

April 5, 2016

Summary of Consolidated Business Results for the First Three Quarters of Fiscal 2015

For the fiscal year ending May 31, 2016

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

Scheduled date of submission of quarterly financial report: April 8, 2016
 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 Three Quarters of Fiscal 2015

(June 1, 2015 to February 29, 2016)

(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 Attributable to Owners of the Parent	
3Q Fiscal 2015	28,648	(0.7)%	817	(10.5)%	725	(42.2)%	330	(54.6)%
3Q Fiscal 2014	28,856	17.7%	913	164.2%	1,253	259.5%	727	175.4%

(Note) Comprehensive income: 3Q Fiscal 2015: (1,625) million yen [—%]
 3Q Fiscal 2014: 4,572 million yen [442.4%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
3Q Fiscal 2015	6.85	—
3Q Fiscal 2014	15.08	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of February 29, 2016	53,132	22,978	43.2
As of May 31, 2015	53,041	24,895	46.9

(Reference) Shareholders' equity: As of February 29, 2016: 22,978 million yen
 As of May 31, 2015: 24,895 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2014	—	0.00	—	6.00	6.00
Fiscal 2015	—	0.00	—		
Fiscal 2015 (Forecast)			—	6.00	6.00

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

3. Consolidated Performance Forecast for Fiscal 2015 (June 1, 2015 to May 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
Full year	41,000	3.5%	1,700	6.5%	1,600	(22.2)%	1,000	(9.6)%	20.75

(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):
February 29, 2016: 48,675,000 shares May 31, 2015: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
February 29, 2016: 492,581 shares May 31, 2015: 484,737 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
3Q Fiscal 2015: 48,185,997 shares 3Q Fiscal 2014: 48,196,049 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.

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1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Business Results

During the first three quarters (June 1, 2015 to February 29, 2016) of fiscal 2015, the fiscal year ending May 31, 2016, the economic environment surrounding the Toyo Denki Group faced an increasingly uncertain outlook. With regard to overseas, the slowdown in economic growth in China and emerging countries became more apparent, leading to a decline in resource prices and also impacting financial capital markets, although the economy in the United States continued to recover, as evidenced by an improvement in the employment situation. In Japan, business sentiment became cautious due to a retreat into negative growth rate of the nominal GDP during the October to December 2015 quarter, effects from the rapid appreciation of the yen and the slowing economic growth in China and emerging countries.

Although investments in railway infrastructure in China, Asia, and Middle Eastern countries remained at a high level, the rate of expansion slowed.

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 which will be completed in the fiscal year ending May 31, 2017.

The Toyo Denki Group’s performance in the first three quarters of fiscal 2015, the second fiscal year of the plan, was as follows.

Orders received decreased 3.4% compared with the corresponding period of the previous fiscal year to 28,260 million yen. This overall result reflected a decrease in the Industrial Systems segment, although the Transportations Systems segment posted a slight increase.

Net sales decreased 0.7% year on year to 28,648 million yen, reflecting a slight decrease in the Transportation Systems segment despite a slight increase in the Industrial Systems segment.

From a profit perspective, operating income decreased 10.5% compared with the corresponding period of the previous fiscal year to 817 million yen, mainly due to decreased profit in the Transportation Systems segment and the Information Equipment Systems segment, despite increased profit in the Industrial Systems segment. Primarily due to the posting of loss on foreign currency exchange, ordinary income decreased 42.2%, recording 725 million yen, and net income attributable to owners of the parent decreased 54.6% to record 330 million yen.

Information by business segment is presented as follows.

Transportation Systems

Orders received increased 3.0% compared with the corresponding period of the previous fiscal year to 19,853 million yen, led by an upturn in Japan.

Net sales in this segment totaled 19,282 million yen, a 3.0% decrease from the corresponding period of the previous year, due to a decrease outside Japan, despite an increase in Japan.

Segment profit decreased 15.1% compared with the corresponding period of the previous fiscal year to 1,789 million yen.

Industrial Systems

Orders received decreased 16.7% compared with the corresponding period of the previous fiscal year to 7,632 million yen due to decreased orders for testing equipment for automotive development, production facilities, and social infrastructures.

Net sales increased 7.6% year on year to 8,709 million yen as sales of testing equipment for automotive development increased, despite a decrease in those for social infrastructure.

Segment profit totaled 823 million yen, a 61.0% increase compared with the corresponding period of the previous fiscal year.

Information Equipment Systems

Orders received in this segment decreased 6.9% to 769 million yen, due to decreases both in railway station operating equipment and remote monitoring systems.

