Please provide us with an overview of Toyo Denki’s performance for the first half of fiscal 2008 ending May 31, 2009.

Throughout the first half of fiscal 2008, the fiscal year ending May 31, 2009, the Japanese economy was confronted by increasingly harsh conditions. This was attributable to a variety of factors including the sub-prime loan crisis in the United States, which resulted in a sudden and dramatic downturn in the U.S. economy, and was also exacerbated by the drop in corporate sector sales, prompting a cautious approach toward capital investment.

Against this backdrop, the Toyo Denki Group worked diligently to expand its operations and enhance corporate value, guided by the Innovation 90 Plan, its medium-term management plan. The Group’s performance in the first half of the fiscal year under review, the final year of the Innovation 90 Plan, was as follows:

(a) Orders received amounted to 18,199 million yen, a decrease of 15.8% compared with the corresponding period of the previous fiscal year. This mainly reflected the substantial drop in the Industrial Systems segment.
(b) Sales were 16,092 million yen, a decline of 4.9% year on year. Despite an increase in the Transportation Business segment, this overall decrease was attributable to significant contraction in Industrial Systems segment sales.
(c) Net profit improved 857 million yen to 79 million yen, an upswing in its gross profit margin. As a result, operating income climbed 845 million yen compared with the corresponding period of the previous fiscal year to 182 million yen, while ordinary income improved 857 million yen to 703 million yen. Accounting for such factors as the loss on devaluation of investment securities, net income for the period under review was 79 million yen.

Results by business segment are provided as follows.

**Transportation Business**
Orders received in this segment declined 10.1% compared with the corresponding period of the previous fiscal year to 10,704 million yen. Despite the persistent underlying strength of the domestic market, this decrease was attributable to a slowdown in orders from China following the cancellation of the Beijing Olympic Games. Buoyed by firm results in Japan, segment sales rose 5.7% year on year to 8,433 million yen.

**Industrial Systems**
Orders received in the Industrial Systems segment amounted to 6,200 million yen. This 27.0% year-on-year decline was mainly attributable to the rapid deterioration in domestic corporate sector capital investment. While overseas segment sales remained steady, results in Japan were also impacted by the aforementioned contraction in capital investment. Mirroring the downturn in orders received, overall segment sales were 5,938 million yen, a drop of 19.2% year on year.

**Information Systems**
Orders received edged up 4.4% compared with the corresponding period of the previous fiscal year to 1,294 million yen. This favorable result reflected positive contributions from I.C. card-compatible equipment relating particularly to railway station operations. Segment sales climbed 11.6% year on year to 700 million yen due to the same reasons that prompted an upswing in orders received.

The continuous payment of a stable cash dividend is a key component of Toyo Denki’s fundamental profit distribution policy. At the same time, the Company retains the necessary internal reserves required to fund its ongoing business activities including strategic research and development, capital expenditure and overseas expansion. In this manner, we work diligently to ensure sustained business growth and to strengthen the Company’s management foundation and financial position.

For the fiscal year under review, Toyo Denki plans to pay a fiscal year-end cash dividend of six yen per share. In similar fashion to the previous period, the Company will forego the payment of an interim cash dividend. In similar fashion to the previous year, I am concerned that the Toyo Denki Group will confront an increasingly difficult operating environment and that the Industrial Systems segment in particular will be harshly affected.

Looking ahead at future economic conditions, I believe that the current financial crisis will continue to spill over into the real economy. On this basis, I am concerned that the Toyo Denki Group will confront an increasingly difficult operating environment and that the Industrial Systems segment in particular will be harshly affected. Taking this and other factors into consideration, I anticipate net sales will total 35,000 million yen, down 8.2% compared with the previous fiscal year.

On the earnings front, our results are mixed. While operating income for the full fiscal year is expected to improve to 1,810 million yen, this represents a 200 million yen shortfall from the Company’s initially announced target.

The current economic situation suggests that we have made the right decision in taking a cautious approach toward capital investment, which we believe provided the foundation to enable the Company to weather the recent economic downturn. We will continue to focus on capital investment and overseas expansion, while maintaining our commitment to the payment of a stable cash dividend. In light of the current economic climate, we believe that our business model, which focuses on capital investment and overseas expansion, is well suited to the current economic environment.
On November 5, Nidec replied that any comments by Toyo Denki in a second communication were not comprehensively presented, and stressed that Nidec felt the need to respond to all six items. Based on these findings, the proposal development committee decided not to respond to all the three-party meeting requirements.

In a second communication on November 17, Nidec dispatched a request to Toyo Denki for more comprehensive information, seeking additional data pertaining to both the company and the group, and asking Toyo Denki to provide a written reply.

On November 24, Toyo Denki dispatched the initial reply to Nidec, and the Company's Board of Directors met to analyze and consider its content, substance and purport in line with the Company's plan for shared-value assessment of strategic opportunities for Toyo Denki.

