An Interview with the President

**Hiroshi Tsuchida**

President

**Steady Progress on Full Fiscal Year Forecasts and Our Medium-Term Management Plan**

Buoyed by a recovery in the economy, Toyo Denki is working diligently to secure an increase in both revenue and earnings for the full fiscal year under review. In this interview, Hiroshi Tsuchida, the Company’s president, provides details on first-half results, futures, development projects, and Toyo Denki’s alliance with Hitachi, Ltd., which continues to attract considerable interest.

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**Steady Progress on Full Fiscal Year Forecasts and Our Medium-Term Management Plan**

Turning initially to the Industrial Systems segment, where performance has slumped due to the weak business environment, a major theme for fiscal 2010, the fiscal year ending May 31, 2011, has been to reenergize our activities and place this segment back on a profitable track. At the same time, we are expanding our Transportation Systems operations with a particular focus on overseas markets including China as a means to boost performance throughout the Toyo Denki Group. On this basis, we have identified specific consolidated numerical targets for the fiscal year under review, including net sales of 360 billion yen and operating income of 1.6 billion yen.

Focusing on one of the aforementioned themes, the Group has identified specific consolidated numerical targets for the fiscal year under review. In this interview, Hiroshi Tsuchida, the Company’s president, provides details on first-half results, futures, development projects, and Toyo Denki’s alliance with Hitachi, Ltd., which continues to attract considerable interest.

**Hiroshi Tsuchida**

President

Please provide us with details of the business and capital alliance with Hitachi, Ltd.

While the Company entered into an alliance with Fuji Electric Systems Co., Ltd., in July 2009, Toyo Denki also agreed to form a strategic business alliance with Hitachi, Ltd., concerning the supply of electrical components for rolling stock in overseas markets on October 25, 2010 with the aim of further fortifying its business outside Japan. Building on the current upswing in demand for railway systems across numerous overseas regional markets, the Company has decided to leverage the benefits of joint endeavors to cover any shortfall in its own individual efforts.

In the overseas market, the world’s big three railway systems companies—Germany’s Siemens AG, France’s Alstom SA and Germany’s Siemens AG—are adopting an increasingly aggressive stance, particularly in newly emerging countries where robust railway construction demand is forecast. In order to secure a more competitive position in overseas markets, Toyo Denki and Hitachi are considering ways in which the two can better leverage their individual strengths. This entails the division of systems coordination responsibilities and the supply of products to each other for projects outside Japan as well as joint product design and development. We anticipate a substantial degree of complementary benefit, taking into consideration Toyo Denki’s proven excellence in DC control and drive systems as well as mechanical equipment.

**Please tell us about the underlying theme of the Company’s business activities in the current fiscal year and results for the recently completed first half.**

Recently, however, the bidding requirements and processes leading up to receiving orders, as well as securing profits, are becoming increasingly difficult as competition intensifies and customers place greater emphasis on curtailing costs. Against this backdrop, Toyo Denki is taking steps to improve productivity through efficiency measures. The Company is also focusing on efforts to reduce costs by engaging in joint procurement with our allied companies as well as purchasing cost negotiations in its own right.

Turning to the Information Systems segment, railway station operation-related product sales stagnated over the period. On a positive note, however, the recent market introduction of remote monitoring and wireless measurement systems are yet to take hold. In response, Toyo Denki is working diligently to boost sales and marketing while developing new products that capitalize on the current demand for energy savings. Collectively, these efforts are expected to contribute to future performance.

**Can you please outline any initiatives that you believe should be of particular interest to shareholders in the context of the Group’s endeavors during the second half?**

During the second half we will make every effort to expand sales and secure profits as we work toward achieving our full fiscal year goals. At the same time, we will make proactive sales efforts to create new business while maintaining our competitive edge, which will support our fiscal 2011 performance. Harnessing our motor drive technological capabilities, we will also accelerate our second half development activities with the aim of better realizing the early creation of new businesses.

