

July 20, 2007

## Year-End Financial Statements

For the Fiscal Year Ended May 31, 2007

### Toyo Denki Seizo K.K.

Stock Code: 6505

Representative:

Inquiries

Stock Exchange: Tokyo Stock Exchange and Osaka Securities Exchange

URL <http://www.toyodenki.co.jp/en/index.html>

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Scheduled date of convention of ordinary general meeting of shareholders: August 29, 2007

Scheduled date of commencement of dividend payments: August 30, 2007

Scheduled date of submission of financial report: August 29, 2007

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

## I. Consolidated Business Results for the Fiscal Year Ended May 31, 2007 (June 1, 2006–May 31, 2007)

### 1. Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal year ended May 31, 2007	36,571	12.7%	1,928	(25.5)%	1,967	(23.0)%	(151)	–
Fiscal year ended May 31, 2006	32,454	(6.4)%	2,589	2.3%	2,554	5.5%	1,271	(15.0)%

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)	Net Income to Shareholders' Equity Ratio (%)	Ordinary Income to Total Assets Ratio (%)	Operating Income to Net Sales Ratio (%)
Fiscal year ended May 31, 2007	(3.3)	–	(1.0)	5.7	5.3
Fiscal year ended May 31, 2006	27.96	–	9.1	7.9	8.0

Reference: Equity method investment gain or loss for: Fiscal year ended May 31, 2007: - million yen

Fiscal year ended May 31, 2006: - million yen

### 2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended May 31, 2007	35,763	14,754	41.3%	324.79
Fiscal year ended May 31, 2006	33,765	15,195	45.0%	334.25

Reference: Shareholders' equity: Fiscal year ended May 31, 2007: 14,754 million yen

Fiscal year ended May 31, 2006: 15,195 million yen

### 3. Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Fiscal Year
Fiscal year ended May 31, 2007	2,465	(1,280)	(553)	2,806
Fiscal year ended May 31, 2006	(868)	(1,544)	(275)	2,174

**II. Dividend Information**

(Record Date)	Dividend per Share (Yen)			Total Annual Dividends (Million Yen)	Dividend Payout Ratio (Consolidated, %)	Dividend on Equity Ratio (Consolidated, %)
	First half	Year-end	Annual			
Fiscal year ended May 31, 2006	–	6.00	6.00	272	21.4%	2.0%
Fiscal year ended May 31, 2007	–	6.00	6.00	272	–	1.8%
Fiscal year ending May 31, 2008 (Forecast)	–	6.00	6.00	–	22.7%	–

**III. Full Fiscal Year Consolidated Forecast (June 1, 2007 – May 31, 2008)**

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)	
First half	17,000	5.4%	450	2.0%	350	(22.4)%	50	–	1.10	
Full year	39,000	6.6%	2,300	19.3%	2,200	11.8%	1,200	–	26.41	

**IV. Other**

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Changes in accounting principles, procedures and methods of presentation relating to the preparation of consolidated financial statements (Recorded under Changes in Significant Accounting Policies Relating to the Consolidated Financial Statement)
  - (a) Changes accompanying amendments to accounting standards: Yes
  - (b) Changes other than those in (a): None
- (3) Number of shares issued and outstanding (Ordinary shares)
  - (a) Number of shares issued and outstanding at end of fiscal year (including treasury stock):
    - Fiscal year ended May 31, 2007 46,575,000 shares
    - Fiscal year ended May 31, 2006 46,575,000 shares
  - (b) Number of shares of treasury stock issued and outstanding at the end of fiscal year:
    - Fiscal year ended May 31, 2007 1,147,756 shares
    - Fiscal year ended May 31, 2006 1,114,554 shares

**(Reference) Summary of Non-consolidated Business Results****I. Non-consolidated Business Results for the Fiscal Year Ended May 31, 2007**

(June 1, 2006–May 31, 2007)

