

Restructuring of the Production System

Details of reorganization plans for Yokohama and Shiga have been specified and the plans have started, as we work toward achieving net sales of 50.0 billion yen. By strengthening development and production capabilities of both production bases, we will respond to increased orders both domestically and overseas.

From June 1, 2014, we began a medium-term management plan, "NEXT 100: Beyond 100 years." As we work toward achieving the final goals of net sales of 50.0 billion yen and an overseas net sales ratio of 50%, we have set "restructure production system" as one part of the fundamental policy. We recognize that our most important challenge is to establish a production system that can respond to expanded orders both domestically and overseas.

To respond to an anticipated expansion of orders in the future, we will expand production capabilities of the Yokohama Plant, which is the main production base for the Transportation Systems segment, and newly establish a factory and consolidate functions in the Shiga region, which is responsible for production of the Industrial Systems segment, in order to establish a structure to support net sales of 50.0 billion yen.



Yokohama Plant (aerial photo)



Shiga Factory (Inverter manufacturing workshop)

Specific measures for the restructuring of the production system

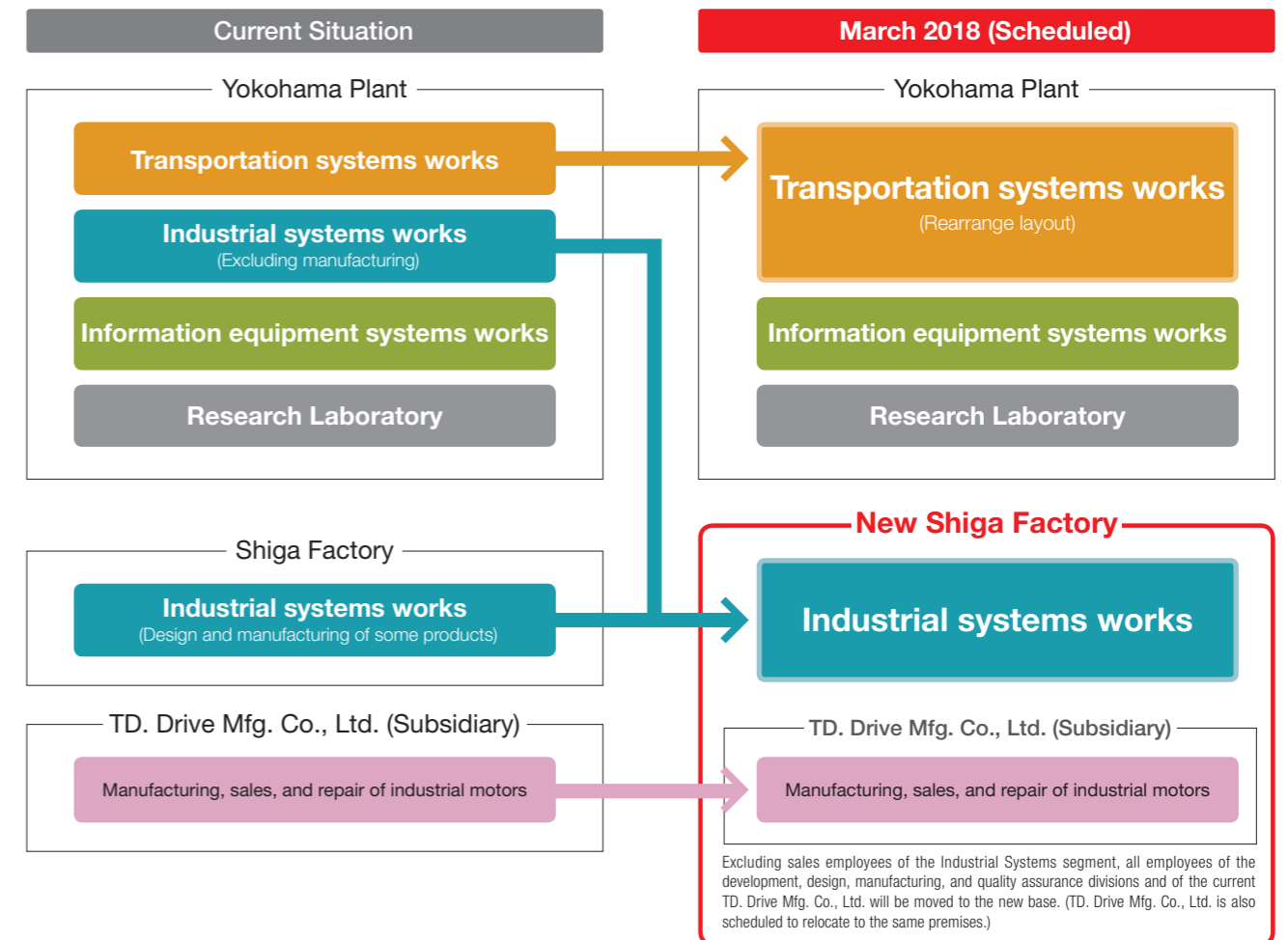
1 Rearrangement of layout of transportation systems factory at Yokohama Plant

