year)	Sales decreased for the same reason underlying the decrease in orders received.
Segment Income **71 million yen** (Down 79.5% year on year)	Profits declined sharply due to decreased revenue.



TOPICS

New product, "IORemoter," terminal that supports remote monitoring and control system

We have developed the "IORemoter," an IoT/M2M terminal with cloud service and multiple interfaces. This product supports analog input, digital input and output, serial communication, as well as CAN and Ethernet, and because it has cleared stringent vibration test it can also be used for the monitoring of moving bodies such as automobiles and trains. We will continue to provide products that contribute to improvements of efficiency in the operations of customers.



Entering the maintenance business for electrical equipment for the Beijing Subway

Business Overview

We have developed business in China with a focus on delivering electrical equipment for high-speed rail and subway vehicles up until now, and in August 2014, we established the new company Beijing Jingche Shuangyang Traction System Co., Ltd., and entered the maintenance business.

We are a manufacturer with a top share that delivers over 30% of the electrical equipment used in the Beijing Subway. Backed by this track record, we will capture all of the rapidly-increasing demand for the overhaul of electrical equipment for the Beijing Subway and we will work to further expand our business.

TOPICS

● Map of Beijing Subway Lines (as of August 2015)

● Details of the new company

Company name	Beijing Jingche Shuangyang Traction System Co., Ltd.
Location	No.9 Kechang 2nd Street, East District, Economy Technology Development Zone Metro Industrial Park B2-3, Beijing
Date of establishment	August 19, 2014
End of the fiscal year	December 31
Capital	20 million RMB
Description of business	Maintenance of urban transit vehicle traction system equipment; sales, import, and export of related equipment; and ancillary work
Investment ratio	Toyo Denki (Beijing) Co., Ltd.* 50% Others 50% *A wholly-owned subsidiary of Toyo Denki Seizo K.K.

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

Research and Development

The Group's R&D activities are based on seeking to create products that fully satisfy our customers and challenging the creation and expansion of these products, and we actively promote development of technologies of our existing businesses and basic technology developments that support this development as well as development of new products that expand our businesses.

● Results and topics from fiscal 2014

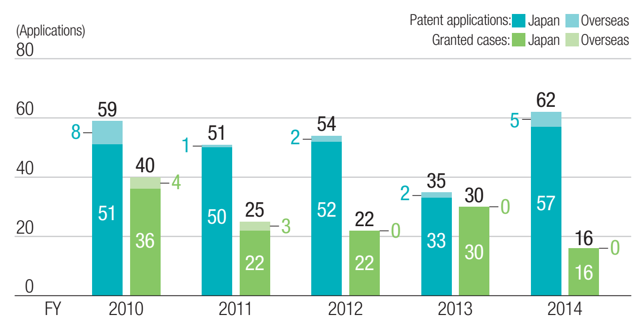
Segment	Project	Description
Transportation Systems	Fully enclosed induction traction motor	Commenced deployment of fully enclosed induction traction motor for trains with both outer and inner fans to customers. In particular, an inner fan type for narrow gauges was fully launched on an operating line in Japan for the first time.
	Guidance display system development	Adopted guidance display system for rail vehicles jointly developed with FUJI ELECTRIC CO., LTD., to actual vehicles.
	Electrical equipment for high-speed new transportation systems	Developed electrical equipment for high-speed new transportation systems (propulsion equipment, power supply, etc.) and implemented tests on actual vehicles equipped with the developed equipment.
Industrial Systems	Expansion of water cooling ED motors lineup	Expanded the lineup of water cooling ED motors set and sold for models of 45KW and above as low-noise motor support to cover the 22KW class.
	Development of Control Circuit less electric power generators	Developed the Control Circuit less electric power generators that can be operated without electric power generator control equipment (inverters) as low cost products for distributed power source systems.
Information Equipment Systems	New remote monitoring terminal	Completed development of a new remote monitoring terminal (product name: IORemoter).As an IoT/M2M device, we will work to deploy it not only as environmental monitoring equipment, but also as vehicle monitoring equipment for automobiles, rail vehicles, etc.
Research Laboratory	Research on practical application of Wireless In-Wheel Motor	Conducted industry-academia joint research together with the University of Tokyo and NSK Ltd. A method in which electric power is delivered wirelessly from the body to motors and inverters stored inside the wheel was applied to a small passenger vehicle which was then run for the first time in the world.

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

Management

Report by Stakeholder

Actions to Deal with the Environment and Local Communities

Management

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 have corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, including 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, which is composed of eight Directors including one Outside Director, 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 specific 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. As for the matters discussed at meetings, matters subject to the deliberation of the Board of Directors are decided by the Board of Directors and other matters are decided by employees with business execution authority through means such as circulars based on the Management Authority Rules.

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, 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

The Company has established independence guidelines regarding independence required for a candidate for its Outside Executive, and appoints Outside Directors and External Statutory Auditors who have excellent insight in their areas of expertise. Currently, the Company appointed one Outside Director and three External Statutory Auditors. Note that each of the External Statutory Auditors is playing a role to enhance audit functions required by laws and regulations while remaining independent from the Company.

Mr. Hirokazu Chinone, our Outside Director, is qualified as a lawyer and provides useful advice regarding management in general, drawing on his wealth of experience and specialized knowledge regarding corporate law developed throughout his career.

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.

Executive remuneration

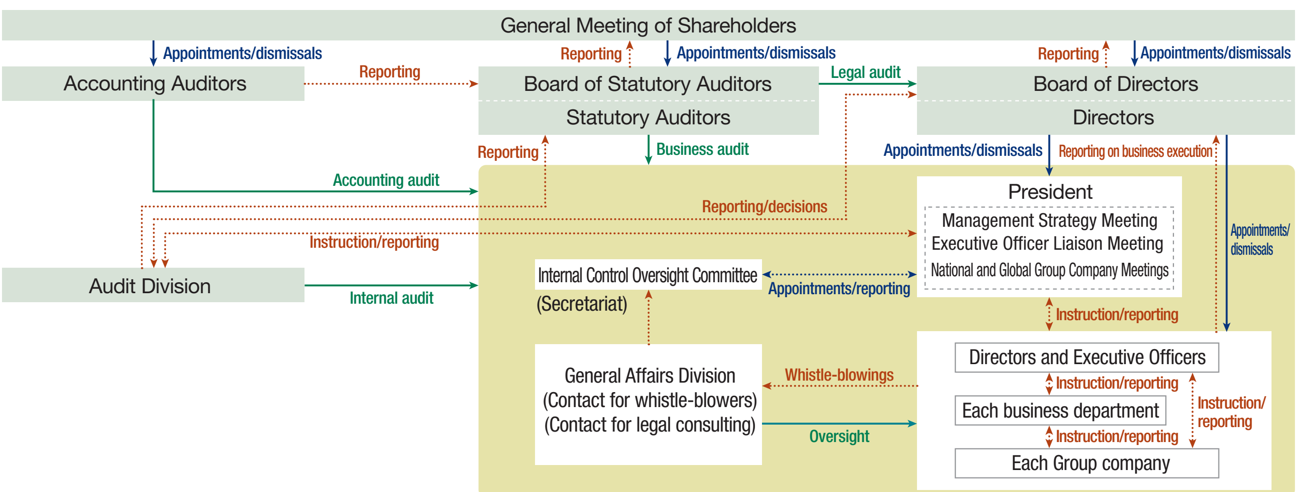
Amounts of remuneration for Directors and Statutory Auditors are decided by a resolution at the General Meeting of Shareholders. Basic remuneration for Directors is a fixed salary while a bonus is payable as determined by each Director's contribution to management as well as business results of the Company. Basic remuneration for both Standing and Part-time Statutory Auditors is a fixed salary without bonus payments.

〈As of the end of May 2015〉

Category of executives	Number of executives applicable	Total amount of remuneration (Unit: Million yen)
Directors	8	197
Statutory Auditors (excluding External Statutory Auditors)	2	17
Outside Executives (External Statutory Auditors)	4	22

Note: The number of executives applicable mentioned above includes two Statutory Auditors who respectively retired from their office at the end of the 153rd Ordinary General Meeting of Shareholders, held on August 27, 2014.

● Corporate governance framework



Internal control and compliance

Internal control

The Company views the development and operation of an internal control system to be an important management issue, and it has developed an efficient, legal and appropriate business execution system that is reviewed on an ongoing basis in accordance with Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act.

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 control department or 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	Shiga Factory	Extended companywide
1994	2000	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

Implementation of 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." The details of the guidelines are as follows:

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.

*Inquiries from outside are accepted via the following phone number and e-mail address:

Legal Compliance Department, General Affairs Division: +81-3-5202-8121 e-mail address for inquiries to Toyo Denki Seizo K.K.: contact@toyodenki.co.jp

With Our Shareholders and Investors

We strive to ensure transparency of management through the timely and proper disclosure of information and various modes of communication in order 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 to provide opportunities for institutional investors and securities analysts to understand the summary of our financial results. The management team gives a report including the state of progress of the medium-term management plan and an overview and forecast for each segment as well as new orders received and other topics.

In addition, we strive to deepen understanding of the Company through individual visits to institutional investors or holding factory tours to provide opportunities for them to actually see our manufacturing sites, as well as participating in small meetings organized by securities companies, and taking other measures.

〈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"

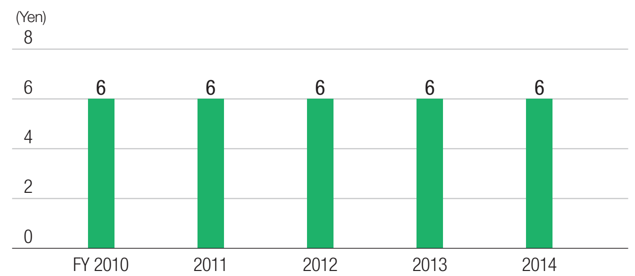
https://www.toyodenki.co.jp/ir/individual.php

- **Holding of company presentations for individual investors**
  Tuesday, January 27, 2015
  Mitsubishi UFJ Morgan Stanley Securities (Head Office)
  Attendance: 109 people
- **Holding of factory tour for shareholders**
  Friday, April 17, 2015 at the Yokohama Plant
  Attendance: 33 people (107 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, 2015 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, 2016 onward.

● Dividend per share



Record of 154th Ordinary General Meeting of Shareholders
Date held: Thursday, August 27, 2015
Attendance: 102 people

President Terashima making a presentation (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.

