

January 14, 2015

Summary of Consolidated Business Results for the First Half of Fiscal 2014

For the fiscal year ending May 31, 2015

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Scheduled date of submission of quarterly financial report: January 14, 2015
 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 Half of Fiscal 2014

(June 1, 2014 to November 30, 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	
First half, Fiscal 2014	19,065	20.5%	584	174.0	873	223.4	515	790.7
First half, Fiscal 2013	15,826	16.7%	213	—	270	—	57	—

(Note) Comprehensive income: 1H Fiscal 2014: 2,841 million yen [288.7%]
 1H Fiscal 2013: 731 million yen [369.6%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First half, Fiscal 2014	10.69	—
First half, Fiscal 2013	1.20	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of November 30, 2014	50,675	22,270	43.9
As of May 31, 2014	44,752	19,350	43.2

(Reference) Shareholders' equity: As of November 30, 2014: 22,270 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	—	0.00	—	6.00	6.00
Fiscal 2014 (Forecast)	—	—	—	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)
Full year	40,000	14.4%	1,800	67.3%	2,100	102.7%	1,200	86.2%	24.89

(Note) Revisions to the most recently announced performance forecast: Yes

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):
November 30, 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:
November 30, 2014: 481,094 shares May 31, 2014: 474,527 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
First half, Fiscal 2014: 48,197,225 shares First half, Fiscal 2013: 48,208,868 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, a quarterly review report on the quarterly financial statements pursuant to the aforementioned Act has been received.

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.

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1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Business Results

During the first half (June 1, 2014 to November 30, 2014) of fiscal 2014, the fiscal year ending May 31, 2015, significant effects to the economy in Japan were seen due to the decline in reaction to last-minute demand accompanying the increase in the consumption tax rate, and subdued conditions persisted for capital expenditures. However, a recovery trend continued and signs of a recovery in demand were seen due to improvement in corporate and personal incomes, backed by the economic policies and monetary easing policy of the current administration. Meanwhile, with regard to overseas, although economic trends in Europe were weak, the recovery trend of the economy in the United States continued, and China secured growth amid a decelerating growth rate, leading to a high level of investment in infrastructure. These overseas conditions are expected to continue for the foreseeable future.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value by (1) strengthening its international competitiveness, (2) building a stable business earnings structure, and (3) promoting development of technology, all 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 half of fiscal 2014, the first fiscal year of the plan, was as follows.

Orders received increased 7.4% compared with the corresponding period of the previous fiscal year to 19,608 million yen. This overall result reflected a surge in orders received in the Transportation Systems segment both inside and outside Japan, despite a decrease in the Industrial Systems segment and the Information Equipment Systems segment.

Net sales increased 20.5% year on year to 19,065 million yen. Despite a decrease in the Information Equipment Systems segment, this result reflected a significant surge centered on the Transportation Systems segment outside Japan as well as an increase in the Industrial Systems segment.

From a profit perspective, operating income increased 174.0% compared with the corresponding period of the previous fiscal year to 584 million yen, mainly due to higher revenues in the Transportation Systems segment and the Industrial Systems segment. Ordinary income grew by 223.4% to 873 million yen as a result of recording foreign exchange gains from a progressively weaker yen, and net income increased by 790.7% to 515 million yen.

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

Orders received were up both in Japan and outside Japan, leading to an increase of 18.2% compared with the corresponding period of the previous fiscal year to 12,557 million yen.

Although net sales in this segment were flat in Japan, there was a significant upturn outside Japan, totaling 13,031 million yen, a 32.2% increase from the corresponding period of the previous year.

Segment profit increased by 27.0% compared with the corresponding period of the previous fiscal year to 1,351 million yen, which was attributable to increased revenue.

Industrial Systems

While orders received for infrastructure related were robust, orders related to capital expenditure such as printing equipment and processing equipment, along with testing equipment for automotive development, remained at low levels, causing a 2.0% decline compared with the corresponding period of the previous fiscal year to 6,458 million yen.

Net sales increased 6.3% year on year to 5,666 million yen primarily as sales of testing equipment for automotive development increased.

Segment profit totaled 414 million yen, an increase of 140.4% 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 decreased 43.0% to 589 million yen, primarily due to declines in orders for railway station operating equipment and remote monitoring systems.

Net sales in this segment decreased 42.1% year on year to 364 million yen, owing to the same reasons as above.

Segment profit was 18 million yen, an increase of 7.1% 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 Financial Position

Total assets as of November 30, 2014 stood at 50,675 million yen, an increase of 5,922 million yen compared with the end of the previous fiscal year. The increase in total assets was largely attributable to increases in cash and cash equivalents of 512 million yen, trade notes and accounts receivable of 1,593 million yen, and investment securities of 3,514 million yen.

