

October 10, 2014

## Summary of Consolidated Business Results for the First Quarter of Fiscal 2014

For the fiscal year ending May 31, 2015

Toyo Denki Seizo K.K. Stock Exchange: 1st Section of the Tokyo Stock Exchange  
 Stock Code: 6505 URL <http://www.toyodenki.co.jp>  
 Representative: Kenzo Terashima, President  
 Inquiries: Yoshifumi Otsubo, Operating Officer and General Manager, Management Planning  
 Division  
 TEL +81-3-5202-8122

Scheduled date of submission of quarterly financial report: October 14, 2014  
 Scheduled date of commencement of dividend payments: —  
 Preparation of quarterly financial report supplemental explanatory materials: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

Note: Amounts less than one million yen in financial statements and the supplementary data are rounded down.

### 1. Consolidated Business Results for the First Quarter of Fiscal 2014

(June 1, 2014 to August 31, 2014)

#### (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	
1Q Fiscal 2014	7,197	6.9%	(192)	—	(109)	—	(240)	—
1Q Fiscal 2013	6,734	10.0%	(56)	—	(80)	—	(236)	—

(Note) Comprehensive income: 1Q Fiscal 2014: 573 million yen [—%]

1Q Fiscal 2013: (394) million yen [—%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1Q Fiscal 2014	(4.99)	—
1Q Fiscal 2013	(4.90)	—

#### (2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of August 31, 2014	45,915	20,004	43.6
As of May 31, 2014	44,752	19,350	43.2

(Reference) Shareholders' equity: As of August 31, 2014: 20,004 million yen

As of May 31, 2014: 19,350 million yen

### 2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2013	—	0.00	—	6.00	6.00
Fiscal 2014	—				
Fiscal 2014 (Forecast)		0.00	—	6.00	6.00

(Note) Revisions to the most recently announced dividend forecasts: No

### 3. Consolidated Performance Forecast for Fiscal 2014 (June 1, 2014 to May 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
First half	18,500	16.9%	600	181.2%	600	122.1%	350	505.0%	7.26
Full year	40,000	14.4%	2,100	95.1%	2,100	102.7%	1,200	86.2%	24.89

(Note) Revisions to the most recently announced performance forecast: No

#### Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - (a) Changes in accounting policies in accordance with revisions to accounting standards and related practices: Yes
  - (b) Any changes other than (a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Restatement: No
- (4) Shares outstanding (common stock)
  - (a) Number of shares outstanding as of the end of the period (including treasury stock):  
August 31, 2014: 48,675,000 shares      May 31, 2014: 48,675,000 shares
  - (b) Number of shares of treasury stock as of the end of the period:  
August 31, 2014: 476,930 shares      May 31, 2014: 474,527 shares
  - (c) Average number of shares for the period (fiscal year-to-date):  
1Q Fiscal 2014: 49,199,309 shares      1Q Fiscal 2013: 48,210,571 shares

#### Statements Regarding the Implementation Status of Quarterly Review Procedures

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, quarterly review procedures for the quarterly financial statements pursuant to the aforementioned Act were not yet completed.

#### 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. (hereinafter Toyo Denki) cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "Explanation of Consolidated Performance Forecast and Other Forward-looking Information" in Accompanying Materials on page 3 for details relating to operating results forecasts.

## Accompanying Materials Contents

1.	Qualitative Information regarding Quarterly Financial Results.....	2
	(1) Explanation of Consolidated Business Results.....	2
	(2) Explanation of Consolidated Financial Position.....	3
	(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information.....	3
2.	Items regarding Summary Information (Notes).....	4
	(1) Transfer of Major Subsidiaries during the Period.....	4
	(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements.....	4
	(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements.....	4
3.	Quarterly Consolidated Financial Statements.....	5
	(1) Consolidated Balance Sheets.....	5
	(2) Consolidated Statements of Income and Comprehensive Income.....	7
	(3) Notes to Quarterly Consolidated Financial Statements.....	9
	(Notes on Going Concern Assumptions).....	9
	(Notes on Significant Fluctuations in Shareholders' Equity).....	9
	(Segment Information).....	9
4.	Supporting Materials.....	10
	(1) The Status of Production, Orders, and Sales.....	10