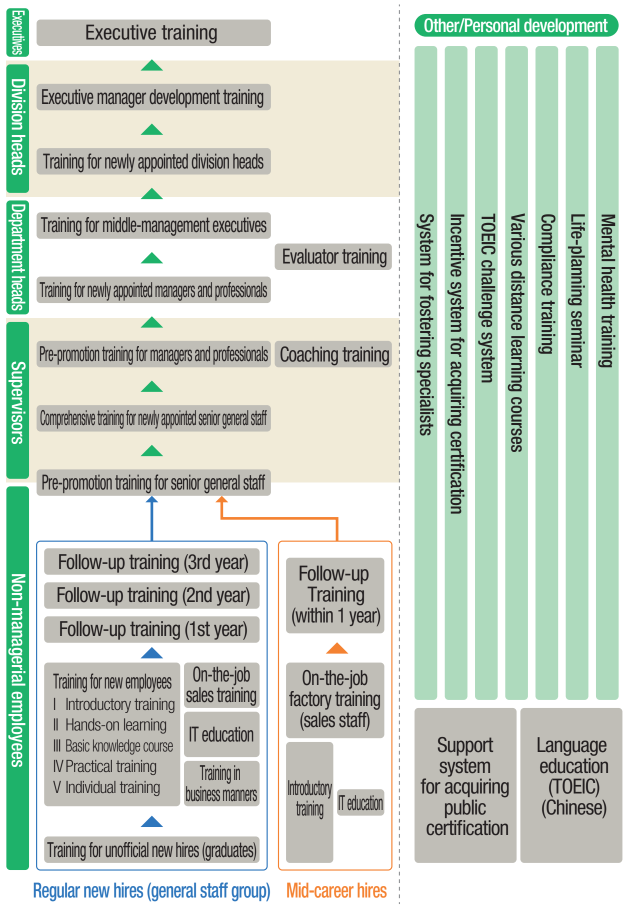
Education and training system

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

Encouraged to do my best by the smiles of my child!

Megumi Komatsu (Design Division, Transportation System Works)

I took maternity and childcare leave for about one year until my child became ten months old.

As I spent every day together with my child while I was on leave, I think I felt even lonelier than my child when I first came back to work.

Because the time I could spend relaxing together with my child was reduced after I was reinstated and because I also came to work later and returned home earlier than the ordinary time as I used the shorter working hour system for childcare, I initially felt some uncertainty towards whether I could continue working as both work and childcare felt somewhat incomplete.

However, as I kept busy every day, I became used to this life and now I don't feel any of this uncertainty.

I feel extremely happy these days when I return home from work to have my smiling child greet me.

I would also like to do my best at work, housework, and child raising so that my child, who is growing fast every day, will be proud of me.

Finally, I would like to thank my coworkers who showed concern for my health during pregnancy and who continue to demonstrate an understanding of my childcare duties.

Initiatives to Protect the Environment

With a view to realizing an environment-friendly society, the Company will further strive to promote the reduction of environmental burden, while providing more efficient products that contribute to energy conservation.

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

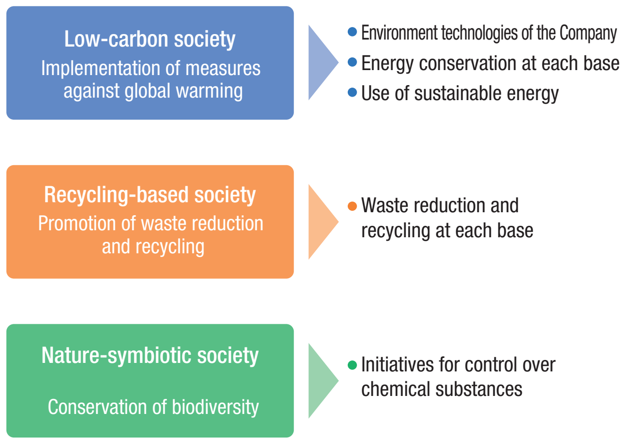
Aiming for Realization of a Sustainable Society

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 environment technologies of the Company have produced numerous products that contribute to energy conservation, 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 conserve resources through not only the efficient use of energy but also the reduction of the size and weight of its products.

In addition, the Company is working on the development of products with lower levels of noise involved in their use to make them friendlier to the surrounding environment.

The Company will make further contribution to make society more sustainable, fully utilizing on its environmental technologies on a global scale, while carrying out 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

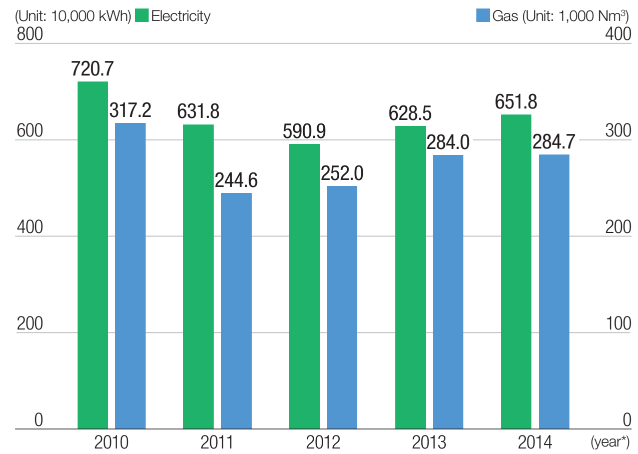
Initiatives to reduce greenhouse gas (CO_2) emissions

The Company is promoting energy conservation at each of its production bases and offices to reduce its CO_2 emissions. At the production bases in particular, we are promoting power-saving and streamlining at production facilities. In addition, the Yokohama Plant uses solar power generation for peak shaving of power demands.

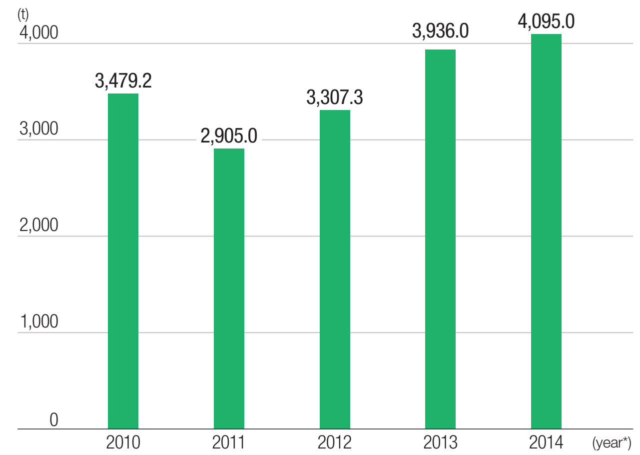
Targeted reduction of CO_2 emissions and progress status

Aiming to reduce CO_2 emissions per unit of production output by 1% year on year, the Company's main production base, the Yokohama Plant, achieved a 9.8% reduction in fiscal 2014.

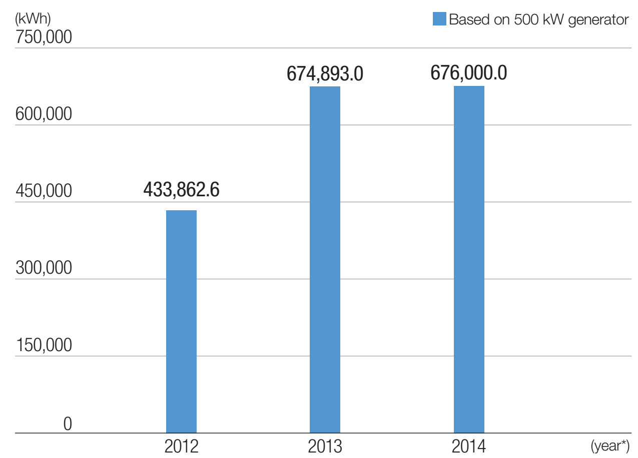
Total energy input at Yokohama Plant (electricity and gas)



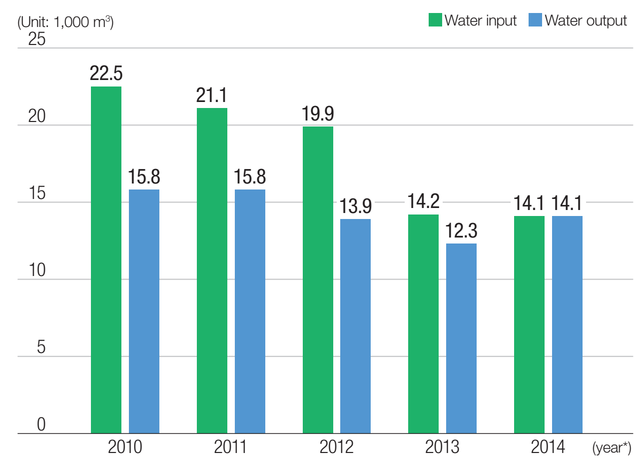
Total CO_2 emissions at Yokohama Plant



Total solar power generation at Yokohama Plant



Total water input/output at Yokohama Plant

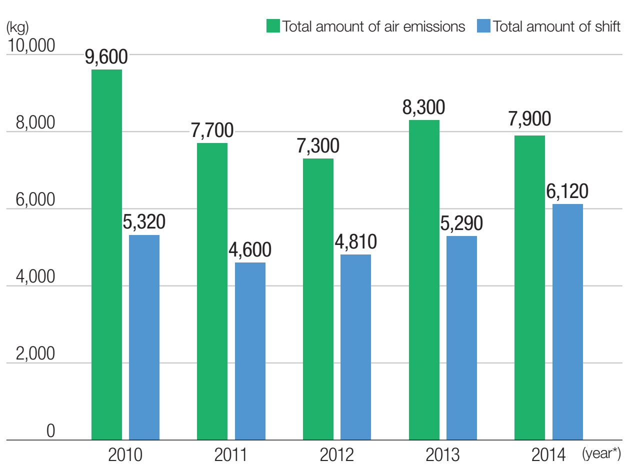


Initiatives for Control over Chemical Substances

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).