Total liabilities amounted to 28,404 million yen, an increase of 3,002 million yen compared with the previous fiscal year end. Despite a 533 million yen decrease in net defined benefit liability, the increase in total liabilities was largely attributable to increases in borrowings of 1,223 million yen, accrued expenses of 664 million yen, and advances received of 186 million yen.

Net assets stood at 22,270 million yen, 2,920 million yen higher than the balance as of the previous fiscal year end. Major movements were a 2,269 million yen increase in unrealized holding gain on available-for-sale securities and a 596 million yen increase in retained earnings.

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

Consolidated performance during the first half of fiscal 2014 saw ordinary income and net income significantly exceeded previous forecasts due to the recording of 250 million yen in foreign exchange gains as non-operating income, despite net sales and operating income that were in line with previous forecasts.

However, concerning the consolidated performance forecast for the full year, it has become apparent that conditions will differ from initial expectations due to factors such as continued prior recording of development expenses and design expenses in the Transportation Systems segment to accommodate an increase in new projects, delayed progress in recovery of profitability in the Industrial Systems segment, and difficult conditions in acquiring orders in the Information Equipment Systems segment. As a result, the forecast for operating income has been lowered by 300 million yen when compared to the previous forecast, to 1,800 million yen. Concerning ordinary income and net income, foreign exchange gains on a par with those recorded during the first half of fiscal 2014 are also expected during the second half, and full year forecasts therefore remain unchanged from previous forecasts, at 2,100 million yen and 1,200 million yen, respectively.

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 half 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 yen, and retained earnings increased by 370 million yen at the beginning of the first half of fiscal 2014. The impact on operating income, ordinary income and income before income taxes and minority interests recorded for the first half of fiscal 2014 is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2014	End of the First Half of Fiscal 2014 (November 30, 2014)
Assets		
Current assets		
Cash and cash equivalents	2,997	3,510
Trade notes and accounts receivable	12,805	14,398
Products and finished goods	1,483	1,806
Work in process	3,459	3,368
Raw materials and stored goods	2,158	2,196
Other	684	942
Allowance for doubtful accounts	(34)	(40)
Total current assets	23,555	26,182
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,075	7,086
Accumulated depreciation	(4,228)	(4,340)
Buildings and structures, net	2,847	2,745
Machinery and equipment	6,679	6,684
Accumulated depreciation	(5,770)	(5,807)
Machinery and equipment, net	908	877
Land	289	289
Construction in progress	63	74
Other	3,171	3,219
Accumulated depreciation	(2,624)	(2,684)
Other, net	547	534
Total property, plant and equipment	4,656	4,521
Intangible assets		
Software	230	206
Other	37	52
Total intangible assets	268	258
Investments and other assets		
Investment securities	14,262	17,777
Other	2,022	1,946
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	16,273	19,711
Total fixed assets	21,197	24,492
Total assets	44,752	50,675

(Millions of yen)

	As of May 31, 2014	End of the First Half of Fiscal 2014 (November 30, 2014)
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,285	5,191
Short-term debt	1,987	2,110
Income taxes payable	374	542
Consumption and other taxes payable	180	84
Accrued expenses	3,792	4,456
Advances received	292	479
Deposits received	228	231
Reserve for directors' bonuses	28	14
Reserve for employees' bonuses	915	799
Reserve for order losses	129	309
Other	281	279
Total current liabilities	13,496	14,498
Long-term liabilities		
Long-term debt	6,934	8,035
Long-term payables	145	143
Allowance for environmental development	43	43
Net defined benefit liability	4,044	3,511
Other	737	2,172
Total long-term liabilities	11,906	13,906
Total liabilities	25,402	28,404
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	7,510	8,107
Treasury stock	(167)	(170)
Total shareholders' equity	15,519	16,113
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,989	6,259
Deferred gains or losses on hedges	(26)	-
Foreign currency translation adjustments	165	112
Remeasurements of defined benefit plans	(298)	(214)
Total accumulated other comprehensive income	3,830	6,157
Total net assets	19,350	22,270
Total liabilities and net assets	44,752	50,675

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

(Millions of yen)

	1H FY2013 (June 1, 2013 to November 30, 2013)	1H FY2014 (June 1, 2014 to November 30, 2014)
Net sales	15,826	19,065
Cost of sales	12,161	14,692
Gross profit	3,664	4,373
Selling, general and administrative expenses	3,451	3,788
Operating income	213	584
Non-operating income		
Interest income	0	1
Dividend income	115	141
Life insurance dividend income	3	6
Foreign exchange gains	36	250
Miscellaneous income	10	12
Total non-operating income	167	413
Non-operating expenses		
Interest expense	87	71
Equity in loss of unconsolidated subsidiaries and affiliates	13	29
Loss on disposal of fixed assets	5	1
Miscellaneous loss	3	21
Total non-operating expenses	110	124
Ordinary income	270	873
Extraordinary income		
Gain on sales of fixed assets	-	12
Total extraordinary income	-	12
Income before income taxes and minority interests	270	886
Income taxes:		
Current	273	511
Deferred	(61)	(140)
Total income taxes	212	371
Income before minority interests	57	515
Net income	57	515