## 1. Qualitative Information regarding Quarterly Financial Results

### (1) Explanation of Consolidated Business Results

During the first quarter (June 1, 2014 to August 31, 2014) of fiscal 2014, the fiscal year ending May 31, 2015, although a temporary slowdown in the economy in Japan was seen due to the decline in reaction to last-minute demand accompanying the increase in the consumption tax rate, a recovery trend continued due to improvement in the personal income environment and an upward trend in capital expenditure backed by the economic policies and monetary easing policy of the current administration. Meanwhile, with regard to overseas, although the economy in Europe was sluggish, the recovery trend of the economy in the United States continued due to an improvement in employment environment, and China also sustained stable growth amid decelerating growth rate, and therefore, investment in infrastructure remained at a high level.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value according to “Next 100 : Beyond 100 years,” the medium-term management plan launched in July 2014.

The Toyo Denki Group’s performance in the first quarter of fiscal 2014, the first fiscal year of the plan, was as follows.

Orders received increased 11.8% compared with the corresponding period of the previous fiscal year to 8,901 million yen. This overall result reflected a significant surge in orders received in the Transportation Systems segment outside Japan despite a slight decrease in the Industrial Systems segment.

Net sales increased 6.9% year on year to 7,197 million yen. Despite a slight 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.

From a profit perspective, operating income fell by 135 million yen compared with the corresponding period of the previous fiscal year and recorded a 192 million yen loss, mainly due to the prior recording of development expenses and design expenses in the Transportation Systems segment. Ordinary income also fell by 28 million yen, recording a 109 million yen loss, and net income declined by 4 million yen to register a 240 million yen loss.

Looking at the overall nature and structure of the Group’s business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, quarterly consolidated operating results are impacted by seasonal factors.

Information by business segment is presented as follows.

#### *Transportation Systems*

While orders received were flat in Japan, there was a sharp upturn outside Japan. As a result, orders received increased 25.3% compared with the corresponding period of the previous fiscal year to 5,749 million yen.

Although net sales in this segment decreased in Japan, there was a significant upturn outside Japan, totaling 4,725 million yen, a 7.2% increase from the corresponding period of the previous year. Segment profit declined by 41.1% compared with the corresponding period of the previous fiscal year to 317 million yen, which was primarily attributable to the prior recording of development expenses and design expenses.

#### *Industrial Systems*

While orders received for infrastructure related were robust, those related to capital expenditure such as printing equipment and processing equipment declined. In overall terms, orders received decreased 7.6% compared with the corresponding period of the previous fiscal year to 2,924 million yen.

Net sales increased 7.0% year on year to 2,348 million yen as sales of testing equipment for automotive development and processing equipment increased. Segment profit totaled 52 million yen, an increase of 120 million yen compared with the corresponding period of the previous fiscal year due to effect of increased revenue and improved profitability.

#### *Information Equipment Systems*

Orders received in this segment increased 8.4% to 225 million yen, primarily for railway station operating equipment.

Net sales in this segment decreased 7.2% year on year to 121 million yen with a decline in sales of station operating equipment. Segment profit was 13 million yen, an increase of 49 million yen compared with the corresponding period of the previous fiscal year due to improved profitability.

Note: Net sales data by business segment represents sales to third parties and is exclusive of inter-segment sales and transfers.

## (2) Explanation of Consolidated Financial Position

Total assets as of August 31, 2014 stood at 45,915 million yen, an increase of 1,162 million yen compared with the end of the previous fiscal year. Despite decreases in trade notes and accounts receivable of 1,977 million, the increase in total assets was largely attributable to increases in cash and cash equivalents of 661 million yen, inventories of 1,452 million yen and investment securities of 1,214 million yen.

Total liabilities amounted to 25,910 million yen, an increase of 508 million yen compared with the previous fiscal year end. Despite a 549 million yen decrease in net defined benefit liability, the increase in total liabilities was largely attributable to an increase in borrowings of 1,135 million yen.

Net assets stood at 20,004 million yen, 654 million yen higher than the balance as of the previous fiscal year end. Major movements were a 158 million yen decrease in retained earnings and a 782 million yen increase in unrealized holding gain on available-for-sale securities.