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

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

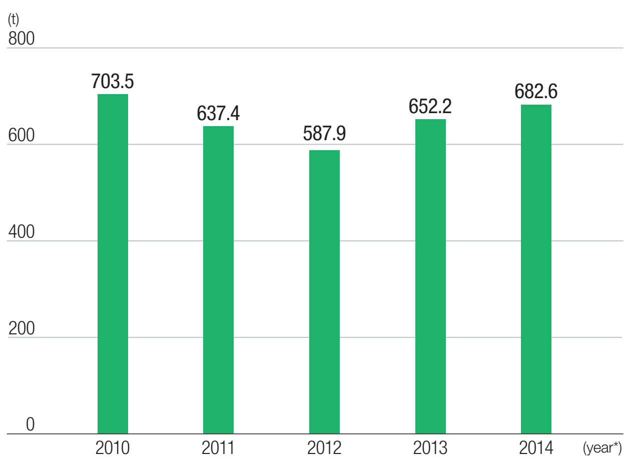


Initiatives for Reducing Disposed Waste as Well as Recycling

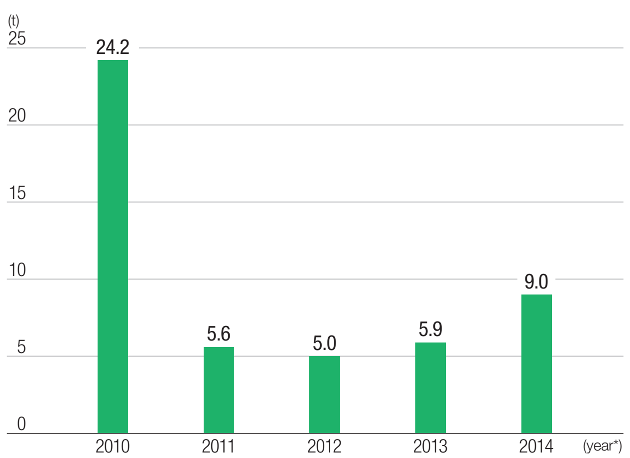
Main actions

The Company successfully reduced its landfill waste rate to 1.3% in fiscal 2014, as a result of thoroughly implementing waste processing rules, sorting of metal waste and recycling of paper resources.

● Output of general and valuable waste



● Volume of landfill waste



Contributions to Local Communities

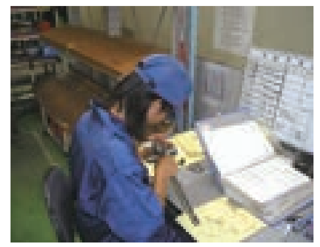
We are committed to various social contribution activities, to contribute to society through our business while facilitating our own co-existence with communities and to foster young people who will represent the next generation.

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

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.

Six high school students participated in internships during fiscal 2014 and learned about our manufacturing expertise.


Measurement using a caliper


Instruction and practice of rotor dynamic balance panning work at a motor assembly workshop

Participation in university endowment courses and hands-on courses

We participated in endowment courses sponsored by the Yokohama Green Purchasing Network so that participants can deepen their knowledge on history of railway and the environment through our business activities.


Endowment course at a university

In addition, in fiscal 2014, we also participated in hands-on courses sponsored by Kanagawa Shimbun Co., Ltd., and Asahi Kasei Amidas Corporation, during which one of our PR spokespersons gave a lecture for the "newspaper reporter hands-on lecture."

We conduct lectures leveraging the know-how fostered through operations and our business activities in corporate-participating courses held by educational institutions including universities.

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 and factory facilities, 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)

Data

Data Concerning Personnel and Labor

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

Item		Unit	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of employees	Total	Persons	748 [*1]	744 [*1]	791 [*2]	797 [*2]	804 [*2]
	Men		697	693	735	737	740
	Women		51	51	56	60	64
Ratio of female employees		%	6.8	6.9	7.1	7.5	8.0
Number of administrative professionals	Total	Persons	171	155	152	156	151
	Men		170	153	151	155	149
	Women		1	2	1	1	2
Ratio of female administrative professionals		%	0.6	1.3	0.7	0.6	1.3
Average age	Overall	Age	40.8	41.1	41.0	41.1	40.5
	Men		41.1	41.4	41.1	41.2	40.7
	Women		36.5	38.2	38.9	39.0	38.7
Average years of employment	Overall	Years	16.4	16.5	16.1	16.3	15.8
	Men		16.6	16.7	16.3	16.5	15.9
	Women		13.5	14.6	14.5	14.5	14.5
Average annual salary		Yen	5,953,210	6,039,332	5,885,559	5,750,453	5,888,577
Overturn rate (within 3 years of joining the Company)		%	5.9	13.5	3.8	0.0	0.0
Number taking childcare leave		Persons	1	2	3	1	5
Number taking family care leave		Persons	0	0	0	0	0
Number of temporary staff (including part-timers)		Persons	155	149	167	158	153
Notes			*1 Number of regular employees including Executive Officers and number of special employees, temporary employees and temporary and part-time employees *2 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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of Officers	Total	Persons	12	10	10	11	12
	Men		12	10	10	11	12
	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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of employees on a consolidated basis	Persons	1,177	1,175	1,170	1,201	1,216
Number of employees at Group companies in Japan and overseas	Persons	429	431	379	404	412
Number of temporary staff on a consolidated basis (including part-timers; stated in the Annual Securities Report)	Persons	262	235	256	255	214
Number of temporary staff (including part-timers)	Persons	107	86	89	97	61
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.

Environmental Data

Indices		Applicable premises	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Remarks
Electric power (10,000 kWh)		Production bases total	756.9	667.1	624.1	664.8	684.3	
		Yokohama Plant	720.7	631.8	590.9	628.5	651.8	
		Shiga Factory	36.2	35.3	33.2	36.3	32.5	
		Non-production bases total	35.5	28.9	31.2	27.9	30.1	*1
Urban gas (1,000 Nm^3)		Production bases total	317.2	244.6	252.0	284.0	284.7	
		Yokohama Plant	317.2	244.6	252.0	284.0	284.7	
		Shiga Factory	-	-	-	-	-	
Water input (1,000 m^3)		Production bases total	22.5	21.1	19.9	14.2	14.1	
		Yokohama Plant	22.5	21.1	19.9	14.2	14.1	
		Shiga Factory	0.0	0.0	0.0	0.0	0.0	*2
CO_2 emissions (t)		Production bases total	3,585.2	3,014.0	3,456.3	4,122.0	4,265.0	
		Yokohama Plant	3,479.2	2,905.0	3,307.3	3,936.0	4,095.0	
		Shiga Factory	106.0	109.0	149.0	186.0	170.0	
		Non-production bases total	212.0	231.0	169.0	168.0	180.0	
Solar power generation (kWh)	Based on 500 kW generator	Yokohama Plant	-	-	433,862.6	674,891.0	676,000.0	*3
Water output (1,000 m^3)		Production bases total	15.8	15.8	13.9	12.3	14.1	
		Yokohama Plant	15.8	15.8	13.9	12.3	14.1	
		Shiga Factory	0.0	0.0	0.0	0.0	0.0	*4

PRTR Data

Indices			Applicable premises	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Remarks
PRTR[*5]	Total amount of air emissions (kg)			9,600	7,700	7,300	8,300	7,900	
	Total amount of shift (kg)			5,320	4,600	4,810	5,290	6,120	
	Ethylbenzene (kg)	Total amount of air emissions	Production bases total	2,300	1,800	1,800	2,000	2,000	
			Yokohama Plant	2,300	1,800	1,800	2,000	2,000	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	450	550	330	430	670	
			Yokohama Plant	450	550	330	430	670	
			Shiga Factory	0	0	0	0	0	
	Xylene (kg)	Total amount of air emissions	Production bases total	4,000	3,300	2,900	3,300	3,400	
			Yokohama Plant	4,000	3,300	2,900	3,300	3,400	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	370	450	280	360	550	
			Yokohama Plant	370	450	280	360	550	
			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	2,800	1,600	3,000	2,900	2,500	
			Yokohama Plant	2,800	1,600	3,000	2,900	2,500	
			Shiga Factory	0	0	0	0	0	
	Toluene (kg)	Total amount of air emissions	Production bases total	3,300	2,600	2,600	3,000	2,500	
			Yokohama Plant	3,300	2,600	2,600	3,000	2,500	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	1,700	2,000	1,200	1,600	2,400	
			Yokohama Plant	1,700	2,000	1,200	1,600	2,400	
			Shiga Factory	0	0	0	0	0	

Waste Data

Indices		Applicable premises	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Remarks
Wastes	① Industrial waste (tons)	Production bases total	319.8	316.7	279.9	290.3	303.1	
		Yokohama Plant	292.8	282.4	244.1	262.0	303.1	
		Shiga Factory	27.0	34.3	35.8	28.3	30.3	
	② General waste (tons)	Production bases total	130.2	114.9	101.9	99.3	105.4	
		Yokohama Plant	130.2	114.9	101.9	99.3	105.4	
		Shiga Factory	-	-	-	-	-	
	③ Valuable metal waste (tons)	Production bases total	280.5	240.1	255.6	290.9	274.1	
		Yokohama Plant	280.5	240.1	255.6	290.9	274.1	
		Shiga Factory	-	-	-	-	-	
	Waste output (①+②+③) (tons)	Production bases total	730.5	671.7	637.3	680.5	682.6	
		Yokohama Plant	703.5	637.4	601.5	652.2	682.6	
		Shiga Factory	27.0	34.3	35.8	28.3	30.3	
	Recycled amount (tons)	Production bases total	524.3	436.4	435.2	462.4	598.2	
		Yokohama Plant	524.3	436.4	435.2	462.4	598.2	
		Shiga Factory	-	-	-	-	-	*6
	Volume of landfill waste (tons)	Production bases total	24.2	5.6	5.0	5.9	9.0	
		Yokohama Plant	24.2	5.6	5.0	5.9	9.0	
		Shiga Factory	-	-	-	-	-	*6
	Percentage of landfill waste (%) Yearly comparison	Production bases total	3.3	0.8	0.8	0.9	1.3	
		Yokohama Plant	3.4	0.9	0.8	0.9	1.3	
		Shiga Factory	-	-	-	-	-	*6

*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.

*3 500 kW solar panel became operational in July 2012.

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

*5 PPTR: Pollutant Release and Transfer Register

*6 The recycled amount and the volume of landfill waste at the Shiga Factory are scheduled for investigation starting in fiscal 2015.