Net sales in this segment decreased 25.6% year on year to 651 million yen due to decreases in sales of both railway station operating equipment and remote monitoring systems.

Segment profit decreased 76.1% compared with the corresponding period of the previous fiscal year to 18 million yen.

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

(Assets)

Total assets as of February 29, 2016 stood at 53,132 million yen, an increase of 90 million yen compared with the end of the previous fiscal year. Despite decreases in cash and cash equivalents of 486 million yen and investment securities of 2,951 million yen attributable to factors such as the decrease in the market price of held listed securities, the increase in total assets was largely attributable to increases in trade notes and accounts receivable of 1,811 million yen and inventories of 1,043 million yen.

(Liabilities)

Total liabilities as of February 29, 2016 amounted to 30,154 million yen, an increase of 2,008 million yen compared with the previous fiscal year end. Despite decreases in income taxes payable of 565 million yen, reserve for employees' bonuses of 456 million yen, and deferred tax liabilities of 869 million yen, the increase in total liabilities was largely attributable to increases in borrowings of 3,143 million yen and trade notes and accounts payable of 826 million yen.

(Net assets)

Net assets as of February 29, 2016 stood at 22,978 million yen, 1,917 million yen less than the balance as of the previous fiscal year end, which was largely attributable to a decrease in unrealized holding gain on available-for-sale securities of 2,021 million yen.

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

The consolidated performance for the first three quarters of fiscal 2015 was generally steady up to the first half of fiscal 2015. From the third quarter however, in the transportation systems segment a partial delay in orders received outside Japan until the following quarter was confirmed and design costs associated with an increase in new orders were anticipated. In the industrial systems segment the environment for orders received showed signs of weakness due to changes in business sentiment for capital investment. As a result, the "Consolidated Performance Forecast for Fiscal 2015" announced on July 10, 2015 was revised as follows: net sales to 41,000 million yen, net income to 1,700 million yen, ordinary income to 1,600 million yen as the result of a firm forecast for a loss on foreign currency exchange due to the rapid appreciation of the yen against the dollar, and net income attributable to owners of the parent to 1,000 million yen.

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

“Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013) and “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and “Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and others have been applied from the first quarter of fiscal 2015. Along with this application, presentation method regarding net income and others has been revised, and minority interests has been revised to non-controlling interests as well. To reflect these changes in presentation, consolidated financial statements for the first three quarters of fiscal 2014 and for the full year of fiscal 2014 ended May 31, 2015 have been reclassified.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2015	End of the First Three Quarters of Fiscal 2015 (February 29, 2016)
Assets		
Current assets		
Cash and cash equivalents	3,570	3,084
Trade notes and accounts receivable	14,838	16,650
Products and finished goods	1,283	1,271
Work in process	2,962	3,481
Raw materials and stored goods	2,149	2,685
Other	828	1,253
Allowance for doubtful accounts	(40)	(2)
Total current assets	25,593	28,424
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,058	7,150
Accumulated depreciation	(4,320)	(4,488)
Buildings and structures, net	2,737	2,662
Machinery and equipment	6,792	6,961
Accumulated depreciation	(5,930)	(6,154)
Machinery and equipment, net	862	807
Land	289	289
Construction in progress	227	235
Other	3,272	3,386
Accumulated depreciation	(2,786)	(2,914)
Other, net	486	471
Total property, plant and equipment	4,603	4,466
Intangible assets		
Software	204	198
Other	144	309
Total intangible assets	348	508
Investments and other assets		
Investment securities	20,326	17,374
Other	2,180	2,370
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	22,495	19,732
Total fixed assets	27,447	24,708
Total assets	53,041	53,132

(Millions of yen)

	As of May 31, 2015	End of the First Three Quarters of Fiscal 2015 (February 29, 2016)
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,116	3,911
Electronically recorded obligations - operating	3,022	5,053
Short-term debt	1,783	5,223
Income taxes payable	652	86
Consumption and other taxes payable	249	44
Accrued expenses	992	1,175
Advances received	288	323
Deposits received	230	212
Reserve for directors' bonuses	41	32
Reserve for employees' bonuses	927	471
Reserve for order losses	301	272
Allowance for environmental development	65	-
Other	307	299
Total current liabilities	13,979	17,108
Long-term liabilities		
Long-term debt	7,640	7,343
Long-term payables	141	156
Net defined benefit liability	3,725	3,759
Deferred tax liabilities	2,618	1,749
Other	40	37
Total long-term liabilities	14,166	13,045
Total liabilities	28,145	30,154
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	8,698	8,739
Treasury stock	(171)	(175)
Total shareholders' equity	16,702	16,740
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	8,317	6,295
Foreign currency translation adjustments	259	290
Remeasurements of defined benefit plans	(383)	(348)
Total accumulated other comprehensive income	8,193	6,237
Total net assets	24,895	22,978
Total liabilities and net assets	53,041	53,132

