In fiscal 2008, the fiscal year ended May 31, 2009, economic conditions in Japan were extremely harsh. This was attributable to a variety of factors including the sub-prime loan problem in the United States, which triggered a worldwide financial crisis and subsequent downturn in the global economy. This difficult operating environment was exacerbated by the substantial contraction in capital investment demand in Japan.

In response to these economic conditions, the Toyo Denki Group worked to expand its operations and increase its corporate value foundation while at the same time enhancing its corporate value.

Orders received amounted to 36,464 million yen, a decrease of 6.2% compared with the previous fiscal year. Despite an upswing in the Transportation Business segment orders both in Japan and overseas, this downturn largely reflected the substantial decrease in Industrial Systems and Information Systems segment orders owing to the slump in capital investment demand in Japan.

Net sales totaled 33,226 million yen, 12.9% lower than the level recorded in the previous fiscal year. While sales in the Transportation Business segment were essentially unchanged year on year, results in each of the Industrial Systems and Information Systems segments declined year on year for the same reasons that brought about the decline in orders received.

Ordinary income climbed 5.9% year on year to 1,267 million yen. As a result, operating income edged up 0.4% through the fiscal year under review, despite the year-on-year decline in net sales. As a result, operating income climbed 0.4% compared with the previous fiscal year to 1,267 million yen.

Consolidated Financial Highlights

Key Features

- Unavoidable downturn in operating conditions in the
- Amid this decrease in net contributions from
- Net income declined following the drop in share orders received and net sales owing largely to the rapid and dramatic deterioration in Industrial Systems segment on the back of a slump in capital investment.
- sales, operating as well as ordinary income increased slightly buoyed by positive improvements in manufacturing efficiency.
- substantially reflecting the impacts of a loss on devaluation of investment securities prices and other factors.

Results of Operations in the Fiscal Year under Review

Net Sales: 33,226 million yen (Down 12.9% year on year)

Ordinary Income: 1,267 million yen (Up 5.9% year on year)

Net Income: 103 million yen (Down 80.7% year on year)

Orders Received: 36,464 million yen (Down 6.2% year on year)

Orders received amounted to 36,464 million yen, a decrease of 6.2% compared with the previous fiscal year.

Net Income per Share: 3.33 yen (Down 70.2% year on year)

Outlook for the Next Fiscal Year

While there are increased signs that the financial crisis-induced recession has bottomed out, difficult operating conditions are anticipated to persist into the future. On a positive note, however, railway-related infrastructure investment around the world is projected to increase markedly. Under these circumstances, the Toyo Denki Group has formulated a new medium-term management plan, the Challenge Up Plan, which commences in the fiscal year ending May 31, 2010. Under this plan, the Group will work diligently to further strengthen its management foundation while at the same time enhancing its corporate value.

Consolidated Financial Performance

<table>
<thead>
<tr>
<th>Orders Received</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unit: Million yen)</td>
<td>(Unit: Million yen)</td>
</tr>
<tr>
<td>2007/5</td>
<td>2008/5</td>
</tr>
<tr>
<td>45,000</td>
<td>37,849</td>
</tr>
<tr>
<td>36,464</td>
<td>36,464</td>
</tr>
<tr>
<td>33,226</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Operating Income</th>
<th>Ordinary Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unit: Million yen)</td>
<td>(Unit: Million yen)</td>
</tr>
<tr>
<td>2007/5</td>
<td>2008/5</td>
</tr>
<tr>
<td>1,928</td>
<td>1,391</td>
</tr>
<tr>
<td>1,967</td>
<td>1,396</td>
</tr>
<tr>
<td>1,267</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Income</th>
<th>Net Income per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unit: Million yen)</td>
<td>(Unit: Yen)</td>
</tr>
<tr>
<td>2007/5</td>
<td>2008/5</td>
</tr>
<tr>
<td>600</td>
<td>532</td>
</tr>
<tr>
<td>11.84</td>
<td>5.7</td>
</tr>
<tr>
<td>3.33</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROE: Net Income to Shareholders’ Equity Ratio</th>
<th>ROA: Ordinary Income to Total Assets Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td>2007/5</td>
<td>2008/5</td>
</tr>
<tr>
<td>5.7</td>
<td>3.7</td>
</tr>
<tr>
<td>3.7</td>
<td>3.4</td>
</tr>
<tr>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>

Consolidated Performance

In presenting this overview of the Toyo Denki Group’s business results for fiscal 2008 (the fiscal year from June 1, 2008 to May 31, 2009 and 148th business term), I would like to thank all of our shareholders at their unfailing loyalty over the past year.