Financial Report

Financial Report

Financial Review

Consolidated Operating Results, Consolidated Financial Position, and Consolidated Cash Flow for Fiscal 2014 (from June 1, 2014 to May 31, 2015) are as follows:

Results of Operation

Orders received YoY **-8.2%**	Orders received decreased 8.2% compared with the previous fiscal year to 39,070 million yen. This overall result reflected a decrease in orders received in the Transportation Systems segment and the Information Equipment Systems segment, despite a surge in orders in the Industrial Systems segment.
Net sales YoY **+13.3%**	Net sales increased 13.3% year on year to 39,617 million yen. Despite a decrease in the Information Equipment Systems segment, this result reflected a significant surge in the Transportation Systems segment outside Japan as well as an increase in the Industrial Systems segment.
Profit/Loss Net income YoY **+71.6%**	From a profit perspective, operating income increased 48.3% compared with the previous fiscal year to 1,596 million yen, mainly due to increased revenue in the Transportation Systems segment and the Industrial Systems segment. Ordinary income grew by 98.5% to 2,056 million yen as a result of recording foreign exchange gains from a progressively weaker yen, and net income increased 71.6% to 1,105 million yen.

Financial Position

Assets Total assets **53,041 million yen**	Total assets as of May 31, 2015 stood at 53,041 million yen, an increase of 8,288 million yen compared with the end of the previous fiscal year. The increase in total assets was largely attributable to an increase in investment securities of 6,063 million yen, which was the result of an increase in the market price of held listed securities, in addition to an increase in trade notes and accounts receivable of 2,033 million yen, which reflected an increase in net sales.
Liabilities Total liabilities **28,145 million yen**	Total liabilities amounted to 28,145 million yen, an increase of 2,743 million yen compared with the previous fiscal year end. Despite a 2,799 million yen decrease in accrued expenses, the increase in total liabilities was largely attributable to increases in electronically recorded obligations – operating of 3,022 million yen, deferred tax liabilities of 1,965 million yen, and long-term debt of 706 million yen.
Net assets Total net assets **24,895 million yen**	Net assets as of May 31, 2015 stood at 24,895 million yen, an increase of 5,545 million yen compared with the previous fiscal year. This increase was largely attributable to a 4,327 million yen increase in unrealized holding gain on available-for-sale securities and a 93 million yen increase in foreign currency translation adjustments despite a decrease of 84 million yen from remeasurements of defined benefit plans.

Cash Flows

Cash flow from operating activities Net cash provided by operating activities **1,514 million yen**	Net cash provided by operating activities amounted to 1,514 million yen. Major cash outflow was a decrease of 2,802 million yen in accrued expenses. Principal cash inflows were income before income taxes and minority interests at 2,014 million yen and an increase of 2,765 million yen in trade notes and accounts payable.
Cash flow from investing activities Net cash used in investing activities **988 million yen**	Net cash used in investing activities totaled 988 million yen for the fiscal year under review and mainly comprised funds used for the purchases of property, plant and equipment at 830 million yen, which included 111 million yen as a deposit for the acquisition of land for the new Shiga Factory.
Cash flow from financing activities Net cash provided by financing activities **18 million yen**	Net cash provided by financing activities was 18 million yen. The principal cash inflow was an increase in long-term debt at 1,500 million yen, while major cash outflows were repayment of long-term debt at 1,073 million yen and cash dividends paid at 287 million yen.

TOYO DENKI SEIZO K.K.
Consolidated Balance Sheets

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Assets			
Current assets:			
Cash on hand and in banks (Notes 18 and 20)	¥ 3,571	¥ 2,998	$ 28,861
Trade notes and accounts receivable (Notes 4 and 18)	14,839	12,806	119,930
Inventories (Note 5)	6,395	7,101	51,686
Deferred tax assets (Note 13)	660	545	5,335
Other current assets	169	140	1,365
Allowance for doubtful accounts	(40)	(34)	(324)
Total current assets	25,594	23,556	206,853
Property, plant and equipment (Note 6):			
Buildings and structures	2,738	2,847	22,127
Machinery and vehicles	862	909	6,970
Land	289	289	2,340
Construction in progress	227	63	1,837
Other	487	548	3,931
Total property, plant and equipment	4,603	4,656	37,205
Investments and other assets (Note 7):			
Investment securities (Notes 7, 18 and 19)	20,327	14,263	164,282
Deferred tax assets (Note 13)	7	36	59
Intangible assets	349	268	2,820
Other	2,174	1,986	17,568
Allowance for doubtful accounts	(13)	(12)	(100)
Total investments and other assets	22,844	16,541	184,629
Total assets (Note 22)	¥53,041	¥44,753	$428,687

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Notes 4 and 18)	¥ 5,116	¥ 5,286	$ 41,348
Electronically recorded payables (Note 18)	3,023	—	24,429
Short-term borrowings and current portion of long-term debt (Notes 8 and 18)	1,784	1,988	14,417
Income taxes payable (Note 13)	652	375	5,274
Accrued expenses	992	3,792	8,022
Accrued directors' bonuses	41	28	335
Accrued employees' bonuses	928	915	7,497
Reserve for losses on order acknowledgements (Note 5)	301	130	2,435
Reserve for ecological countermeasures	65	—	526
Other	1,077	983	8,701
Total current liabilities	13,979	13,497	112,984
Long-term liabilities:			
Long-term debt (Notes 8, 18 and 21)	7,640	6,934	61,747
Deferred tax liabilities (Note 13)	2,619	653	21,167
Liability for retirement benefits (Note 9)	3,726	4,045	30,111
Reserve for ecological countermeasures	—	44	—
Long-term payables	141	146	1,142
Other	41	84	328
Total long-term liabilities	14,167	11,906	114,495
Commitments and contingencies (Note 16)			
Net assets (Notes 10 and 17):			
Shareholders' equity:			
Common stock	¥ 4,998	¥ 4,998	$ 40,397
Capital surplus	3,178	3,178	25,681
Retained earnings	8,698	7,511	70,300
Treasury stock	(172)	(168)	(1,389)
Total shareholders' equity	16,702	15,519	134,989
Accumulated other comprehensive income:			
Unrealized holding gain on securities	8,317	3,990	67,221
Deferred loss on hedging instruments	—	(26)	—
Translation adjustments	260	166	2,096
Retirement benefits liability adjustments (Note 9)	(384)	(299)	(3,098)
Total accumulated other comprehensive income	8,193	3,831	66,219
Total net assets	24,895	19,350	201,208
Total liabilities and net assets	¥53,041	¥44,753	$428,687

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Income

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales (Note 22)	¥39,617	¥34,958	$320,189
Cost of sales (Note 5)	30,335	26,860	245,168
Gross profit	9,282	8,098	75,021
Selling, general and administrative expenses (Note 11)	7,686	7,022	62,120
Operating income (Note 22)	1,596	1,076	12,901
Non-operating income (expenses):			
Interest and dividend income	204	169	1,648
Interest expense	(138)	(182)	(1,118)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	50	(14)	407
Dividend income on life insurance	8	6	64
Foreign exchange gain (loss)	364	(15)	2,940
Loss on disposal of property, plant and equipment	—	(13)	—
Other income, net	(27)	9	(221)
	461	(40)	3,720
Ordinary income	2,057	1,036	16,621
Special gains (losses), net (Note 12)	(42)	(6)	(338)
Income before income taxes and minority interests	2,015	1,030	16,283
Income taxes (Note 13):			
Current	954	624	7,712
Deferred	(45)	(238)	(366)
	909	386	7,346
Income before minority interests	1,106	644	8,937
Minority interests	—	—	—
Net income	¥ 1,106	¥ 644	$ 8,937

See notes to consolidated financial statements.

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

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Income before minority interests	¥1,106	¥ 644	$ 8,937
Other comprehensive income (Note 14):			
Unrealized holding gain on securities	4,327	623	34,974
Deferred loss on hedging instruments	26	(26)	210
Translation adjustments	(11)	14	(91)
Retirement benefits liability adjustments	(85)	—	(682)
Share of other comprehensive income of affiliates accounted for by the equity method	105	167	847
Total other comprehensive income	4,362	778	35,258
Comprehensive income	¥5,468	¥1,422	$44,195
Comprehensive income attributable to:			
Owners of the parent	¥5,468	¥1,422	$44,195
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					
	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	Total net assets
Balance as of June 1, 2013	¥4,998	¥3,178	¥7,156	¥(164)	¥15,168	¥3,367	¥—	¥ (15)	¥ —	¥3,352	¥18,520
Changes during the year											
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
Balance as of June 1, 2014	¥4,998	¥3,178	¥7,511	¥(168)	¥15,519	¥3,990	¥(26)	¥166	¥(299)	¥3,831	¥19,350
Cumulative effect of changes in accounting policies (Note 2)			371		371						371
Restated balance as of June 1, 2014	4,998	3,178	7,882	(168)	15,890	3,990	(26)	166	(299)	3,831	19,721
Cash dividends paid	—	—	(290)	—	(290)	—	—	—	—	—	(290)
Net income	—	—	1,106	—	1,106	—	—	—	—	—	1,106
Purchase of treasury stock	—	—	—	(4)	(4)	—	—	—	—	—	(4)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	4,327	26	94	(85)	4,362	4,362
Total changes during the year	—	—	816	(4)	812	4,327	26	94	(85)	4,362	5,174
Balance as of May 31, 2015	¥4,998	¥3,178	¥8,698	¥(172)	¥16,702	¥8,317	¥ —	¥260	¥(384)	¥8,193	¥24,895

	(Thousands of U.S. dollars) (Note 3)										
	Shareholders' equity					Accumulated other comprehensive income					
	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	Total net assets
Balance as of June 1, 2014	$40,397	$25,681	$60,703	$(1,353)	$125,428	$32,247	$(210)	$1,340	$(2,416)	$30,961	$156,389
Cumulative effect of changes in accounting policies (Note 2)			2,997		2,997						2,997
Restated balance as of June 1, 2014	40,397	25,681	63,700	(1,353)	128,425	32,247	(210)	1,340	(2,416)	30,961	159,386
Cash dividends paid	—	—	(2,337)	—	(2,337)	—	—	—	—	—	(2,337)
Net income	—	—	8,937	—	8,937	—	—	—	—	—	8,937
Purchase of treasury stock	—	—	—	(36)	(36)	—	—	—	—	—	(36)
Net changes in items other than those in shareholders' equity	—	—	—	—	—	34,974	210	756	(682)	35,258	35,258
Total changes during the year	—	—	6,600	(36)	6,564	34,974	210	756	(682)	35,258	41,822
Balance as of May 31, 2015	$40,397	$25,681	$70,300	$(1,389)	$134,989	$67,221	$ —	$2,096	$(3,098)	$66,219	$201,208

