Contributing to Society While Growing Further as a Global Corporation Continuously Dedicated to Creating Technology

The following interview provides a review of the initiatives and results in the 151st fiscal term (fiscal year ending May 31, 2012), the final year of the Company’s three-year Challenge Up medium-term management plan, and an outline of our future business development under the new medium-term management plan.

August 2012
Hiroshi Tsuchida
President

Please tell us about business conditions and results for fiscal 2011.

We achieved increased revenue and profits as a whole thanks to favorable results in the Industrial Systems segment and information Equipment Systems segment, while the Transportation Systems segment remained slightly stagnant.

Economic conditions in Japan remained sluggish as a whole in fiscal 2011, the fiscal year ended May 31, 2012, with signs of improvement of the domestic economy appeared thanks to the demand for earthquake restoration and other factors. This stagnation was largely attributable to the impacts of the prolonged high value of the yen, a slowdown in the European and U.S. economies, and weaker rates of economic growth in developing countries. We successfully achieved increased revenue and profits even under these stringent circumstances, thanks mainly to better performance in the Industrial Systems segment and information Equipment Systems segment, though revenue and profits decreased in the Transportation Systems segment.

Looking at results by business segment, orders received for the Transportation Systems segment decreased outside of Japan under the impact of the strong yen. Net sales in this segment decreased year on year due to decreased sales in Japan.

Orders received and net sales in the Industrial Systems segment both improved thanks to increases in capital investment in and outside of Japan. In the automotive electric equipment business launched in fiscal 2011, we have embarked on the commercial production of motors and inverters for construction equipment and are striving to receive new orders.

Orders received and net sales in the Information Equipment Systems segment jumped, propelled mainly by a significant increase in orders for information-C2C-compatible equipment launched as new products relating primarily to railway station operations. Expansion in this segment also had a positive effect on income, pushing it up as a whole.

Q: What issues do you believe the Company will confront and what measures do you plan to implement as the Company strives for improved business results?

A: We will continue to promote measures for increasing orders received in each segment under our overall plan for system improvement across the Group through organizational restructuring.

First of all, on a Group-wide basis, we improved our systems by implementing an organizational restructuring effective on June 1, 2012 in a bid to strengthen our management strategy planning capability, reinforce our Group management ability, and accelerate overseas business expansion. Meanwhile, we improved our research and development system with a view to further enhancing our capability to generate new businesses and products. These changes in our organizational structure were coordinated phases of our initiatives toward strengthening the implementation of the Development 2016 medium-term management plan, as described earlier in the Transportation Systems segment we face the major task of improving our order-winning capability for overseas railway orders mainly in China, a market with still-vigorous demand for railway infrastructure. We will expand our systems for receiving...
An Interview with the President

orders and maintenance in China by strengthening cooperation between Japan and local Chinese manufacturing facilities, including Toyo Denki (Beijing) Co., Ltd., our core China facility, founded in Aug. 2011. In Japan, on the other hand, we will work to reinforce this production system at our manufacturing subsidiary Toyo-kikai Co., Ltd. to ensure that we will maintain the just-in-time production line and will improve the frequency and flexibility of equipment renewal for rail vehicles for JR and private railway companies.

In the Industrial Systems segment we face the challenge of actively responding to the recovery and expansion of corporate capital investment both in and outside of Japan. We will strengthen our approach to automobile manufacturers and parts manufacturers with a main focus on electronic control equipment for automobile development in Japan. At the same time, we will focus on receiving orders in China and Southeast Asia by establishing systems for product marketing and services outside of Japan. Our new initiatives planned will include a marketed launch of our Hi-Efficiency, Saw-Blade Permanent Magnet Motor (a motor that requires no rare earth) and enhancement of the pace of new developments in Japan for our related vehicle (MV) electronic equipment for construction machinery. In the Information Equipment Systems segment we will continue to focus on expanding equipment related to railway station operating equipment. We will also receive new orders, including orders for systems to facilitate visualization of electric power and orders for our Monitoring Support System for the Elderly using remote monitoring systems. In parallel, we will aggressively participate in Smart City projects for reconstruction support and the promotion of smart grid/photon.

Please tell us about development of the new medium-term management plan.

We have started Dash 2015 to follow a growth path chiefly by expanding overseas sales.

Under the Challenge 2015 Plan, the former three-year medium-term management plan concluded in fiscal 2011, we aimed to secure new growth opportunities based on essential themes such as “strengthening the corporate brand,” “Rapid overseas expansion,” and “Developing new businesses.” When summarizing our efforts and results for the three years covered, we regrettably found that the Group fell short of achieving its business result targets, including its sales target of 42.0 billion yen and its operating income target of 3.0 billion yen, mainly due to the impacts of unforeseeable external factors such as the seismo-high winds and earthquake. Despite these stringent circumstances, we secured our highest net sales since 2003 and earned an overseas net sales ratio of 34.4%, surpassing our target figure of 30%. We managed to achieve definitive headway toward expanding businesses.