**Fiscal 2011 is the final year of the Group’s Challenge Up Management Plan. With the aim of achieving our performance targets including consolidated net sales of 42 billion yen, operating income of 1.5 billion yen and operating income rate of 3.5% as a segment of the Group’s management plan priority, we are placing considerable weight on developing business in the Chinese and North American markets while carefully considering potential opportunities for entry into other East Asian countries. As of the end of November 30, 2010, the Company had achieved an overseas sales to total sales ratio of 25%.**

Looking ahead, we are confident in our ability to secure business growth and achieve our objectives in this context, which is based on our ongoing efforts to expand and improve the quality of our technological capabilities as well as our sales, marketing and service structure. As we accomplish this, we will actively consider and seize opportunities for new alliances, following those with Fuji Electric Systems and Hitachi, if those potential new alliances are likely to lead to new growth. In partnering with the leading companies to expand business overseas, I appreciate our shareholders’ understanding of the arrangement.

Both Toyo Denki and Hitachi are today undertaking genuine efforts to prepare for the full-fledged launch of joint business development endeavors.

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Initiatives Aimed at Expanding Overseas Railway Infrastructure Development Plans

Achieving Growth in the Transportation Systems Segment through Global Development

Railway infrastructure development is expected to expand on the back of economic growth in newly emerging countries. Railways are also attracting increased worldwide interest as a means of mass transportation that exerts minimal impact on the environment. As a result, new construction and railway line extension activities are intensifying across numerous regions with a major shift toward high-speed rail transportation entailing improvements in carriages and systems.

In this Special Feature, we provide an overview of global railway infrastructure development plans with a focus on our growth strategies in the Transportation Systems segment, particularly in China and the U.S.

1. Harnessing the benefits of business alliance

Promoting cooperative ties in the rail vehicle electrical equipment business, focusing primarily on expanding overseas railway markets.

Fuji Electric Systems Co., Ltd.

Alliance details

- Concerning electrical components for rolling stock in overseas markets
- Joint research and development
- Mutually complementary products
- Engineering service cooperation
- Service cooperation

News

Toyo Denki and Hitachi entered into a business and capital alliance with respect to electrical components for rolling stock in overseas markets. The goals of the alliance are to boost each company’s competitive prowess in global markets and to expand business overall.

Toyo Denki Seizo K.K.

Business alliance

(announced July 14, 2009)

Business and capital alliance

(announced October 25, 2010)

Hitachi, Ltd.

Alliance details

- Concerning electrical components for rolling stock in overseas markets
- Division of systems coordination responsibilities
- Development of a mutually complementary relationship with respect to overseas products
- Division of product design and development responsibilities
- Joint purchase development of externally procured materials
- Cross shareholding

An Interview with the President

Kenzo Terashima, Senior Executive Officer of Hitachi, Ltd.

At the press conference, Kenzo Terashima, Senior Executive Officer of Hitachi, Ltd., shakes hands with Gaku Suzuki, Vice President and Managing Director of Toyo Denki Seizo K.K. (right), at the company’s headquarters in Tokyo, Japan.

Alliance details

- Joint product design and development responsibilities
- Joint purchase development of externally procured materials
- Joint marketing
- Joint research and development
- Cross shareholding

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Executive Officer of Hitachi, Ltd.

2. Targeting new urban transportation construction and plans for railway line extension

Toyo Denki is leveraging its established competitive advantage in urban transportation to actively pursue opportunities in subway construction in Asia as well as Light Rail Transit (LRT) development plans in the U.S.

China

- Toyo Denki is the leading supplier of electrical equipment to the Beijing Subway Line
- Engaged in the production and delivery of electrical equipment to the Chengdu Metro lines 1 and 2

United States

- Established track record of electrical equipment delivery to Dallas Area Rapid Transport (DART)
- Growing need for LRT due to relatively low construction cost, backed by growing interest toward a modal shift triggered by the sharp surge in crude oil prices

3. Targeting high-speed railway network development plans in China

Toyo Denki has accumulated significant technological expertise over the years it has been involved with the Shinkansen (bullet train) in Japan. This expertise provides the wellspring for the Company’s high-speed rail gear units.

Work on the “Four Vertical & Four Horizontal” high-speed railway network that connects the east-west and north-south corners of China is progressing rapidly. Through the supply of high-speed rail gear units, Toyo Denki is supporting the infrastructure development in China.

High-speed railway network development plans in China

- Development of high-speed railway driving gear units for high-speed railway
- Driving gear unit for high-speed railway

Supplementary information:

- Global High-Speed Railway Network Development Projects
- Source: Japan Railway Technical Service, etc.

Expectations of Market Growth

- Major regional urban areas in China
- Southeast Asia (Thailand, Thailand, Indonesia, Other)
- India
- Light Rail Transit
- Major urban areas in the U.S.