- Due to increased workloads in the Transportation Systems segment, an expansion of manufacturing space was required. By combining the industrial systems factories that were split into the Yokohama Plant and the Shiga Factory, and rearranging the layout of the transportation systems factory, we will work on improving our production capability.
- Specifically, the Yokohama Plant currently has design, development, and quality assurance divisions for industrial systems products, and by consolidating these functions in the Shiga region, the production system for electrical equipment for railroads will be strengthened at the Yokohama Plant. Production lines will also be replaced with high-efficiency facilities and we plan on achieving an increase of between 30% and 40% in production capacity as an end result.

2 Improve productivity of the Industrial Systems segment by establishing a new base in Shiga

- By establishing a new base in Shiga Prefecture, we will advance efficient development and creation centered on high value-added system products at a base that combines development, design, manufacturing, and quality assurance divisions.
- Concerning the production system in the Industrial Systems segment, land has been acquired in Ryuoh Town, Shiga Prefecture, which is near our existing Shiga Factory (Moriyama City), and our plans call for construction of a new factory that will begin operations in spring 2018. Also at the new factory, we will promote segmentation of production lines, striving to create the ideal next-generation production base where female employees can play an even greater role.

The current situation of the production system and future development



Regarding the acquisition of fixed assets (conclusion of purchase reservation agreement)

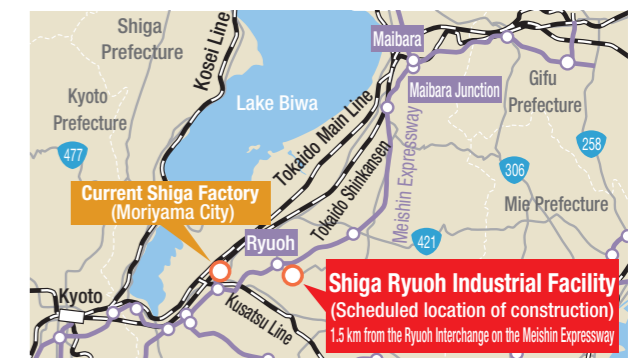
On March 23, 2015, to secure land for building a new factory with the aim of strengthening production capabilities and improving production efficiency, we concluded a purchase reservation agreement for a piece of industrial land.

Details of industrial land to be acquired

Location	2982 Aza-Tsutsumigatani, Aza-Okaya, Ryuoh-cho, Gamo-gun, Shiga and others (Within Shiga Ryuoh industrial park)
Area	Land: 34,400 m ² (tentative size)
Acquisition cost	1,112 million yen (tentative price)
Current state	Forest. The land is being prepared as an industrial park by Shiga Prefecture Land Development Public Corporation.

Details of counterparty

Name	Shiga Prefecture Land Development Public Corporation
Business domains	Acquisition, management, disposal, etc., of land for public works projects, public land, etc.



Schedule of acquisition

Conclusion date of purchase reservation agreement	March 23, 2015
Conclusion date of purchase agreement	March 2017 (Scheduled completion of preparations)
Date of land transfer	March 2017 (Same as above)