Based on these results, we have developed Dash 2015, our new three-year medium-term management plan, and will be starting it in the current fiscal term (the fiscal year ending on May 2013). Under its long-term vision, the Toyo Denki Group will strive to contribute to the realization of an environmental-compatibility-based society through global business development by fostering advanced, breakthrough technologies together with the excellent motor drive technologies that it has cultivated since its foundation. Based on the foundation established by its former medium-term management plan, the Toyo Denki Group will pursue further growth towards the achievement of its long-term vision.

A

Under Dash 2015 we will be promoting five issues as a fundamental policy: (1) Strengthen business overseas, (2) Increase market share in Japan, (3) Develop new business and products, (4) Promote alliance and M&A, (5) Be consistent in transactions during the period.

We recognize “strong business overseas” as the most critical of these tasks and aim to establish a global business promotion system in both our Transportation Systems segment and Industrial Systems segment. Specifically, we will strengthen our systems for receiving orders and maintenance for electrical equipment for railway stations in China and North America. We will also establish an order-receiving system for railway stations in China for our representative overseas officers to be instilled in the near future. In the Industrial Systems segment we plan to increase overseas sales mainly in Chinese and Southeast Asian markets mainly by planning local production systems, while simultaneously expanding orders in Japan. Through these initiatives, we will try to achieve net sales of 32.0 billion yen in the first year ending May 2014 (the fiscal year ending May 2015), the last fiscal year of the plan, and to grow our overseas net sales to 26.0 billion yen (an overseas net sales ratio of no less than 50%). Regarding other managerial numerical targets, we aim for operating income of 3.6 billion yen (operating income ratio of 7%), ordinary income of 9.0 billion yen, net income of 1.8 billion yen, and an ROE of 8% or higher. For details on Dash 2015, please see pages 3 and 4.

What is the outlook for the current fiscal year ending May 31, 2013?

Orders received will significantly increase thanks mainly to increases in the Transportation System segment, while net sales and income are expected to remain unchanged.

For the orders received environment overall, we expect the demand to continue to be increasing thanks to the strong foreign demand for earthquake restoration in Japan, and we anticipate that overseas investments for infrastructure in China and Asian developing nations will remain at a high level.

Moving to forecasts by business segment, in the Transportation System segment we will be striving for significant increases in orders received through new orders from North America and China and increased orders from existing customers in Japan. In the Industrial Systems segment we expect to increase both orders received and net sales by capitalizing on recovery in domestic corporate capital investments and expansion in capital investments overseas. As activities to increase orders received, we will strive to increase both orders received and net sales by capitalizing on recovery in domestic corporate capital investments and expansion in capital investments overseas. As activities to increase orders received, we will strive to increase both orders received and net sales by capitalizing on recovery in domestic corporate capital investments and expansion in capital investments overseas. As activities to increase orders received, we will strive to increase both orders received and net sales by capitalizing on recovery in domestic corporate capital investments and expansion in capital investments overseas. As activities to increase orders received, we will strive to increase both orders received and net sales by capitalizing on recovery in domestic corporate capital investments and expansion in capital investments overseas.

Do you have any comments you would like to make to shareholders?

We plan to move our head office in September 2012. We will address the steady growth of our domestic businesses and global development on a new note.

The Toyo Denki Group is committed to working in union to achieve the goal of Dash 2016 as a significant step to 2019, the 100th anniversary of its establishment. The Toyo Denki Group will contribute to society while it strives to grow further as a global corporation continuously devoted to creating technology that will realize an environmental-compatibility-based society, as shown in its long-term vision. The basic office will relocate in September 2012. All employees, including those in the head office, are addressed to address the steady growth of our domestic businesses and global development on a new note, in order to strive to expand our businesses. We kindly ask for the continued support and understanding of all shareholders.
The Dash 2015 medium-term management plan begins!

(Scheduled period: fiscal 2012 to fiscal 2014)

On June 1, 2012, the Toyo Denki Group launched its new three-year medium-term management plan. Below we present an outline of the plan and describe the core plan strategies for securing our turner growth with a focus on expanding overseas business.

**Fundamental Policy**
The Toyo Denki Group is committed to drastically improving its corporate value while thoroughly strengthening its management foundation, in order to become a Group well adapted to the new era as it approaches 2015, the 100th anniversary of its foundation.

1. Establish a global business promotion system
2. Increase market share in Japan
3. Develop new businesses and products
4. Promote alliance strategy
5. Be consistent for efficient management

**Principal Measures**

1. Establish a global business promotion system
2. Promote automotive electric equipment business
3. Develop new products and new technologies
4. Pursue cost reduction, high quality, and high reliability
5. Promote CSR activities

**Organizational Strategy**

1. Strengthen international business development
2. Shift management resources to focused markets
3. Establish overseas supply and service systems
4. Develop and sell a next-generation multi-functional leasing machine
5. Strengthen functions to enhance our capability to plan business strategies and our capability to manage the Group
6. Enhance systems to strengthen our capability to generate new technologies and our capability to generate new products

**Management Targets**

- **Transportation Systems segment**
  - Sales: ¥17,700 billion
  - Profit before income tax: ¥3,200 billion
  - Net income: ¥950 billion

- **Industrial Systems segment**
  - Sales: ¥11,500 billion
  - Profit before income tax: ¥2,000 billion
  - Net income: ¥1,500 billion

**Organizational changes were put into effect on June 1, 2012 to strengthen the implementation of Dash 2015.**