## 1. Non-consolidated Operating Results

(In millions of yen, except where noted)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal year ended May 31, 2007	30,755	15.0%	1,074	(40.6)%	1,336	(30.5)%	(288)	–
Fiscal year ended May 31, 2006	26,739	(9.4)%	1,810	(5.3)%	1,922	(3.3)%	978	(26.7)%

	Net Income per Share (Yen)		Diluted Net Income per Share (Yen)	
Fiscal year ended May 31, 2007		(6.34)		–
Fiscal year ended May 31, 2006		21.51		–

## 2. Non-consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Fiscal year ended May 31, 2007	32,249	12,274	38.1%	270.19
Fiscal year ended May 31, 2006	30,125	12,800	42.5%	281.58

Reference: Shareholders' equity: Fiscal year ended May 31, 2007: 12,274 million yen  
 Fiscal year ended May 31, 2006: 12,800 million yen

**II. Full Fiscal Year Non-consolidated Forecast (June 1, 2007–May 31, 2008)**

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	14,000	5.4%	100	31.5%	300	(7.9)%	200	–	4.40
Full year	32,500	5.7%	1,500	39.6%	1,600	16.7%	1,000	–	22.01

**\* Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items**

The forecasts of business results presented in this document are based on management's assumptions and beliefs in light of currently available information. Toyo Denki Seizo K.K. cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "1. Results of Operations" on page 4 for details relating to operating results forecasts.

## 1. Results of Operations

### (1) Analysis of Results of Operations

#### (a) Results of Operations

During the fiscal year under review, concerns arose over the impact on the Japanese economy of economic uncertainty in the United States, caused by persistently high market prices for crude oil, intervention in the housing market, and other factors. Japan's economy remained firm as a whole, however, as individual consumption recovered and capital investment gained momentum after bottoming out.

Against this backdrop, the Toyo Denki Group launched the Innovation 90 Plan, its medium-term management plan, and worked diligently to expand its operations and enhance corporate value.

The Company's consolidated performance during the fiscal year under review, the first year of the Innovation 90 Plan, is discussed as follows.

- Orders received in the Information Systems segment decreased as rail operators generally completed their switchover to IC-compatible equipment for railway station operation systems. Business was solid, however, in the Transportation Systems segment and Industrial Systems segment. As a result, total orders received amounted to 37,649 million yen, up 4.9% compared to the previous fiscal year.
- Net sales in the Information Systems segment increased significantly on the back of strong sales for IC-compatible equipment for railway station operation systems. Sales were also steady in both the Transportation Systems segment and Industrial Systems segment, resulting in total net sales of 36,571 million yen, an increase of 12.7% year on year.
- Although net sales grew considerably compared to the previous fiscal year, the gross profit margin fell as a result of intensifying competition and steep rises in raw material prices. Furthermore, the growth in net sales could not cover increased costs for previously planned activities designed to expand operations, including personnel expenses and research and development expenses. Consequently, ordinary income decreased 587 million yen year on year to 1,967 million yen. Meanwhile, an extraordinary loss of 2,176 million yen, mainly owing to expenses accompanying changes to a retirement benefit plan in the fiscal year under review, contributed to a net loss of 151 million yen.
- As a result of incurring the extraordinary loss for expenses accompanying changes to the retirement benefit plan, which totaled 2,054 million yen, the Company was able to substantially alleviate risks related to liabilities for retirement benefit payments, thereby strengthening its financial position.

Results by business segment are presented as follows.

#### *Transportation Systems Segment*

Orders received overseas leveled off as construction of the subway line for the Beijing Olympics reached completion. On the domestic front, however, business was brisk as Japan Railways (JR) increased its orders for conventional trains and *shinkansen* bullet trains. As a result, orders received in this segment grew 8.1% year on year to 18,900 million yen. Net sales were also up, rising 5.6% to 17,229 million yen, mainly due to increased sales of electrical equipment for trains used on the subway line in Beijing and conventional and *shinkansen* lines operated by each JR company.