Also, it is my honor to report that at the Ordinary General Meeting of Shareholders and subsequent Board of Directors’ meeting, I was appointed to the position of president of Toyo Denki Seizo K.K.

Under a new management structure, the Toyo Denki Group is united in its efforts to secure sustainable growth. As we work toward our established goals, we ask for your continued support and understanding.

August 2009

Hiroshi Tsuchida
President

Seizo K.K. Under a new management
would like to thank all of our shareholders

August 2009

Hiroshi Tsuchida
President
Building a Robust Business Platform Amidst a Harsh External Operating Environment

In Taking Up the Challenge to Secure Further Growth, the Toyo Denki Group Will Continue to Deliver New Value.

Buoyed by the impacts of the global economic crisis, the Toyo Denki Group was confronted by the harsh realization that it had failed to achieve its established goals at the end of both its 148th business term and the Innovation 90 Plan. Its recently concluded three-year medium-term management plan. Against this backdrop, Hiroshi Tsuchida, Toyo Denki’s newly appointed president, outlined the issues confronted and results achieved to date as well as the Group’s growth strategies heading into the future.

August 2009

Hiroshi Tsuchida
President

As Toyo Denki’s newly appointed president, could you please provide us with an insight into your ambitions and aspirations?

As the newly appointed president of a company that has consistently contributed to society through the development and application of innovative electrical technology over a period that spans nine decades, I am both honored and humbled at the task that lies ahead, fully recognizing my responsibilities in this most difficult of decades. I am very much a believer in the adage that a company begins and ends with its people. Naturally, as the newly appointed president, it is my role there-fore to ensure a corporate environment that is conducive to achieving business expansion and profit growth. It is my role to cultivate the collective energy and power of all employees, however, that we will gently bring to further enhance corporate value. It is through the collective efforts of the people who work for Toyo Denki, that it garners, Toyo Denki will continue to expand its business even further.

In the Transportation Business segment we confronted an extremely harsh external operating environment. Suffering from the effects of the global economic recession, corporate sector capital investment saw an abrupt downturn. As a result, orders received and sales in this segment declined dramatically.

Demand for ICI card-compatible equipment settled leading to a decline in orders received and sales in the Information Systems segment. From the fiscal year ending May 31, 2010, Toyo Denki is projecting the launch of a host of new businesses and the release of new products that embody the Group’s continued emphasis on research and development that draws on the Group’s core technologies.

As we take up this fresh challenge to realize our long-term vision, What then do you plan to achieve under the Challenge Under the Challenge Up Plan and what are its key points?

The fiscal year ended May 31, 2009 marked both the Company’s 90th anniversary since foundation and the completion of its three-year medium-term management plan. Under this plan, we implemented a wide spectrum of initiatives aimed at cultivating new customers and enhancing Group corporate value. From the outset of the three-year period, we confront various operating conditions. After a prolonged period of intensifying competition, sharp hikes in costs, and the appreciation in the value of the yen. Buckling under the mounting pressure of these adverse conditions, we failed to achieve the objectives set at the beginning of the three-year period.

Despite this harsh operating environment, we continued to proactively develop our Transportation Business overseas and took steps to develop new technologies in the Information Systems segment that would lead the way in remote monitoring systems. On this basis, I am confident that we have laid a platform that will help to expand business activities and pave a path toward future growth.

In the context of the Group’s performance in its 148th business term, please tell us about the issues confronted by and results of each business segment?

In the Transportation Business segment, we took steps to increase our market share in Japan and to further develop our overseas business focusing mainly on China and North America. In the fiscal year under review, railway companies in Japan continued to place considerable weight on transportation services that take into increasing consideration concerns for safety, security, comfort and the environment. As a result, orders received were firm reflecting positive demand for new and updated railway stock.