On November 24, Toyo Denki dispatched the final reply to Nidec. Toyo Denki also agreed to the three-party meeting, chaired by the Committee and attended by members of each subject area.

On December 16, Toyo Denki announced its decision not to extend the original proposal or to issue a new proposal. After announcing the decision, Toyo Denki will continue to discuss the information provided by Nidec in the three key areas of technology, labor and finance, and management.

On December 15, Toyo Denki established an assessment period during which its Board of Directors would evaluate the Proposal. At 11:00 am on the same day, the Company dispatched a notification of completion of the provision of information to Nidec. In connection with this announcement, Toyo Denki issued an obituary notice.

Toyo Denki's ability to consistently identify and develop innovative technologies is a key factor in the Company's ongoing growth. Toyo Denki's ability to consistently identify and develop innovative technologies is a key factor in the Company's ongoing growth.
Toyo Denki was invited to the Award Ceremony held in Beijing, China on October 10, 2008 for companies contributing the most to the transportation of global guests and athletes via the Beijing Metro to the Beijing Olympic Games, by the Beijing Mass Transit Railway Operation Corporation, Ltd., and received an award for its help in providing uninterrupted subway transportation and contributing to a successful Beijing Olympic Games.

Toyo Denki was honored for its outstanding maintenance systems and its contributions to the smooth running of the stadium subway line 10 and branch line 8, the Company's development and design capabilities at its Yokohama Works. Plans call for the construction of a new building adjacent to the existing works and office facility at an estimated cost exceeding two billion yen. A groundbreaking ceremony for the research, development and design building was held within the Yokohama Works site on January 22, 2009.

Toyo Denki employees at the awards ceremony and the award The 15-Year History

Construction Commences in a New Research, Development and Design Building at Yokohama Works

At a meeting of its Board of Directors held on October 10, 2007, Toyo Denki approved specific capital expenditures with the aim of expanding production capacity as well as the Company’s development and design capabilities at its Yokohama Works. Plans call for the construction of a new building adjacent to the existing works and office facility at an estimated cost exceeding two billion yen. A groundbreaking ceremony for the research, development and design building was held within the Yokohama Works site on January 22, 2009. Construction completion is scheduled in 2010.

The 15-Year History

Major Exhibitions

Inno Trans 2008

In conjunction with the Japan Overseas Rolling Stock Association, Toyo Denki participated in InnoTrans 2008, the world’s leading international trade fair focusing on rail transport technology. The exhibition was held in Berlin, Germany from September 23 to 26, 2008.

In addition to actual size single-arm pantographs for Shinkansen bullet trains and multi-divided contact step pan heads that contribute to high pantograph tracking performance, Toyo Denki exhibited an extensive lineup of its electrical equipment for rail vehicles as well as an explanatory panel for the Company’s E’ Solution System, a power storage system that effectively stores and supplies energy that might otherwise be wasted, enabling railway operators to reuse and conserve energy.

Toyo Denki employees at the awards ceremony and the award Artist’s rendition of the finished building

APTA EXPO 2008

Organized by the American Public Transportation Association, Toyo Denki participated in APTA EXPO 2008, held at the San Diego Convention Center in San Diego, California from October 6 to 8, 2008.

Encompassing a wide array of the Company’s latest technology and products, Toyo Denki’s exhibit displayed an explanatory panel for its E’ Solution System, a mock-up of a lithium ion battery module for use both in E’ Solution System applications as well as hybrid light rail vehicles (LRVs) that source power from overhead wires and on-board batteries, a panel for electrical equipment for use in these hybrid LRVs, and a display of actual LRV converter power units.

A reporter from the newspaper publishing company gathering

Inno Trans 2008

Field Lectures on the Environment — Building Eco-Friendly Railway Systems for a Cleaner Environment

Toyo Denki organized onsite lectures at elementary schools in Yokohama in November 2008 based on the theme “Building Eco-Friendly Railway Systems — Promoting Ecological Integrity through Increased Railway System Use.” These lectures were conducted at the behest of the City of Yokohama, which is working aggressively to promote environmental awareness and education.

Implementing a slide and quiz format, a series of easy-to-understand lectures on rail transportation and the environment were held at elementary schools in Yokohama. Attended by approximately 150 year-six students, these lectures encompassed such topics as the history of rail transportation in Yokohama, the types of rail vehicles, why rail transportation is eco-friendly, and how to go about eco-friendly travel. Among this host of topics, students gained invaluable knowledge on the amount of CO₂ emissions discharged when a single individual travels one kilometer by various modes of transportation. The students gasped in astonishment when learning that trains discharged the least amount of CO₂ when compared with other transportation modes including passenger vehicles and aircraft.

These field lectures on the environment were also reported by the local newspaper. Looking ahead, Toyo Denki will utilize the information gathered in the natural course of its business activities to enhance the efficacy of its CSR activities.

APTA EXPO 2008

Field Lectures on the Environment — Building Eco-Friendly Railway Systems for a Cleaner Environment