#### *Industrial Systems Segment*

Steady business centered on electrical systems and equipment for printing presses and automotive testing led to a 10.6% year-on-year increase in orders received, amounting to 16,686 million yen, and 8.1% growth in net sales, totaling 15,690 million yen.

#### *Information Systems Segment*

Orders received dropped 38.1% year on year to 2,063 million yen, as rail operators approached completion of their switchover to IC-compatible equipment for railway station operation systems. Sales of this equipment were strong, however, contributing to net sales of 3,650 million yen, an increase of 124.8% compared to the previous fiscal year.

#### (b) Outlook for the Next Fiscal Year

While the economy is projected to continue growing at a slow pace in the fiscal year ending May 31, 2008, capital expenditure by the Toyo Denki Group's major customers is expected to remain on a steady course. Given these factors, the Company forecasts net sales to rise 6.6% to 39.0 billion yen, and operating income to increase 19.3% to 2.3 billion yen.

Consolidated financial forecasts by business segment for the fiscal year ending May 31, 2008 are listed as follows.

	Net sales	Operating income
Transportation Systems	18,000 million yen	900 million yen
Industrial Systems	18,500 million yen	1,300 million yen
Information Systems	2,500 million yen	100 million yen
Consolidated total	39,000 million yen	2,300 million yen

Reference:

Non-consolidated forecasts by business segment for the fiscal year ending May 31, 2008 are as follows.

	Net sales	Operating income
Transportation Systems	15,200 million yen	500 million yen
Industrial Systems	15,700 million yen	900 million yen
Information Systems	1,600 million yen	100 million yen
Non-consolidated total	32,500 million yen	1,500 million yen

## (2) Analysis of Financial Position

The balance of consolidated cash and cash equivalents at the end of the fiscal year under review increased 631 million yen to 2,806 million yen year on year.

Net cash provided by operating activities amounted to 2,465 million yen. Although the Company recorded a net loss before taxes of 128 million yen and an increase in inventory of 610 million yen, major cash inflows included an increase in accrued liabilities at the time of transfer to a defined contribution pension plan, an increase in the reserve for employees' retirement benefits, as well as an increase in notes and accounts payable—trade.

Net cash used by investing activities totaled 1,280 million yen, primarily for the purchase of tangible fixed assets.

Net cash used by financing activities totaled 553 million yen, mainly resulting from the redemption of bonds, repayment of borrowings, and payment of cash dividends.

## (3) Fundamental Policy Concerning Distribution of Surplus and Dividend for the Fiscal Year under Review and the Next Fiscal Year

The maintenance of stable dividends forms the basis of Toyo Denki's distribution of profit. The Company applies internal reserves to strengthen its financial position in addition to making strategic allocations to such areas as research and development, capital expenditure and overseas expansion, with the aims of growing its business and strengthening its management foundation in the future.

In the fiscal year under review, the Company set the dividend at six yen per share, unchanged from the previous fiscal year, despite recording a net loss, which mainly resulted from the extraordinary loss incurred from expenses accompanying changes to the pension plan.