Fiscal 2008 was also a year in which we strengthened our foothold in overseas markets, particularly in China. In October 2008, Toyo Denki was invited at an award ceremony to recognize contributions to the Beijing Olympic Games by the Beijing Mass Transit Railway Operation Corp., Ltd., and was honored for the features and reliability of its products, extensive delivery record and outstanding maintenance systems and service that contributed to a successful Beijing Olympic Games. Leveraging this performance and the trust that it enjoys, Toyo Denki will continue to expand its business even further.

In the Industrial Systems segment we confronted a situation that placed a great deal of pressure on our operations in overseas markets, particularly in China. In October 2008, Toyo Denki was invited to an award ceremony to recognize contributions to the Beijing Olympic Games by the Beijing Mass Transit Railway Operation Corp., Ltd., and was honored for the features and reliability of its products, extensive delivery record and outstanding maintenance systems and service that contributed to a successful Beijing Olympic Games. Leveraging this performance and the trust that it enjoys, Toyo Denki will continue to expand its business even further.

In the Information Systems segment, Toyo Denki concluded a business alliance agreement with Fuji Electric System Co., Ltd. for the manufacture and sale of electrical control equipment used in rail vehicles.

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What do you plan to achieve under the Challenge Under the Challenge Up Plan and what are its key points?

As we take up this fresh challenge to realize our long-term vision, the Toyo Denki Group has identified six key policies as its strives to achieve the established targets of net sales of 42 billion yen and operating income of 5 billion yen (Please refer to page 49).

(1) In its efforts to increase Group corporate value, Toyo Denki will place every emphasis on promoting a consolidated operations division system while thoroughly implementing cash flow management. Through these means, the Group will solidify its management and business platforms. At the same time, Toyo Denki will take full advantage of business alliances and promote collaboration in order to achieve the aim of developing business in an efficient and timely manner.

In this regard, Toyo Denki concluded a business alliance agreement with Fuji Electric System Co., Ltd. for the manufacture and sale of electrical control equipment used in rail vehicles.

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In an Interview with the President

An Interview with the President

Do you have any comments you would like to make to shareholders?

As we work toward our established goals, I humbly request the share price to reach 6 yen or more in this current fiscal year and beyond. The net share price, unchanged from the previous fiscal year, stands at 1 yen, which is a record. Leveraging our accumulated expertise, we will also pursue a strategic expansion of overseas sales and promote an innovative direct drive system application for electric vehicles.

Both management and Group employees are united in their commitment to develop businesses that will further enhance the relationship nurtured with shareholders, the fruits of these endeavors being the uninterrupted upsizing in corporate value and the stable return of profits.

In the fiscal year ended May 31, 2009, we confronted an unprecedented and unprecedented resession of global proportions. Despite this harsh operating environment, the Toyo Denki Group posted a net income of 103 million yen. Looking ahead, our goal is to deliver to our shareholders a constant cash dividend per share of 6 yen or more in this current fiscal year and beyond.

As we work toward our established goals, I humbly request the continued support and understanding of all shareholders.

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As we work toward our established goals, I humbly request the continued support and understanding of all shareholders.

Essential Features of the Plan’s Key Policies

(1) Further increase Group corporate value
- Take full advantage of business platforms
- Place every emphasis on a promoting a consolidated division system
- Thoroughly implement cash flow management

(2) Fortify the Group’s efforts toward overseas expansion
- Focus on the Chinese and North American markets
- Strengthen operating platforms in the Indian and Russian markets

(3) Generate new businesses
- Develop specific products that contribute to the creation and maintenance of a low-carbon society
- Develop services that utilize information technology

(4) Develop new products
- Develop products and equipment targeting environmentally friendly electric vehicles

(5) Bolster CSR activities
- Formulate a Group-wide Environmental Philosophy as a platform for increased activity and effort aimed at protecting the global environment

(6) Establish and promote a dynamic corporate culture
- Continue to implement 5S activities—Sort (seiri), Set in order (seiton), Standardize (seiketsu); Set in discipline (shitsuke); Sustain / Self-discipline (seiso)
- Reform and upgrade human resource education and training systems

Consolidated Management Targets to be Achieved by the Final Fiscal Year of the Plan, the Fiscal Year Ending May 31, 2012

(1) Net sales: 42 billion yen
(2) Operating income (margin): 3 billion yen (7.2%)
(3) Ratio of overseas sales to total sales: 30%
(4) Return on equity (ROE): 10%
(5) Experimental and research expenses: 1.2 billion yen
(6) Capital investment (IT investment): 1.2 billion yen