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income for the First Three Quarters of Fiscal 2015)

(Millions of yen)

	3Q FY2014 (June 1, 2014 to February 28, 2015)	3Q FY2015 (June 1, 2015 to February 29, 2016)
Net sales	28,856	28,648
Cost of sales	22,243	22,272
Gross profit	6,612	6,375
Selling, general and administrative expenses	5,699	5,558
Operating income	913	817
Non-operating income		
Interest income	3	0
Dividend income	202	221
Equity in profit of unconsolidated subsidiaries and affiliates	-	65
Life insurance dividend income	6	40
Foreign exchange gains	258	-
Miscellaneous income	24	36
Total non-operating income	494	364
Non-operating expenses		
Interest expense	104	95
Equity in loss of unconsolidated subsidiaries and affiliates	9	-
Loss on disposal of fixed assets	1	5
Loss on foreign currency exchange	-	340
Miscellaneous loss	38	16
Total non-operating expenses	154	456
Ordinary income	1,253	725
Extraordinary income		
Gain on sales of fixed assets	12	-
Total extraordinary income	12	-
Extraordinary loss		
Fixed assets removal expenses	-	72
Loss on sales of investment securities	-	11
Total extraordinary loss	-	83
Income before income taxes	1,266	641
Income taxes:		
Current	550	176
Deferred	(10)	134
Total income taxes	539	311
Net income	727	330
Net income attributable to owners of the parent	727	330

(Consolidated Statements of Comprehensive Income for the First Three Quarters of Fiscal 2015)
(Millions of yen)

	3Q FY2014 (June 1, 2014 to February 28, 2015)	3Q FY2015 (June 1, 2015 to February 29, 2016)
Net income	727	330
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	3,656	(2,021)
Deferred gains or losses on hedges	26	-
Foreign currency translation adjustments	16	64
Remeasurements of defined benefit plans	126	35
Share of other comprehensive income of affiliates to which the equity method is applied	19	(33)
Total other comprehensive income	3,845	(1,955)
Comprehensive income	4,572	(1,625)
Comprehensive income attributable to:		
Owners of the parent	4,572	(1,625)
Non-controlling 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)

The First Three Quarters of Fiscal 2014 (June 1, 2014 to February 28, 2015)
 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 Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	19,878	8,096	876	4	28,856	—	28,856
Inter-segment sales and transfers	31	0	—	435	467	(467)	—
Total	19,909	8,097	876	439	29,323	(467)	28,856
Segment profit	2,107	511	79	41	2,738	(1,825)	913

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 1,825 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 1,824 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.

The First Three Quarters of Fiscal 2015 (June 1, 2015 to February 29, 2016)
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 Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	19,282	8,709	651	4	28,648	—	28,648
Inter-segment sales and transfers	27	3	—	422	453	(453)	—
Total	19,310	8,712	651	427	29,102	(453)	28,648
Segment profit	1,789	823	18	10	2,643	(1,825)	817

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 1,825 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 0 million yen and corporate expenditure (a loss of 1,826 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 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	3Q FY2014 (June 1, 2014 to February 28, 2015)		3Q FY2015 (June 1, 2015 to February 29, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	19,989	70.6	19,245	68.2
Industrial Systems	7,778	27.5	8,563	30.3
Information Equipment Systems	526	1.9	428	1.5
Other	—	—	—	—
Total	28,294	100.0	28,237	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	3Q FY2014 (June 1, 2014 to February 28, 2015)		3Q FY2015 (June 1, 2015 to February 29, 2016)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	19,269	25,039	19,853	24,997
Industrial Systems	9,162	5,994	7,632	5,557
Information Equipment Systems	826	190	769	215
Other	4	—	4	—
Total	29,263	31,224	28,260	30,770

Notes:

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

(c) Sales Status

Business segment	3Q FY2014 (June 1, 2014 to February 28, 2015)		3Q FY2015 (June 1, 2015 to February 29, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	19,878	68.9	19,282	67.3
Industrial Systems	8,096	28.1	8,709	30.4
Information Equipment Systems	876	3.0	651	2.3
Other	4	0.0	4	0.0
Total	28,856	100.0	28,648	100.0

Notes:

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