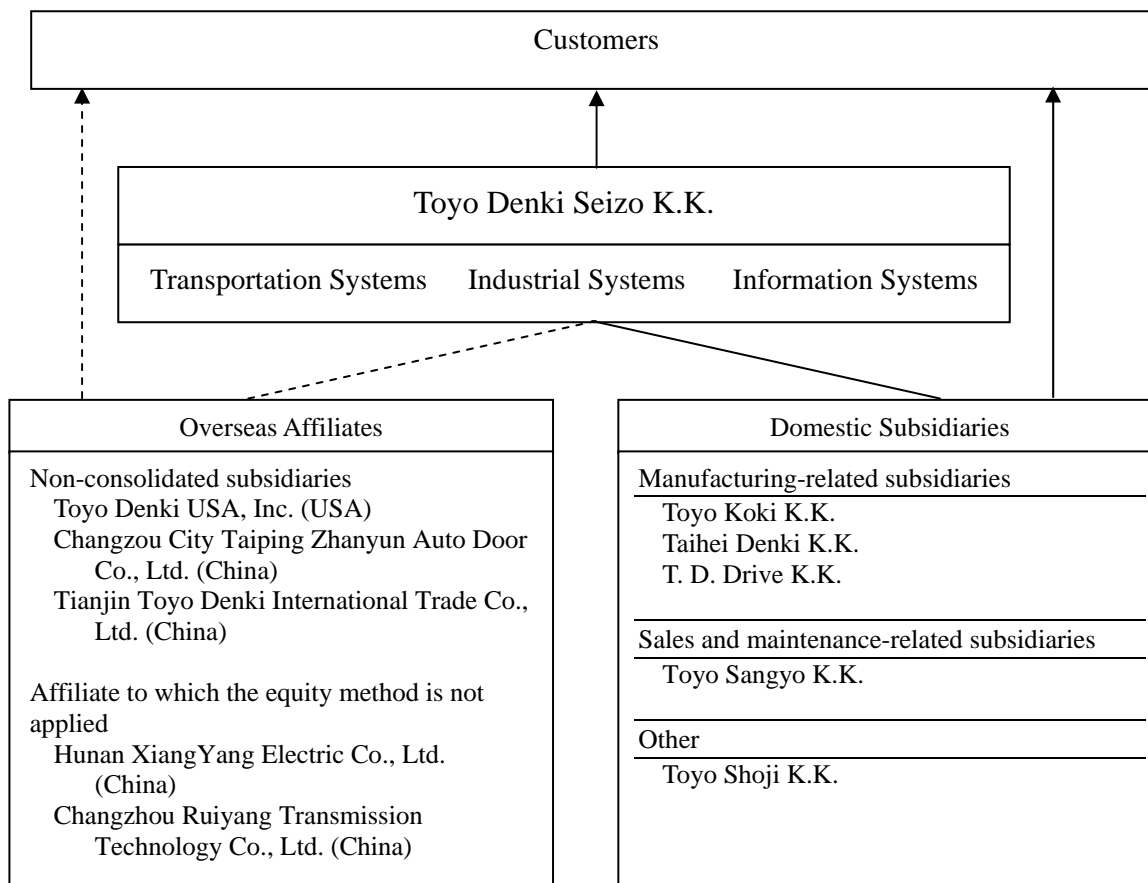
The Company also plans to pay a dividend of six yen per share in the fiscal year ending May 31, 2008, and aims to maintain or increase this level from the fiscal year ending May 31, 2009 forward.

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- Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication of this material. Actual financial results may differ depending on a variety of factors.
  - Forward-looking statements contained in this material are the judgments of the Toyo Denki Group based on data available at the time of publication of this material. Such statements and descriptions are by no means comprehensive.

## 2. Overview of the Group

The Toyo Denki Group is composed of Toyo Denki, eight subsidiaries and two affiliated companies. The Group is engaged in the manufacture and sale of electrical equipment for transportation, industrial and information systems as well as incidental projects.