Long-Term Vision

(1) Net sales: 42 billion yen
(2) Operating income (margin): 3 billion yen (7.2%)
(3) Ratio of overseas sales to total sales: 30%
(4) Return on equity (ROE): 10%
(5) Experimental and research expenses: 1.2 billion yen
(6) Capital investment (IT investment): 1.2 billion yen

● Drawing on the core electric motor drive technology that the Group has amassed since its foundation, the Toyo Denki Group is committed to realizing next-generation high-speed railroads and a recycling-based society, by fusing highly sophisticated information-oriented machines and electronics.

● Net sales: 100 billion yen
### Current Status of China’s Railway Market

The Chinese government announced details of an economic stimulus package totaling 4 trillion yuan in November 2008, placing particular emphasis on efforts to further develop the nation’s transportation infrastructure. Working to enhance China’s high-speed rail network, the Ministry of Railways of the People’s Republic of China plans to have more than 120,000 kilometers of rail lines in service with electrified lines and double tracks accounting for over 60% and 50%, respectively, by 2020.

For its part, Japan currently boasts approximately 27,000 kilometers of rail lines in service with electrified lines and double tracks accounting for 57% and 35%, respectively. On this basis, China’s rail market is expected to experience substantial growth moving forward into the future.

### A History of Toyo Denki’s Activities in China’s Railway Market

Toyo Denki commenced the progressive delivery of electrical equipment (running control units, traction motors, high voltage units, low voltage power units, transmission units) and brake units for rail vehicles from 2008.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Received an order for YAW electrical equipment for trains servicing the Beijing Subway Line 1 (started operation in 1999) from Beijing Metro B1 Co., Ltd. (China) (the company is engaged in the manufacture of gear units for urban transportation use)</td>
</tr>
<tr>
<td>2000</td>
<td>Established Toyo Enery Gear, Inc. in China</td>
</tr>
<tr>
<td>2003</td>
<td>Received an order for electric equipment for trains servicing the Beijing Subway Line 10 (started operation in 2007) from Beijing Metro B1 Co., Ltd. (China) (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
<tr>
<td>2004</td>
<td>Established Chengdu Taiping Zhanhu Automatic Door Co., Ltd., in China (the company is engaged in the manufacture of automatic doors for use in trains)</td>
</tr>
<tr>
<td>2005</td>
<td>Received an order for electric equipment for trains servicing the Beijing Subway Line 14 (started operation in 2009) from Beijing Metro B1 Co., Ltd. (China) (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
<tr>
<td>2006</td>
<td>Received an order for electric equipment for trains servicing the Beijing Subway Line 15 (started operation in 2010) from Beijing Metro B1 Co., Ltd. (China) (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
<tr>
<td>2007</td>
<td>Received an order for electric equipment for trains servicing the Beijing Subway Line 10 (started operation in 2007) from Beijing Metro B1 Co., Ltd. (China) (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
<tr>
<td>2008</td>
<td>Received an order for gear units for trains servicing the Wuhan and Guangzhou line</td>
</tr>
<tr>
<td>2009</td>
<td>Received simultaneous orders for an aggregate total of 528 rail vehicles that are projected to service three new lines within the Beijing Subway network (plan for 2015) — Please refer to the upper-right lines 1 to 3 (the company is engaged in the manufacture of gear units for urban transportation use)</td>
</tr>
<tr>
<td>2010</td>
<td>Received an order for gear units for trains servicing the Wuhan and Guangzhou lines</td>
</tr>
<tr>
<td>2015</td>
<td>Opened an office in Beijing</td>
</tr>
<tr>
<td>2016</td>
<td>Established Changzhou Taiping Zhanyun Automatic Door Co., Ltd., in China (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
<tr>
<td>2017</td>
<td>Received an order for electric equipment for trains servicing the Chengdu Metro Line 1 (started operation in 2017) from Chengdu Metro Line 1 Co., Ltd. (China) (the company is engaged in the manufacture of electric equipment for urban transportation use)</td>
</tr>
</tbody>
</table>

### Toyo Denki’s Initiatives in China

As indicated in the map of the Beijing Subway Network shown above, significant development is anticipated through to 2015. Looking ahead, Toyo Denki will actively tender for new business and work diligently to secure new orders and an increase in its share of the overall project.