## (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

We have made no revision to the “Consolidated Performance Forecast for Fiscal 2014” announced on July 10, 2014.

## 2. Items regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Period  
Not applicable

(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements  
Not applicable

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

### *Changes in Accounting Policies*

(Application of Accounting Standard for Retirement Benefits)

Provisions stated in Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and Section 67 of the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012; hereinafter referred to as the “Guidance on Retirement Benefits”) have been applied from the first quarter of fiscal 2014. Along with this application, calculation methods for retirement benefit obligations and service cost have been revised. Furthermore, the method for determining the portion of projected benefit obligation attributed to periods was changed from the straight-line method to the benefit formula basis. In addition, the method of determining the discount rates applied in the calculation of projected benefit obligation was changed from the method using the number of years approximate to the average remaining service period of employees to the method using the single weighted average discount rate that reflects the estimated period and amount of benefit payment in each period.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits at the beginning of the first quarter of fiscal 2014, and the effect of the accounting change in retirement benefit obligations and service cost was reflected in retained earnings.

As a result, net defined benefit liability decreased by ¥576 million, and retained earnings increased by ¥370 million at the beginning of the first quarter of fiscal 2014. The impact on the consolidated operating loss, ordinary loss and loss before income taxes and minority interests recorded for the first quarter of the current fiscal year is immaterial.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2014	End of the First Quarter of Fiscal 2014 (August 31, 2014)
Assets		
Current assets		
Cash and cash equivalents	2,997	3,659
Trade notes and accounts receivable	12,805	10,828
Products and finished goods	1,483	2,244
Work in process	3,459	3,741
Raw materials and stored goods	2,158	2,567
Other	684	673
Allowance for doubtful accounts	(34)	(28)
Total current assets	23,555	23,686
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,075	7,083
Accumulated depreciation	(4,228)	(4,284)
Buildings and structures, net	2,847	2,799
Machinery and equipment	6,679	6,715
Accumulated depreciation	(5,770)	(5,843)
Machinery and equipment, net	908	872
Land	289	289
Construction in progress	63	78
Other	3,171	3,197
Accumulated depreciation	(2,624)	(2,665)
Other, net	547	532
Total property, plant and equipment	4,656	4,571
Intangible assets		
Software	230	219
Other	37	19
Total intangible assets	268	239
Investments and other assets		
Investment securities	14,262	15,477
Other	2,022	1,952
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	16,273	17,417
Total fixed assets	21,197	22,228
Total assets	44,752	45,915

(Millions of yen)

	As of May 31, 2014	End of the First Quarter of Fiscal 2014 (August 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	5,285	4,974
Short-term debt	1,987	1,772
Income taxes payable	374	21
Consumption and other taxes payable	180	53
Accrued expenses	3,792	4,198
Advances received	292	265
Deposits received	228	314
Reserve for directors' bonuses	28	7
Reserve for employees' bonuses	915	412
Reserve for order losses	129	209
Other	281	326
Total current liabilities	13,496	12,556
Long-term liabilities		
Long-term debt	6,934	8,284
Long-term payables	145	145
Allowance for environmental development	43	43
Net defined benefit liability	4,044	3,495
Other	737	1,385
Total long-term liabilities	11,906	13,354
Total liabilities	25,402	25,910
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	7,510	7,352
Treasury stock	(167)	(168)
Total shareholders' equity	15,519	15,359
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,989	4,772
Deferred gains or losses on hedges	(26)	-
Foreign currency translation adjustments	165	129
Remeasurements of defined benefit plans	(298)	(256)
Total accumulated other comprehensive income	3,830	4,645
Total net assets	19,350	20,004
Total liabilities and net assets	44,752	45,915

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income for the First Quarter of Fiscal 2014)

(Millions of yen)