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Cash Flows

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 2,015	¥ 1,030	$ 16,283
Depreciation and amortization	882	1,001	7,127
Provision for (reversal of) allowance for doubtful accounts	6	(157)	50
Provision for accrued employees' bonuses	13	143	99
Increase in reserve for ecological countermeasures	21	—	172
Reversal of accrued retirement benefits	—	(3,289)	—
(Decrease) increase in liability for retirement benefits	(106)	3,580	(861)
Interest and dividends income	(204)	(169)	(1,648)
Interest expenses	139	182	1,118
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(1,926)	586	(15,564)
Inventories	737	(430)	5,958
Trade notes and accounts payable	2,765	635	22,349
Reserve for losses on order acknowledgements	171	(68)	1,385
Advances received	(15)	(142)	(118)
Accrued expenses	(2,803)	902	(22,652)
Impairment loss	31	—	248
Other, net	391	384	3,161
Subtotal	2,117	4,188	17,107
Interest and dividends income received	220	169	1,777
Interest expenses paid	(140)	(168)	(1,131)
Income taxes paid	(682)	(568)	(5,511)
Net cash provided by operating activities	1,515	3,621	12,242
Investing activities			
Purchases of property, plant and equipment	(830)	(635)	(6,709)
Purchases of investment securities	(14)	(13)	(108)
Other payments	(76)	(75)	(617)
Other receipts	6	4	51
Other, net	(75)	(34)	(605)
Net cash used in investing activities	(989)	(753)	(7,988)
Financing activities			
Decrease in short-term loans payable	(115)	(2,265)	(929)
Increase in long-term debt	1,500	2,650	12,123
Repayment of long-term debt	(1,073)	(1,172)	(8,672)
Redemption of bonds payable	—	(120)	—
Purchases of treasury stock	(4)	(3)	(36)
Cash dividends paid	(288)	(288)	(2,327)
Other, net	(1)	(1)	(8)
Net cash provided by (used in) financing activities	19	(1,199)	151
Effect of exchange rate change on cash and cash equivalents	28	27	228
Net increase in cash and cash equivalents	573	1,696	4,633
Cash and cash equivalents at beginning of period	2,998	1,302	24,228
Cash and cash equivalents at end of period (Note 20)	¥ 3,571	¥ 2,998	$ 28,861

TOYO DENKI SEIZO K.K.
Notes to Consolidated Financial Statements

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, 2015, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 6 and 2 (6 and 2 in 2014). 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

Leased assets capitalized under the finance lease arrangements which do not transfer ownership to the lessee 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 ¥171 million ($1,385 thousand) and ¥(66) million is included in cost of sales for the years ended May 31, 2015 and 2014, 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 benefit formula method (straight-line method in 2014) 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 year following the 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

Accounting standards for business combinations

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4).

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amount during measurement period was also changed.

(2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending May 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

2. Accounting Changes

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) effective from June 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at June 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, liability for retirement benefits decreased by ¥576 million ($4,657) and retained earnings increased by ¥371 million ($2,997). The effects on operating income, ordinary income and income before income taxes and minority interests were immaterial.

The effect on per share information is described in Note 17.

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 ¥123.73=U.S.$1, the approximate rate of exchange prevailing at May 31, 2015. 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, 2015 and 2014 fall 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, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Notes receivable	¥184	¥155	$1,488
Notes payable	20	66	160

5. Inventories
Inventories as of May 31, 2015 and 2014 were as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished products	¥1,283	¥1,483	$10,371
Work in process	2,962	3,459	23,942
Raw materials and supplies	2,150	2,159	17,373
	¥6,395	¥7,101	$51,686

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 ¥191 million ($1,541 thousand) and ¥200 million for the years ended May 31, 2015 and 2014, 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, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Merchandise and finished products	¥172	¥ 18	$1,392
Work in process	21	147	166
	¥193	¥165	$1,558

6. Property, Plant and Equipment
The following table sets forth the acquisition costs and related accumulated depreciation:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥ 7,058	¥ 7,076	$ 57,045
Machinery and vehicles	6,793	6,679	54,901
Other	3,273	3,171	26,449
	17,124	16,926	138,395
Accumulated depreciation	(13,037)	(12,623)	(105,367)
	¥ 4,087	¥ 4,303	$ 33,028

Depreciation of property, plant and equipment for the years ended May 31, 2015 and 2014 were as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
	¥882	¥1,001	$7,127

Accumulated depreciation of property, plant and equipment amounted to ¥13,037 million ($105,367 thousand) and ¥12,623 million as of May 31, 2015 and 2014, respectively.

7. Investments and Other Assets
Investments in unconsolidated subsidiaries and affiliates included in “Investment securities” as of May 31, 2015 and 2014 were as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in capital	¥1,174	¥1,034	$9,485

8. Short-Term Borrowings and Long-Term Debt
As of May 31, 2015 and 2014, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks	¥ 990	¥ 915	$ 8,000
Current portion of long-term debt	794	1,073	6,417
	¥1,784	¥1,988	$14,417

The annual weighted average interest rates applicable to short-term borrowings and current-portion of long-term debt as of May 31, 2015 were 1.091% and 1.712%, respectively.

As of May 31, 2015 and 2014, long-term debts were as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Long-term debt, excluding current portion, serially due from 2016 through 2020	¥7,640	¥6,934	$61,747

The annual weighted average interest rate applicable to long-term debt as of May 31, 2015 was 1.271%.

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

Years ended May 31	(Millions of yen)	(Thousands of U.S. dollars)
2016	¥ 794	$ 6,417
2017	352	2,845
2018	4,002	32,345
2019	3,182	25,717
2020 and thereafter	104	840
	¥8,434	$68,164

The assets pledged as collateral for short-term borrowings of ¥1,479 million ($11,952 thousand) and long-term debt of ¥1,440 million ($11,638 thousand) as of May 31, 2015 were as follows:

As of May 31	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	¥1,713	$13,844
Machinery and vehicles	628	5,072
Other property, plant and equipment	373	3,017
Land	158	1,281
	¥2,872	$23,214

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

As of May 31	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	¥1,713	$13,844
Machinery and vehicles	628	5,072
Other property, plant and equipment	373	3,017
	¥2,714	$21,933

9. Retirement Benefit Plans

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 years ended May 31, 2015 and 2014 are as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation as of June 1	¥4,045	¥4,052	$32,691
Cumulative effect of changes in accounting policies	(576)	—	(4,657)
Restated balance as of June 1	3,469	4,052	28,034
Service cost	257	211	2,079
Interest cost	50	59	406
Actuarial loss	364	5	2,938
Retirement benefits paid	(414)	(282)	(3,346)
Retirement benefit obligation as of May 31	¥3,726	¥4,045	$30,111

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of May 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unfunded retirement benefit obligation	¥3,726	¥4,045	$30,111
Net liability (asset) for retirement benefits on the consolidated balance sheets	3,726	4,045	30,111
Liability for retirement benefits	¥3,726	¥4,045	$30,111
Net liability (asset) for retirement benefits on the consolidated balance sheets	3,726	4,045	30,111

Note: The plan adopting the simplified method is included.

The components of retirement benefit expenses for the years ended May 31, 2015 and 2014 are as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥257	¥211	$2,079
Interest cost	50	59	406
Amortization of actuarial loss	31	44	254
Amortization of prior service cost	(39)	(10)	(318)
Amortization of net retirement benefit obligation at transition	269	270	2,174
Retirement benefit expenses	¥568	¥574	$4,595

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) as of May 31, 2015 and 2014 are as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ (39)	¥—	$ (318)
Actuarial loss	(332)	—	(2,685)
Unamortized net retirement benefit obligation at transition	269	—	2,174
Total	¥(102)	¥—	$ (829)

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of May 31, 2015 and 2014 are as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ —	¥ (39)	$ —
Unrecognized actuarial loss	567	234	4,582
Unamortized net retirement benefit obligation at transition	—	269	—
Total	¥567	¥464	$4,582

Major actuarial assumptions (weighted average) used in accounting for the above plans as of May 31, 2015 and 2014 were as follows:

For the Years Ended	May 31, 2015	May 31, 2014
Discount rate	0.4%	1.5%

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥113 million ($914 thousand) and ¥109 million for the years ended May 31, 2015 and 2014, respectively.

10. Net Assets

Information regarding changes in net assets for the years ended May 31, 2015 and 2014 is as follows:

a. Shares issued and outstanding/ Treasury stock

For the year ended May 31, 2015

Type of shares	Number of shares as of June 1, 2014	Increase	Decrease	Number of shares as of May 31, 2015
		(Shares)		
Shares issued:				
Common stock	48,675,000	—	—	48,675,000
Treasury stock:				
Common stock	474,527	10,210	—	484,737

Note:
Detail of the increase is as the following:
Increase due to purchase of shares of less than standard unit 10,210 shares

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

b. Dividends

1) Dividends paid

For the year ended May 31, 2015

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, 2014	Common stock	¥290	$2,337	¥6.00	$0.05	May 31, 2014	August 28, 2014

For the year ended May 31, 2014

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 27, 2013	Common stock	¥289	¥6.00	May 31, 2013	August 28, 2013

2) Dividends with the cut-off date in the year ended May 31, 2015 and the effective date in the year ending May 31, 2016

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, 2015	Common stock	¥289	$2,337	Retained earnings	¥6.00	$0.05	May 31, 2015	August 28, 2015

11. Selling, General and Administrative Expenses

The main components of "Selling, general and administrative expenses" for the years ended May 31, 2015 and 2014 were as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and allowances	¥1,882	¥1,849	$15,211
Provision for accrued directors' bonuses	41	28	335
Provision for accrued employees' bonuses	397	389	3,205
Retirement benefit expenses	313	317	2,532
Provision for allowance for doubtful accounts	6	(21)	49
Research and development expenses	898	666	7,258

12. Special Gains (Losses), net

The components of "Special gains (losses), net" for the years ended May 31, 2015 and 2014 were as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Special gains:			
Gain on sales of intangible assets (land leasehold right)	¥ 13	¥ —	$ 104
Special losses:			
Impairment loss (Note)	(31)	—	(248)
Provision of reserve for ecological countermeasures	(24)		(194)
Loss on liquidation of an affiliate	—	(6)	—
Total	¥(42)	¥ (6)	$(338)

Note: The Group recognized an impairment loss on the following assets for the year ended May 31, 2015:

Location	Use	Type	(Millions of yen)	(Thousands of U.S. dollars)
Hiratsuka Plant of the Company (Hiratsuka city, Kanagawa Pref.)	Plant	Buildings and structures	¥31	$248

In determining an impairment loss, the Group is grouping assets based on the minimum unit generating cash flows independently from other assets or asset groups.