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



Note: Segments other than electrical equipment are not recorded individually as they have no significant effect on results.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	End of Fiscal Year under Review (A) (As of May 31, 2007)	End of Previous Fiscal Year (B) (As of May 31, 2006)	Increase (Decrease) (A) - (B)
<b>Assets</b>			
Current assets	20,837	19,426	1,410
Cash and cash equivalents	2,806	2,174	631
Notes and accounts receivable — trade	9,840	9,855	(14)
Inventory	7,319	6,709	610
Deferred tax assets	538	537	1
Other	351	187	164
Allowance for doubtful accounts	(20)	(37)	17
Fixed assets	14,926	14,337	588
Tangible fixed assets	3,677	3,044	632
Intangible fixed assets	155	155	0
Investments and other fixed assets	11,127	11,174	(47)
Allowance for doubtful accounts	(34)	(36)	2
Deferred assets	—	0	(0)
Corporate bond issuance expenses	—	0	(0)
<b>Total assets</b>	<b>35,763</b>	<b>33,765</b>	<b>1,998</b>
<b>Liabilities</b>			
Current liabilities	16,041	14,080	1,961
Notes and accounts payable — trade	6,713	5,655	1,057
Short-term borrowings	3,300	3,375	(75)
Accrued expenses	3,231	2,703	528
Reserve for directors' bonuses	18	40	(21)
Reserve for employees' bonuses	940	940	(0)
Other	1,838	1,365	472
Long-term liabilities	4,967	4,489	478
Corporate bonds	50	190	(140)
Long-term borrowings	1,375	1,400	(25)
Reserve for employees' retirement benefits	2,679	2,103	576
Reserve for directors' retirement benefits	18	22	(3)
Deferred tax liabilities	12	773	(760)
Other	830	—	830
<b>Total liabilities</b>	<b>21,009</b>	<b>18,570</b>	<b>2,439</b>
<b>Net assets</b>			
Shareholders' equity	12,418	12,862	(443)
Common stock	4,482	4,482	—
Capital surplus	2,661	2,661	—
Retained earnings	5,649	6,073	(423)
Treasury stock	(376)	(356)	(19)
Evaluation and foreign currency translation adjustments	2,335	2,333	2
Differences in evaluation of other marketable securities	2,333	2,329	3
Deferred gains or losses on hedges	2	3	(0)
<b>Total net assets</b>	<b>14,754</b>	<b>15,195</b>	<b>(441)</b>
<b>Total net assets and liabilities</b>	<b>35,763</b>	<b>33,765</b>	<b>1,998</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	Fiscal Year under Review (A) (June 1, 2006 to May 31, 2007)	Previous Fiscal Year (B) (June 1, 2005 to May 31, 2006)	Increase (Decrease) (A-B)
Net sales	36,571	32,454	4,117
Cost of sales	28,184	23,761	4,422
Gross profit	8,387	8,692	(305)
Selling, general and administrative expenses	6,458	6,102	355
Operating Income	1,928	2,589	(661)
Non-operating income	231	201	30
(Interest and dividends received)	( 89 )	( 80 )	( 9 )
(Miscellaneous income)	( 141 )	( 121 )	( 20 )
Non-operating expenses	193	236	(43)
(Interest expenses)	( 118 )	( 99 )	( 18 )
(Miscellaneous expenses)	( 74 )	( 137 )	( 62 )
Ordinary income	1,967	2,554	(587)
Extraordinary income	80	72	7
Extraordinary loss	2,176	333	1,842
Net income (loss) before taxes	(128)	2,293	(2,421)
Corporate, local and enterprise taxes	705	1,030	(325)
Corporate tax adjustments, etc.	(682)	(8)	(673)
Net income (loss)	(151)	1,271	(1,422)



## (3) Consolidated Statements of Change in Shareholders' Equity

Fiscal Year under Review (June 1, 2006 to May 31, 2007)

(Millions of yen)

	Shareholders' Equity					Evaluation and Foreign Currency Translation Adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Deferred gains (losses) on hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2006	4,482	2,661	6,073	(356)	12,862	2,329	3	2,333	15,195
Change during fiscal year									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net loss	-	-	(151)	-	(151)	-	-	-	(151)
Acquisition of treasury stock	-	-	-	(19)	(19)	-	-	-	(19)
Net change in items other than shareholders' equity during fiscal period under review	-	-	-	-	-	3	(0)	2	2
Total change during fiscal year	-	-	(423)	(19)	(443)	3	(0)	2	(441)
Balance at May 31, 2007	4,482	2,661	5,649	(376)	12,418	2,333	2	2,335	14,754

Previous Fiscal Year (June 1, 2005 to May 31, 2006)

(Millions of yen)