(Quarterly Consolidated Statements of Comprehensive Income for the First Half of Fiscal 2014)
(Millions of yen)

	1H FY2013 (June 1, 2013 to November 30, 2013)	1H FY2014 (June 1, 2014 to November 30, 2014)
Income before minority interests	57	515
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	563	2,269
Deferred gains or losses on hedges	-	26
Foreign currency translation adjustments	6	(12)
Remeasurements of defined benefit plans	-	84
Share of other comprehensive income of affiliates to which the equity method is applied	102	(41)
Total other comprehensive income	673	2,326
Comprehensive income	731	2,841
Comprehensive income attributable to:		
Owners of the parent	731	2,841
Minority interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2013 (June 1, 2013 to November 30, 2013)	1H FY2014 (June 1, 2014 to November 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	270	886
Depreciation and amortization	478	417
(Reversal of) provision for allowance for doubtful accounts	(124)	6
Provision for (reversal of) accrued employees' bonuses	8	(116)
Provision for accrued retirement benefits	165	-
Increase in net defined benefit liability	-	173
(Reversal of) reserve for losses on order acknowledgements	(52)	179
Interest and dividends income	(115)	(143)
Interest expenses	87	71
Trade notes and accounts receivable	(707)	(1,577)
Inventories	(868)	(258)
Trade notes and accounts payable	473	(111)
Advances received	30	186
Accrued expenses	377	661
Other	158	(52)
Subtotal	180	324
Interest and dividends income received	115	159
Interest expenses paid	(92)	(68)
Payments for corporate and other taxes	(343)	(419)
Net cash used in operating activities	(139)	(4)
Cash flows from investing activities		
Purchases of property, plant and equipment	(419)	(252)
Purchases of investment securities	(6)	(6)
Other	(65)	(35)
Net cash used in investing activities	(492)	(294)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,075	122
Increase in long-term debt	700	1,500
Repayment of long-term debt	(558)	(544)
Redemption of bonds payable	(60)	-
Purchase of treasury stock	(1)	(2)
Cash dividends paid	(286)	(286)
Other	(0)	(0)
Net cash provided by financing activities	1,867	788
Effect of exchange rate change on cash and cash equivalents	13	23
Increase (decrease) in cash and cash equivalents	1,249	512
Cash and cash equivalents at the beginning of the period	1,302	2,997
Cash and cash equivalents at the end of the period	2,551	3,510

(4) 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 Half of Fiscal 2013 (June 1, 2013 to November 30, 2013)
 Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	9,860	5,332	630	2	15,826	—	15,826
Inter-segment sales and transfers	7	0	—	248	256	(256)	—
Total	9,868	5,333	630	250	16,082	(256)	15,826
Segment profit	1,064	172	17	23	1,277	(1,064)	213

Notes:

1. The "Other" segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit adjustment amount is a loss of 1,064 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 2 million yen and corporate expenditure (a loss of 1,067 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 has been adjusted with operating income recorded under the quarterly consolidated statements of income.

(b) The First Half of Fiscal 2014 (June 1, 2014 to November 30, 2014)
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	13,031	5,666	364	2	19,065	—	19,065
Inter-segment sales and transfers	4	0	—	289	294	(294)	—
Total	13,035	5,666	364	292	19,359	(294)	19,065
Segment profit	1,351	414	18	30	1,815	(1,231)	584

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit adjustment amount is a loss of 1,231 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 1,229 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 has been adjusted with operating income 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	1H FY2013 (June 1, 2013 to November 30, 2013)		1H FY2014 (June 1, 2014 to November 30, 2014)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
	Transportation Systems	10,277	65.5	13,368
Industrial Systems	4,958	31.6	5,250	27.8
Information Equipment Systems	455	2.9	261	1.4
Other	—	—	—	—
Total	15,691	100.0	18,880	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	1H FY2013 (June 1, 2013 to November 30, 2013)		1H FY2014 (June 1, 2014 to November 30, 2014)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
	Transportation Systems	10,622	18,817	12,557
Industrial Systems	6,592	6,015	6,458	5,720
Information Equipment Systems	1,034	799	589	465
Other	2	—	2	—
Total	18,251	25,632	19,608	31,360

Notes:

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

(c) Sales Status

Business segment	1H FY2013 (June 1, 2013 to November 30, 2013)		1H FY2014 (June 1, 2014 to November 30, 2014)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
	Transportation Systems	9,860	62.3	13,031
Industrial Systems	5,332	33.7	5,666	29.7
Information Equipment Systems	630	4.0	364	1.9
Other	2	0.0	2	0.0
Total	15,826	100.0	19,065	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.