For the year ended May 31, 2015, the Group reduced the carrying amount of an asset group expected to be removed at the time of repairing and expansion of Hiratsuka Plant down to the recoverable amount and recognized such reduced amount as an impairment loss in an amount of ¥31 million ($248 thousand) under "Special losses."

In calculating the recoverable amount, it is measured by the value in use based on the future cash flows, but the discount rate is not considered, because the removal will be conducted in the near future and the monetary effect is immaterial.

13. 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 35.6% and 38.0% for the years ended May 31, 2015 and 2014, respectively. 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, 2015 was as follows:

For the Year Ended	May 31, 2015
Effective statutory tax rate	35.6%
Effect of:	
Non-deductible expenses for income tax purpose	1.4
Non-taxable income such as dividends income, etc.	(1.5)
Per capita inhabitant tax	1.4
Valuation allowance	(0.4)
Income from affiliates accounted for by the equity method	(0.9)
Unrecognized tax benefits from losses of subsidiaries	2.4
Effect of income tax rate change	7.9
Other	(0.8)
Effective tax rate	45.1%

The significant components of deferred tax assets and liabilities as of May 31, 2015 and 2014 were as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Write-down of inventories	¥ 193	¥ 140	$ 1,557
Liability for retirement benefits	1,209	1,444	9,771
Accrued employees' bonuses	309	328	2,501
Reserve for losses on order acknowledgements	100	36	805
Other	932	854	7,532
Total gross deferred tax assets	2,743	2,802	22,166
Valuation allowance	(774)	(674)	(6,252)
Total deferred tax assets	1,969	2,128	15,914
Deferred tax liabilities:			
Unrealized holding gain on securities	(3,919)	(2,196)	(31,674)
Other	(2)	(4)	(13)
Total deferred tax liabilities	(3,921)	(2,200)	(31,687)
Net deferred tax liabilities	¥(1,952)	¥ (72)	$(15,773)

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

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was reduced from 35.6% to 33.1% for the temporary differences expected to be realized or settled in the year beginning June 1, 2015 and to 32.3% for the temporary differences expected to be realized or settled in the years beginning on and after June 1, 2016. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax liabilities, net of deferred tax assets, and retirement benefits liability adjustments by ¥269 million ($2,173 thousand) and ¥18 million ($149 thousand), respectively and increase unrealized holding gain on securities and income taxes – deferred by ¥447 million ($3,615 thousand) and ¥160 million ($1,293 thousand), respectively.

14. 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, 2015 and 2014:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gain on securities:			
Amount arising during the year	¥6,050	¥990	$48,899
Amount before tax effect	6,050	990	48,899
Tax effect	(1,723)	(367)	(13,925)
Unrealized holding gain on securities	4,327	623	34,974
Deferred gains or losses on hedging instruments:			
Amount arising during the year	40	(40)	326
Amount before tax effect	40	(40)	326
Tax effect	(14)	14	(116)
Deferred gains or losses on hedging instruments	26	(26)	210
Translation adjustments			
Amount arising during the year	(11)	14	(91)
Amount before tax effect	(11)	14	(91)
Translation adjustments	(11)	14	(91)
Retirement benefits liability adjustments			
Amount arising during the year	(364)	—	(2,939)
Reclassification adjustments for gains and losses included in net income	261	—	2,110
Amount before tax effect	(103)	—	(829)
Tax effect	18	—	147
Retirement benefits liability adjustments	(85)	—	(682)
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	105	167	847
Share of other comprehensive income of affiliates accounted for by the equity method	105	167	847
Total other comprehensive income	¥4,362	¥778	$35,258

15. 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.

16. Contingent Liabilities

As of May 31, 2015 and 2014, the Company was committed to provide guarantees on bank borrowings of the following affiliates:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Hunan Xiangyang Electric Co., Ltd.	¥196	¥138	$1,580
Changzhou Ruiyang Transmission Technology Co., Ltd.	200	185	1,620

17. Amounts Per Share

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Yen)		(U.S. dollars)
Net income:			
Basic	¥22.94	¥13.37	$0.19

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Yen)		(U.S. dollars)
Net assets	¥516.61	¥401.45	$4.18

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, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Net income	¥1,106	¥644	$8,937
Net income not attributable to common shareholders	—	—	—
Net income attributable to common stock	1,106	644	8,937
	(Thousand shares)		
Average number of shares of common stock during the year	48,195	48,206	

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 increased by ¥7.70 ($0.06) as of May 31, 2015. The effect on net income per share for the year ended May 31, 2015 is immaterial.

18. 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. The Group manages temporary cash surpluses through low risk financial assets. The Group uses derivatives in order to avoid the following risks 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. Trade receivables denominated in foreign currencies arising from international business are exposed to foreign exchange fluctuation risk, but the Group utilizes forward foreign exchange contracts to reduce such risk as a hedging instrument.

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 21, 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, 2015 and 2014 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):

As of May 31, 2015	Carrying value	Fair value	Difference
		(Millions of yen)	
Assets			
1) Cash on hand and in banks	¥ 3,571	¥ 3,571	¥ —
2) Trade notes and accounts receivable	14,839	14,839	—
3) Investment securities	19,685	19,685	—
Total assets	¥38,095	¥38,095	¥ —
Liabilities			
4) Trade notes and accounts payable	¥ 5,116	¥ 5,116	¥ —
5) Electronically recorded payables	3,023	3,023	
6) Short-term borrowings	990	990	—
7) Long-term debt	8,434	8,484	(50)
Total liabilities	¥17,563	¥17,613	¥(50)
8) Derivative transactions*	¥ (22)	¥ (22)	¥ —

As of May 31, 2015	Carrying value	Fair value	Difference
	(Thousands of U.S. dollars)		
Assets			
1) Cash on hand and in banks	$ 28,861	$ 28,861	$ —
2) Trade notes and accounts receivable	119,930	119,930	—
3) Investment securities	159,095	159,095	—
Total assets	$307,886	$307,886	$ —
Liabilities			
4) Trade notes and accounts payable	$ 41,348	$ 41,348	$ —
5) Electronically recorded payables	24,429	24,429	—
6) Short-term borrowings	8,000	8,000	—
7) Long-term debt	68,164	68,571	(407)
Total liabilities	$141,941	$142,348	$(407)
8) Derivative transactions*	$ (181)	$ (181)	$ —

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

As of May 31, 2014	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)	¥ —

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 19 "Securities".

Liabilities:

Trade notes and accounts payable, electronically recorded payables and short-term borrowings

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

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, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted equity securities	¥642	¥642	$5,187

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, 2015 and 2014 are as follows:

As of May 31, 2015	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	¥ 3,568	¥ —	¥—	¥—
Trade notes and accounts receivable	13,145	1,694	—	—
	¥16,713	¥1,694	¥—	¥—

As of May 31, 2015	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	$ 28,836	$ —	$—	$—
Trade notes and accounts receivable	106,241	13,689	—	—
	$135,077	$13,689	$—	$—

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	¥—	¥—

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

19. Securities

As of May 31, 2015

Information regarding securities classified as available-for-sale securities

Available-for-sale securities

As of May 31, 2015	Carrying value	Acquisition cost	Unrealized Gain (Loss)
	(Millions of yen)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥19,685	¥7,449	¥12,236
Subtotal	¥19,685	¥7,449	¥12,236
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ —	¥ —	¥ —
Subtotal	¥ —	¥ —	¥ —
Total	¥19,685	¥7,449	¥12,236

As of May 31, 2015	Carrying value	Acquisition cost	Unrealized Gain (Loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	$159,095	$60,200	$98,895
Subtotal	$159,095	$60,200	$98,895
Securities whose acquisition cost exceeds their carrying value:			
Stock	$ —	$ —	$ —
Subtotal	$ —	$ —	$ —
Total	$159,095	$60,200	$98,895

Notes: 1. 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. If the market value of the securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount considering its recoverability.

As of May 31, 2014

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

Notes: 1. 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. If the market value of the securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount considering its recoverability.

20. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the years ended May 31, 2015 and 2014 are reconciled to cash on hand and in banks in the consolidated balance sheets as follows:

As of	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥3,571	¥2,998	$28,861
Cash and cash equivalents	¥3,571	¥2,998	$28,861

21. Derivative Transactions

Hedging policies

The Company utilizes forward foreign exchange contracts and interest rate swaps for the purpose of hedging its exposure to fluctuations in foreign exchange rates and interest rates, respectively. 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 forward foreign exchange contracts to hedge against the fluctuations in foreign currency exchange rates on trade receivables denominated in foreign currencies and interest rate swaps to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

Derivative transactions to which hedge accounting is not applied:

Currency-related derivatives:

As of May 31, 2015	Contract amount	Maturing after one year	Fair value	Unrealized Gains (losses)
	(Millions of yen)			
Forward foreign exchange contracts:				
Sold:				
USD	¥596	¥—	¥(22)	¥(22)

As of May 31, 2015	Contract amount	Maturing after one year	Fair value	Unrealized Gains (losses)
	(Thousands of U.S. dollars)			
Forward foreign exchange contracts:				
Sold:				
USD	$4,817	$—	$(181)	$(181)

Note: Fair value is determined based on the forward foreign exchange rate.

As of May 31, 2014, there were no currency-related derivatives to which hedge accounting is not applied.

Derivative transactions to which hedge accounting is applied:

Interest-related derivatives:

		Notional amount		
As of May 31, 2015	Major hedged item	Contract amount	Maturing after one year	Fair value
	(Millions of yen)			
Interest rate swaps accounted for by the exceptional method:				
Receive/floating and pay/fixed	Long-term debt	¥7,889	¥7,360	Note

		Notional amount		
As of May 31, 2015	Major hedged item	Contract amount	Maturing after one year	Fair value
	(Thousands of U.S. dollars)			
Interest rate swaps accounted for by the exceptional method:				
Receive/floating and pay/fixed	Long-term debt	$63,760	$59,484	Note

Note: 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.