	1Q FY2013 (June 1, 2013 to August 31, 2013)	1Q FY2014 (June 1, 2014 to August 31, 2014)
Net sales	6,734	7,197
Cost of sales	5,178	5,571
Gross profit	1,555	1,625
Selling, general and administrative expenses	1,612	1,817
Operating loss	(56)	(192)
Non-operating income		
Interest income	0	0
Dividend income	83	104
Equity in earnings of unconsolidated subsidiaries and affiliates	5	-
Foreign exchange gains	-	25
Miscellaneous income	5	5
Total non-operating income	94	135
Non-operating expenses		
Interest expense	42	35
Equity in loss of unconsolidated subsidiaries and affiliates	-	7
Loss on disposal of fixed assets	5	0
Loss on foreign currency exchange	68	-
Miscellaneous loss	0	9
Total non-operating expenses	117	52
Ordinary loss	(80)	(109)
Extraordinary income		
Gain on sales of fixed assets	-	12
Total extraordinary income	-	12
Loss before income taxes and minority interests	(80)	(96)
Income taxes:		
Current	28	3
Deferred	127	140
Total income taxes	155	144
Loss before minority interests	(236)	(240)
Net loss	(236)	(240)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	1Q FY2013 (June 1, 2013 to August 31, 2013)	1Q FY2014 (June 1, 2014 to August 31, 2014)
Loss before minority interests	(236)	(240)
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	(228)	782
Deferred gains or losses on hedges	-	26
Foreign currency translation adjustments	8	(6)
Remeasurements of defined benefit plans	-	42
Share of other comprehensive income of affiliates to which the equity method is applied	61	(29)
Total other comprehensive income	(158)	814
Comprehensive income	(394)	573
Comprehensive income attributable to:		
Owners of the parent	(394)	573
Minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements  
 (Notes on Going Concern Assumptions)  
 Not applicable.

(Notes on Significant Fluctuations in Shareholders' Equity)  
 Not applicable.

(Segment Information)

(a) The First Quarter of Fiscal 2013 (June 1, 2013 to August 31, 2013)  
 Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other <sup>1</sup>	Total	Adjustment Amount <sup>2</sup>	Amount Recorded on Quarterly Consolidated Statements of Income <sup>3</sup>
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	4,407	2,194	131	1	6,734	—	6,734
Inter-segment sales and transfers	1	0	—	110	112	(112)	—
Total	4,409	2,194	131	112	6,846	(112)	6,734
Segment profit (loss)	538	(68)	(35)	8	442	(499)	(56)

Notes:

1. The "Other" segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 499 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 3 million yen and corporate expenditure (a loss of 503 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

(b) The First Quarter of Fiscal 2014 (June 1, 2014 to August 31, 2014)  
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other <sup>1</sup>	Total	Adjustment Amount <sup>2</sup>	Amount Recorded on Quarterly Consolidated Statements of Income <sup>3</sup>
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	4,725	2,348	121	1	7,197	—	7,197
Inter-segment sales and transfers	2	0	—	120	123	(123)	—
Total	4,727	2,348	121	122	7,320	(123)	7,197
Segment profit (loss)	317	52	13	10	393	(586)	(192)

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 586 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 585 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

#### 4. Supporting Materials for the Financial Results

##### (1) The Status of Production, Orders, and Sales

###### (a) Production Status

Business segment	1Q FY2013 (June 1, 2013 to August 31, 2013)		1Q FY2014 (June 1, 2014 to August 31, 2014)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	4,481	65.1	5,868	70.3
Industrial Systems	2,321	33.7	2,388	28.6
Information Equipment Systems	84	1.2	96	1.2
Other	—	—	—	—
Total	6,888	100.0	8,352	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

###### (b) Status of Orders Received

Business segment	1Q FY2013 (June 1, 2013 to August 31, 2013)		1Q FY2014 (June 1, 2014 to August 31, 2014)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	4,590	18,238	5,749	26,672
Industrial Systems	3,164	5,726	2,924	5,504
Information Equipment Systems	207	472	225	343
Other	1	—	1	—
Total	7,964	24,436	8,901	32,521

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

###### (c) Sales Status

Business segment	1Q FY2013 (June 1, 2013 to August 31, 2013)		1Q FY2014 (June 1, 2014 to August 31, 2014)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	4,407	65.4	4,725	65.7
Industrial Systems	2,194	32.6	2,348	32.6
Information Equipment Systems	131	1.9	121	1.7
Other	1	0.0	1	0.0
Total	6,734	100.0	7,197	100.0

Notes:

1. Amounts are exclusive of consumption and other taxes.
2. Looking at the overall nature and structure of the Group business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, quarterly consolidated operating results are impacted by seasonal factors.