	Shareholders' equity					Evaluation and foreign currency translation adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Deferred gains (losses) on hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2005	4,482	2,661	5,069	(330)	11,883	938	-	938	12,821
Change during fiscal year									
Distribution of retained earnings	-	-	(227)	-	(227)	-	-	-	(227)
Directors' bonuses from surplus profits	-	-	(40)	-	(40)	-	-	-	(40)
Net income	-	-	1,271	-	1,271	-	-	-	1,271
Acquisition of treasury stock	-	-	-	(25)	(25)	-	-	-	(25)
Net change in items other than shareholders' equity during fiscal period under review	-	-	-	-	-	1,391	3	1,394	1,394
Total change during fiscal year	-	-	1,004	(25)	978	1,391	3	1,394	2,373
Balance at May 31, 2006	4,482	2,661	6,073	(356)	12,862	2,329	3	2,333	15,195

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year under Review (A) (June 1, 2006 to May 31, 2007)	Previous Fiscal Year (B) (June 1, 2005 to May 31, 2006)	Increase (Decrease) (A-B)
<b>I. Cash flow from operating activities</b>			
Net income (loss) before taxes	(128)	2,293	(2,421)
Depreciation expenses	507	406	101
Increase (decrease) in allowance for doubtful accounts	(19)	(62)	42
Increase (decrease) in reserve for employees' bonuses	(0)	(3)	3
Increase in reserve for employees' retirement benefits	576	58	518
Interest and dividend income	(89)	(80)	(9)
Interest expenses	118	99	18
Gain on sale of investment securities	(3)	(8)	4
Loss on devaluation of investment securities	51	—	51
Loss on devaluation of affiliated companies' stock	—	170	(170)
Gain on sale of tangible fixed assets	(7)	(1)	(5)
Loss on sale of tangible fixed assets	28	6	22
Decrease (increase) in notes and accounts receivable — trade	14	(406)	421
Decrease (increase) in inventory	(610)	(1,547)	937
Increase in notes and accounts payable — trade	1,457	161	1,295
Increase in accrued liabilities at time of transfer to defined contribution pension plan	1,024	—	1,024
Other	392	(59)	451
Subtotal	3,310	1,025	2,284
Interest and dividend income received	89	80	9
Interest paid	(118)	(105)	(12)
Payments for corporate and other taxes	(816)	(1,869)	1,053
Cash flow from operating activities	2,465	(868)	3,334
<b>II. Cash flow from investing activities</b>			
Funds used for the purchase of investment securities	(124)	(993)	868
Proceeds from sale of investment securities	15	14	0
Funds used for the purchase of tangible fixed assets	(1,163)	(573)	(589)
Proceeds from sale of tangible fixed assets	12	23	(11)
Investments and other assets			
Expenditure due to other acquisitions, etc.	(226)	(207)	(19)
Investments and other assets			
Income due to other collection, etc.	253	232	20
Other	(46)	(41)	(5)
Cash flow from investing activities	(1,280)	(1,544)	264
<b>III. Cash flow from financing activities</b>			
Net decrease (increase) in short-term borrowings	(98)	435	(534)
Proceeds from long-term borrowings	300	—	300
Repayments of long-term borrowings	(300)	(300)	—
Redemption of bonds	(164)	(164)	—
Payment for the acquisition of treasury stock	(19)	(25)	5
Cash dividends paid	(270)	(221)	(49)
Cash flow from financing activities	(553)	(275)	(277)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	—	—	—
<b>V. Increase (decrease) in cash and cash equivalents</b>	631	(2,689)	3,321
<b>VI. Balance of cash and cash equivalents at the beginning of the period</b>	2,174	4,863	(2,689)
<b>VII. Balance of cash and cash equivalents at the end of the period</b>	2,806	2,174	631

Note: Difference between cash and cash equivalents at the end of the year and the amount recorded on consolidated balance sheet

	Fiscal year under review	Previous fiscal year
Cash and cash equivalents recorded on consolidated balance sheets	2,806	2,174
Cash and cash equivalents at the end of the year	2,806	2,174

Acknowledgement: This is a translation of the Japanese original of the Year-End Financial Statements for the Fiscal Year Ended May 31, 2007 issued by Toyo Denki Seizo K.K. on July 20, 2007.