		Notional amount		
As of May 31, 2014	Major hedged item	Contract amount	Maturing after one year	Fair value
	(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

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.

22. 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.

As noted in Note 2 "Accounting Changes," the methods for calculating the retirement benefit obligation and service cost have been revised effective from the year ended May 31, 2015 and accordingly, the methods for calculating benefit obligation and service cost of the reportable segments have been changed as well. The effect on segment profit of each reportable segment was immaterial.

For the year ended May 31, 2015

	Reportable segments						
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales, profits or losses and asset by reportable segments							
Net sales:							
Sales to third parties	¥26,870	¥11,613	¥1,128	¥ 6	¥39,617	¥ —	¥39,617
Inter-segment sales and transfers	41	2	—	588	631	(631)	—
	26,911	11,615	1,128	594	40,248	(631)	39,617
Segment profit	¥ 3,118	¥ 848	¥ 71	¥ 59	¥ 4,096	¥(2,500)	¥ 1,596
Segment assets	¥18,335	¥ 8,175	¥ 801	¥587	¥27,898	¥25,143	¥53,041
Other items:							
Depreciation	¥ 546	¥ 161	¥ 26	¥ 1	¥ 734	¥ 148	¥ 882
Capital expenditures	¥ 554	¥ 205	¥ 22	¥ 1	¥ 782	¥ 187	¥ 969

For the year ended May 31, 2015

	Reportable segments						
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales, profits or losses and asset by reportable segments							
Net sales:							
Sales to third parties	$217,165	$93,859	$9,116	$ 49	$320,189	$ —	$320,189
Inter-segment sales and transfers	333	17	—	4,753	5,103	(5,103)	—
	217,498	93,876	9,116	4,802	325,292	(5,103)	320,189
Segment profit	$ 25,196	$ 6,856	$ 576	$ 478	$ 33,106	$(20,205)	$ 12,901
Segment assets	$148,188	$66,071	$6,470	$4,745	$225,474	$203,213	$428,687
Other items:							
Depreciation	$ 4,415	$ 1,302	$ 208	$ 9	$ 5,934	$ 1,193	$ 7,127
Capital expenditures	$ 4,478	$ 1,660	$ 176	$ 6	$ 6,320	$ 1,513	$ 7,833

For the year ended May 31, 2014

	Reportable segments						
	Transportation Systems	Industrial Systems	Information Equipment Systems	Other (Note)	Total	Adjustments	Consolidated
	(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

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, 2015 and 2014 are summarized as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Japan	¥24,547	¥25,399	$198,395
China	11,634	7,119	94,028
Other	3,436	2,440	27,766
Consolidated	¥39,617	¥34,958	$320,189

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

Major customer information

Major customer information for the year ended May 31, 2015 is as follows:

Customer	Segment	(Millions of yen)	(Thousands of U.S. dollars)
Meiji Sangyo Co., Ltd.	Transportation Systems	¥5,489	$44,363

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

Information regarding an impairment loss on fixed assets by reportable segments

Impairment loss on fixed assets by reportable segments for the years ended May 31, 2015 and 2014 is summarized as follows:

For the Years Ended	May 31, 2015	May 31, 2014	May 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Transportation Systems	¥31	¥—	$248
Industrial Systems	—	—	—
Information Equipment Systems	—	—	—
Reportable segment total	31	—	248
Other	—	—	—
Adjustments	—	—	—
Consolidated	¥31	¥—	$248

23. Significant Subsequent Events

There were no significant subsequent events to be noted.

Report of Independent Auditors

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
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, 2015, 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, 2015, 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.

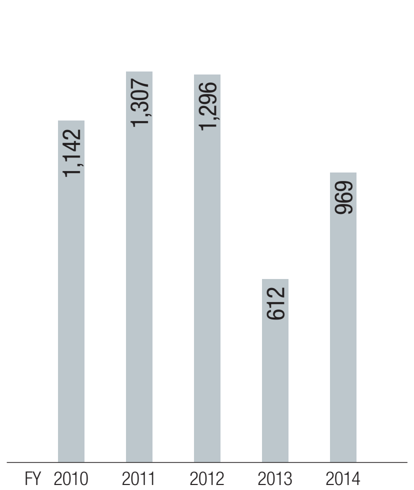
Ernst & Young ShinNihon LLC

August 28, 2015
Tokyo, Japan

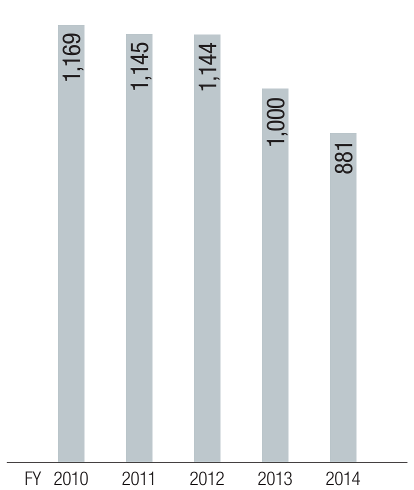
A member firm of Ernst & Young Global Limited

Reference Data for Management Indices

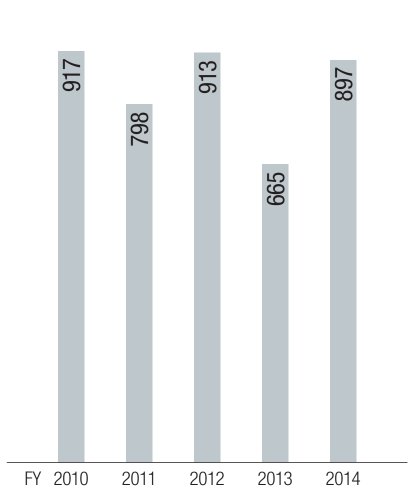
Capital investment (Unit: Million yen)



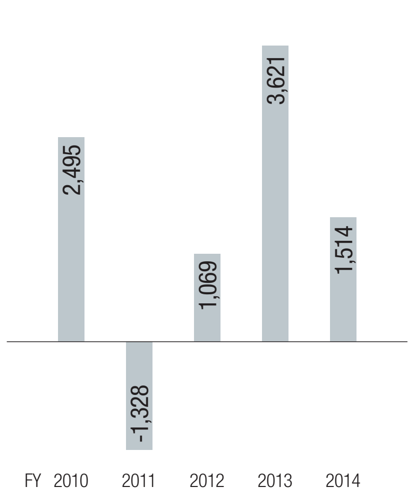
Depreciation and amortization (Unit: Million yen)



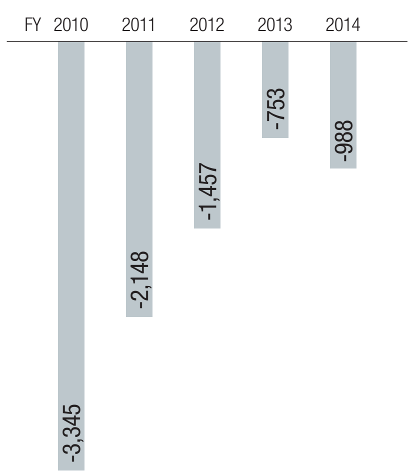
Research and development costs (Unit: Million yen)



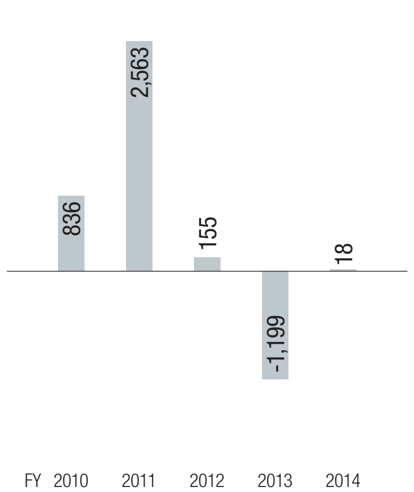
Cash flows from operating activities (Unit: Million yen)



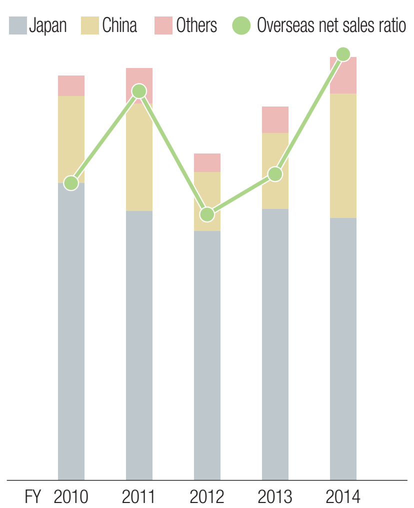
Cash flows from investing activities (Unit: Million yen)



Cash flows from financing activities (Unit: Million yen)



Net sales by region (Unit: Million yen)



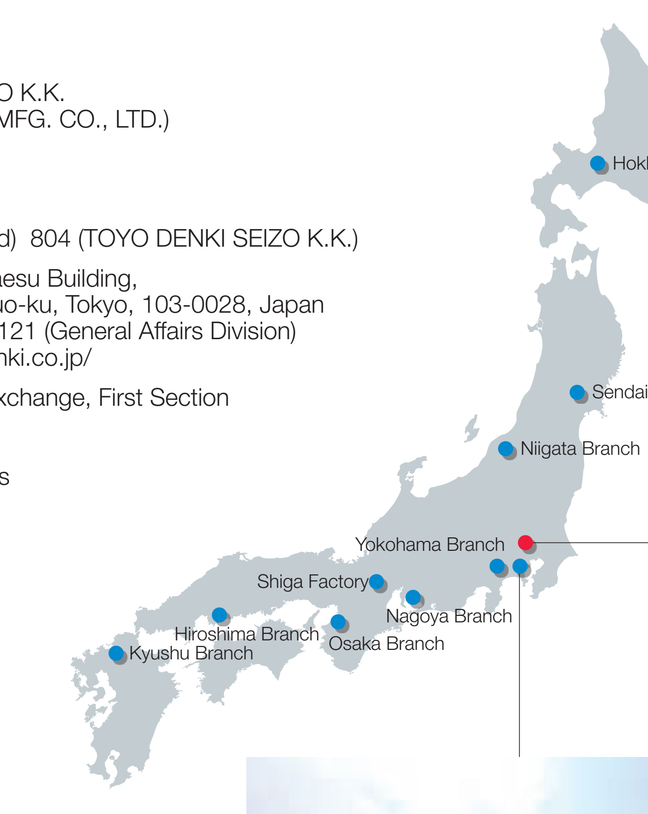
	FY 2010	2011	2012	2013	2014
Japan	27,835	25,200	23,340	25,398	24,547
China*	8,110	10,081	5,495	7,118	11,634
Others	1,947	3,289	1,738	2,440	3,435
Total	37,893	38,570	30,575	34,957	39,617
Overseas net sales ratio	26.5%	34.7%	23.7%	27.3%	38.0%

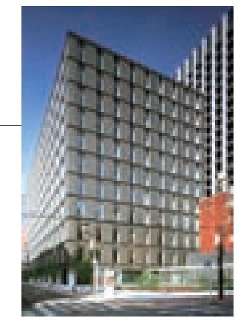
* Classified under "Asia" for fiscal 2010.