Leveraging the know-how gained through its participation in the development of the Beijing Subway Network, Toyo Denki will also take concrete steps to secure new orders in other urban transportation projects focusing on regional areas such as the Chengdu Metro in Sichuan Province.

Taking full advantage of its foothold in China’s high-speed rail market, built on an established strength, namely the supply of gear units, Toyo Denki will endeavor to secure orders for other electrical equipment for use in rail vehicles and reinforce its relationships with Chinese rail equipment manufacturers.

In each case, the Group will look to optimize cooperative ties between manufacturing bases in Japan and joint ventures established in China with local companies. Through these means, every effort will be made to further enhance the overall awareness and acceptance of the Toyo Denki brand in China.

### Map of the Beijing Subway Network (Plan for 2015)

- **Lines for which delivery has been completed**
- **Lines for which Toyo Denki has received firm orders**

#### Current Status of China’s Railway Market

- **Electrification ratio**
  - 2010: 45% or more
  - 2020: 60% or more
- **Double track ratio**
  - 2010: 45% or more
  - 2020: 50% or more

#### Toyo Denki’s Initiatives in China

- **Total operating rail line length**
  - 2010: 10,000 km or more
  - 2020: 12,000 km or more

#### A History of Toyo Denki’s Activities in China

- **Four vertical commuter lines running roughly from south to north**
  - Beijing – Shanghai
  - Beijing – Nanjing – Hangzhou – Shenzhen
  - Beijing – Shenyang – Harbin
  - Shanghai – Hangzhou – Ningbo – Fuzhou – Shenzhen

- **Four horizontal commuter lines running roughly from west to east**
  - Beijing – Shanghai
  - Beijing – Xian – Zhengzhou – Shijiazhuang
  - Beijing – Shenyang – Harbin
  - Shanghai – Hangzhou – Ningbo – Fuzhou – Shenzhen
Toyo Denki continues to make steady progress in the construction of a research, development and design center within its Yokohama Works. The new complex is scheduled for completion in October 2010. Taking into consideration environmental concerns, current plans call for the installation of wind- and solar-power generation facilities on the roof of the center.

Utilizing the world’s first control circuit- or converter circuit-less method, a technique developed at Toyo Denki’s research center, the wind turbine generator scheduled for installation is a highly efficient wind-power generation system. Consisting of a permanent magnet multi-pole synchronous generator optimized to a wind turbine, reactor and rectifier, the system does not use either a control unit or pulse width modulation converter.

In addition, the solar power system is estimated to produce annual electricity output of 11,000 kWh. Accordingly, the installation of this system is projected to reduce CO₂ emissions by approximately 7,700 kg each year.

Placing every possible emphasis on the environment, designs for the new center incorporate a host of features including energy-saving lighting as well as water-saving hygienic equipment.

An Environmental Philosophy Formulated

Taking into consideration the growing importance of contributions by the corporate sector to promote global environmental protection, Toyo Denki formulated its Environmental Philosophy in June 2009 as a policy platform for its ongoing environmental activities.

Toyo Denki supplies a wide spectrum of environmentally friendly products in each of its Transportation Business, Industrial Systems and Information Systems segments. Underpinned by the following Environmental Philosophy and Code of Conduct, Toyo Denki will step up its environmental protection activities working tirelessly to contribute to the development of a sustainable society.

Environmental Philosophy

The Toyo Denki Group has positioned global environmental protection as a key management issue. In this context, the Group will make every effort to contribute to the development of a sustainable society.

Code of Conduct

Through future technologies that harmoniously blend the needs of the global environment and humankind, the Toyo Denki Group will consistently deliver products and services that work to reduce adverse impacts on the environment. To this end, the Group is committed to engaging in the following conduct.

1. Strictly comply with all environment-related laws and regulations
2. Engage in activities that reduce environmental load including efforts to cutback energy consumption at each stage of its products’ lifecycles from planning through development to design, manufacture, sale, use and disposal
3. Establish and implement systems that facilitate the ongoing promotion of global environmental protection activities
4. Raise environmental awareness in each and every employee through education and training throughout the Group

June 2009

Installing Wind- and Solar-Power Generation Facilities at Its Research, Development and Design Center

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