

Contributing to the society through technology based on the keywords of energy saving, high efficiency, and cleanliness

The medium-term management plan “NEXT 100: Beyond 100 years” got off to a good start as the overseas net sales ratio grew to 38.0%.

Both revenue and profits increased significantly during the fiscal year ended May 31, 2015 as sales grew mainly in overseas for the Transportation Systems segment and performance was also strong in the Industrial Systems segment. In terms of profits, contributions were made by the effects of the improved profitability of factories in addition to foreign exchange gains.

In the Transportation Systems segment, order backlog was maintained at high level despite lower orders compared to the previous fiscal year led by factors such as delays in some scheduled overseas projects. Net sales increased significantly, especially in China and the United States, boosting profits. A subsidiary in the maintenance business for electrical equipment for railroads, established in August 2014 in Beijing, China, is also off to a steady start. Business is developing based on the strong relationships of trust we have built in China, and further expansion going forward can be expected.

In the Industrial Systems segment, a greater number of orders of testing equipment for automobile development and infrastruc-

ture-related systems were received, and the level of orders received was restored to levels before the bankruptcy of Lehman Brothers. Overseas, we received orders of factory systems in Southeast Asia, centered on our representative office in Bangkok, Thailand, which was established in September 2014, as we responded to rising demand for energy saving at manufacturing sites. For net sales, a significant increase in profits was achieved as revenue grew in particular for testing equipment for automobile development and profits were improved through structural reform.

In the Information Equipment Systems segment, the year marked a low point in demand for updates to railway station operating equipment, and coupled with a decreased number of orders for remote monitoring systems, net sales and profits were both lower than the previous fiscal year.

From the results above, we believe that we were able to make a strong start for the first year of the three-year medium-term management plan “NEXT 100” during the fiscal year ended May 31, 2015. In particular, the overseas net sales ratio grew from 27.3% in the previous fiscal year to 38.0%, as we took a big step forward towards global growth.

We will restructure our production system as we aim for net sales of 50.0 billion yen. We are also promoting launch of new businesses in preparation for the future.

In the medium-term management plan “NEXT 100,” we have set the targets of achieving net sales of 50.0 billion yen in the fiscal year ending May 31, 2017, of which 25.0 billion yen are overseas net sales (overseas net sales ratio of 50%), through the promotion of globalization. In order to achieve this, we will further strengthen overseas expansion and promote the restructuring of production system to support future growth in orders. This will mainly consist of the expansion of the Yokohama Plant, which is the mainstay production base for the Transportation Systems segment, and the new establishment of a factory and consolidation of functions in the Shiga region, which is responsible for production of the Industrial Systems segment. (Please see page 7 to 8 for information on the strengthening of overseas expansion and the restructuring of the production system.)



President
Kenzo Terashima

At the same time, in an aim to improve company-wide operations efficiency in addition to production, we plan to install a core system that will comprehensively manage operations from the sales stage to production processes and accounting processing. Preparations are underway to begin operation of the system in summer 2016.

On the other hand, launching new businesses in preparation for future growth is one of the fundamental policies of “NEXT 100.” In the Transportation Systems segment, we will make the maintenance business in China for electrical equipment for railroads fully operational and capture rapidly-increasing demand for the overhaul of electrical equipment for the Beijing Subway. In the Industrial Systems segment, we will focus on industrial electric power generators as a new measure as we develop markets for sales both domestically and overseas, such as renewable energy systems including biomass power generation and waste disposal furnaces, and emergency and non-emergency power equipment.

During this second year of “NEXT 100” (the fiscal year ending May 31, 2016), we expect continued growth in revenue and profits through maintaining favorable performance in the Transportation Systems segment and further recovery in the Industrial Systems segment. As growth investments is planned to be increased significantly from the fiscal year ending May 31, 2017, mainly for the restructuring of the production system and the introduction of the core system, the policy is to control such investments during the current fiscal year for preparation.

We will work on establishing transparency and efficiency in management that is appropriate for a company striving for global growth.

In response to the “Corporate Governance Code” introduced by the Financial Services Agency and the Tokyo Stock Exchange, which took effect on June 1, 2015, we have established independence guidelines for Outside Executives and the election of one Outside Director was approved. We will continue to take steps to comply with each item set forth by the “Corporate Governance Code,” and aim to establish transparency and efficiency in management that is appropriate for a company striving for global growth.

While we have decided upon 6 yen per share for the year-end dividends for the current fiscal year, the same as the previous fiscal year, based on our fundamental profit return policy of providing continuous and stable dividends, in the future, we will work to improve return on equity (ROE) and the level of profit return.

Through technologies centered on the keywords of “energy saving,” “high efficiency,” and “cleanliness” that contributes to environmental preservation, we would like to fulfill even more significant social contribution and live up to the expectations of stakeholders as a sustainably developing company.

Medium-term management plan <Fiscal 2014 to Fiscal 2016> “NEXT 100: Beyond 100 years”

The Toyo Denki Group is committed to drastically enhancing its corporate value and thoroughly strengthening its management foundation in order to become a Group well adapted to the new era in anticipation of the year of our 100th anniversary of founding in 2018 and beyond.

Fundamental Policy



Numerical Targets

(Unit: Billion yen)

	NEXT 100		
	Fiscal 2013 (Actual Results)	Fiscal 2014 (Actual Results for the First Year)	Fiscal 2016 (Forecast for the Final Year)
Net sales	34.95	39.61	50.00
Operating income (Operating income ratio)	1.07 (3.1%)	1.59 (4.0%)	3.00 (6.0%)
Ordinary income	1.03	2.05	3.20
Net income	0.64	1.10	1.90
Overseas net sales (Overseas net sales ratio)	9.55 (27.3%)	15.06 (38.0%)	25.00 (50.0%)