Company Profile

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	1,216 (Consolidated) 804 (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	6,690




Head office building


Yokohama Plant

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.
Taiping Zhanyun Automatic Door (Changzhou) Co., Ltd.
Hunan Xiangyang Electric Co., Ltd.
Changzhou Ruiyang Transmission Technology Co., Ltd.
Beijing Jingche Shuangyang Traction System Co,. Ltd

Executive Profiles

President, Representative Director
Kenzo Terashima

Senior Managing Director, Representative Director
Masami Tsuchiya

Senior Managing Director
Hiroshi Shimotakahara

Director, Advisor
Hiroshi Tsuchida

Director
Hiroyuki Arai

Director
Kenichi Gotoh

Director
Akihiko Ishii

Director
Hirokazu Chinone

Standing Statutory Auditor
Hiroshi Hamao

Standing Statutory Auditor
Yoshihiko Yoshino

Statutory Auditor
Toshio Ikeda

Statutory Auditor
Eiichi Suzuki

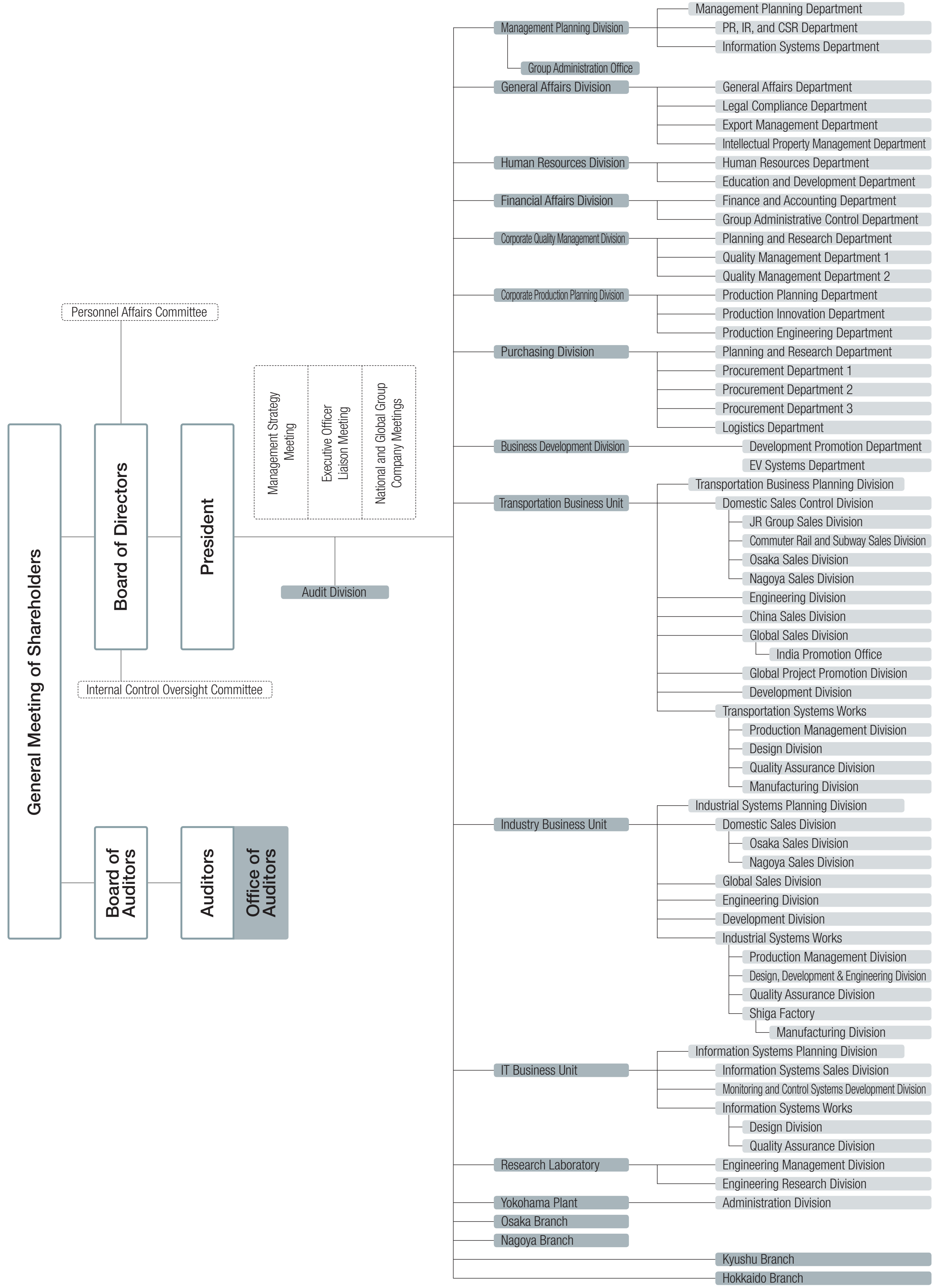
Senior Executive Officers

Shuji Horie
Yoshifumi Otsubo

Executive Officers

Hitoshi Katayama
Isami Takase
Toshihiko Akihiro
Kenji Tanimoto
Tetsuto Iwaki
Akira Watanabe
Yuji Nagano

Organization Chart

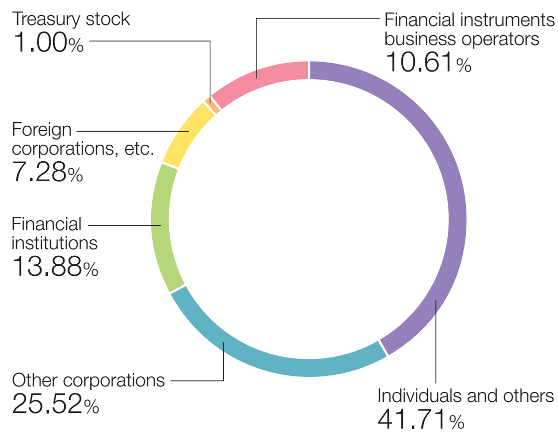


Stock Related Information

Number of shares (As of May 31, 2015)

Number of shares authorized	180,000,000
Number of shares issued	48,675,000
Number of shareholders	6,690

Distribution of shares by type of shareholder



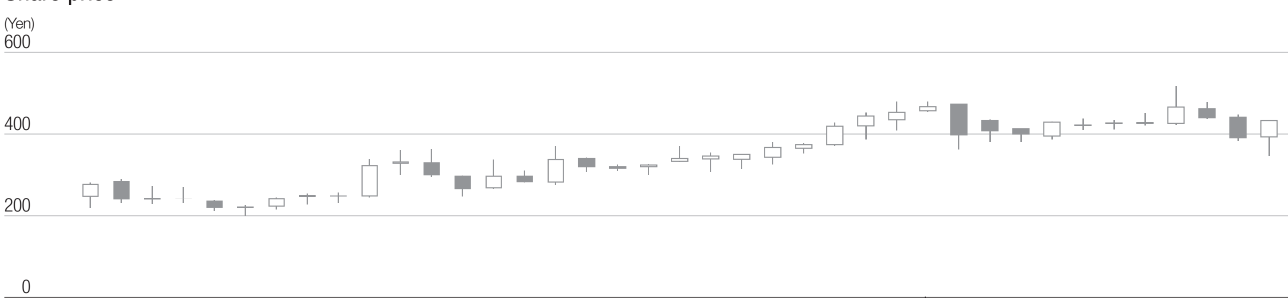
Major shareholders

Shareholders	Number of shares held (Thousands)	% of total shares held
East Japan Railway Company	2,400	4.98
Employees Stock Ownership Plan	2,141	4.44
TOYOTA INDUSTRIES CORPORATION	2,100	4.35
Hitachi, Ltd.	2,100	4.35
NIPPON LIFE INSURANCE COMPANY	1,688	3.50
Japan Trustee Services Bank, Ltd. (Trust account)	1,688	3.50
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	2.13
Toyo Denki Subcontract Factories Shareholding Association	987	2.04

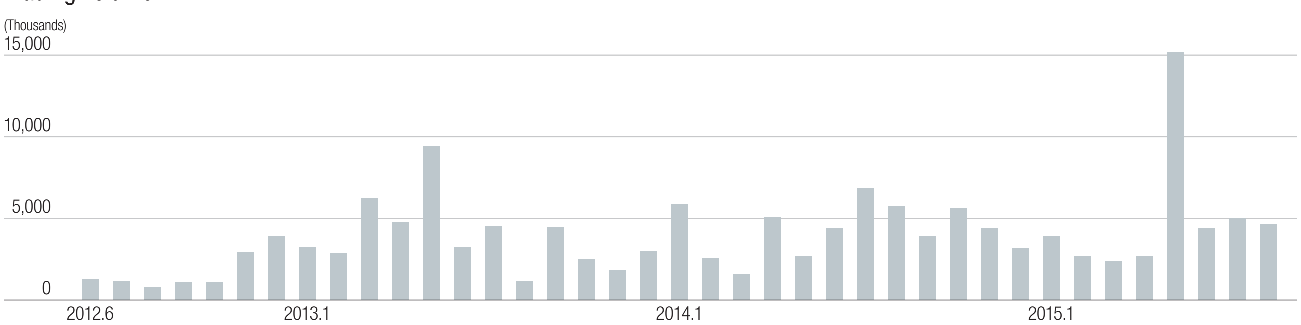
(Note) The percentages of total shares held are calculated excluding 484,000 treasury stocks held by the Company.

Transition of share price

Share price



Trading volume



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.