New Medium-Term Management Plan "Next 100 : Beyond 100 years" launched. Building foundation for the next 100 years.

President Kenzo Terashima (Second from the right)

After reviewing the current three-year medium-term management plan "DASH 2015," we have formulated a new medium-term management plan "Next 100 : Beyond 100 years" placing the fiscal year ending May 31, 2017 as its final year. President Kenzo Terashima hereby explains mainly the contents of the plan and future development.

August 2014

President Kenzo Terashima

Q Please tell us about the business conditions and results of fiscal 2013.

A Orders received were at a record high. Although both revenue and operating income increased, the profit plan was not achieved.

In terms of overall conditions, net sales achieved the level close to the initial forecast as the growth in the Transportation Systems segment made up for the decreased revenue in the Industrial Systems segment. However, the profit came under the plan due to factors such as development and design costs being recorded in advance for increased number of new contracts in the Transportation Systems segment. Orders received reached a record-high level due to the strong Transportation Systems segment, and we are in a situation where increase in revenue for this fiscal year (fiscal year ending May 31, 2015) can be expected.

The Transportation Systems segment largely increased both revenue and profits backed by the recovery in demand for rail vehicles in Japan and strong demand for improvement of high-speed railroad networks and city transit networks mainly in China and the U.S. In the Industrial Systems segment, while the testing equipment for automobile development was strong, systems for production facilities including printing equipment and processing equipment was weak and the sales decreased. However, increase of profits was achieved, due to the effects of improved profitability of factories. The Information Equipment Systems segment expanded both sales and profits through reprogramming of railway station operating equipment corresponding to the hike of consumption tax and such.

Q Please tell us about the conditions in overseas businesses.

A We are proactively working to win railroad contracts mainly in China and the U.S. In the Industrial Systems segment, we are working on opening our base in Thailand.

Due to the expansion of overseas railroad contracts in the Transportation Systems segment, the overseas net sales ratio in fiscal 2013 rose to 27.3%. Driving gear units for the Chinese high-speed railroads contributed to the expansion of sales, and we have newly won the orders for electrical equipment for increased rail vehicles on Beijing Subway Line 10 and Chengdu Metro. Furthermore, additional orders for LRV in Los Angeles were settled with the option contract. In addition, we are promoting activities to win an option contract for automated people mover (APM) in Macau and to receive orders for electrical equipment for LRV in Dallas.

In the Industrial Systems segment, we are implementing our business development of factory system solutions, such as high-efficiency motors and inverters, in order to capture rising demand for energy saving at manufacturing sites centering in Southeast Asian market. As part of such activities, we are working to open a representative office in Bangkok, Thailand, and is planned to start operation in September 2014.

Overseas business expansion is the main theme of the new medium-term management plan to be discussed later, and we will strive to put our company-wide efforts into it.

Inverter for LRV in Los Angeles

Q Please tell us about the development of the automotive electric equipment business.

A We dissolved the jointly established ELETT CORPORATION. We will continue cooperation for electrification of industrial machines in a new form.

In an aim to jointly develop and provide motors and invertors for industrial machineries and electric traction systems, we have entered into a business and capital alliances with TOYOTA INDUSTRIES CORPORATION in February, 2011 and established a joint venture, ELETT CORPORATION.

For three years since, ELETT CORPORATION has promoted business activities targeting at needs for hybridization and electrification in construction machinery field as an automotive electric equipment business. However, despite future market growth is expected, the business is remaining at the stage of manufacturing prototypes before mass production.

Therefore, the Company and TOYOTA INDUSTRIES have decided to dissolve ELETT constructively as of the end of March 2014 to continue our cooperation for electrification of industrial machines in a new form. Both companies intend to start projects such as a joint development aiming at improving electrification technologies and entry into industries and fields not restricted by the conventional framework in the future.

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

A With the final year of "DASH 2015" remaining, we formulated and started the new "NEXT 100" to achieve the net sales of 50.0 billion yen.

We started a three-year medium-term management plan, "DASH 2015," in fiscal year ended May 2013 and worked on securing potential for growth with the overseas business expansion as its main axis. Although "DASH 2015" is on a stage of the remaining final year after the end of fiscal 2013, we have newly formulated a new medium-term management plan, "NEXT 100 : Beyond 100 years" placing the fiscal year ending May 31, 2017 as its final year, after reviewing our strategies and goals based on the changes and issues in business environment that occurred after the formulation of "DASH 2015."

In "NEXT 100," we plan to achieve consolidated net sales of 50.0 billion yen and consolidated operating income of 3.0 billion yen (operating income ratio of 6%) through promotion of globalization and increase our overseas net sales ratio to 50% from 27.3% of results for the current fiscal year. We have set six principal measures which include, (1) strengthening of international competitiveness, (2) building of stable business earnings structure, (3) restructuring of production system, (4) promotion of development of technology, (5) establishing new businesses, and (6) training of human resources to support global development. We will build the base for "next" growth focusing on the year of our 100th anniversary of founding to come in four years (2018) and beyond, through the implementation of these measures.

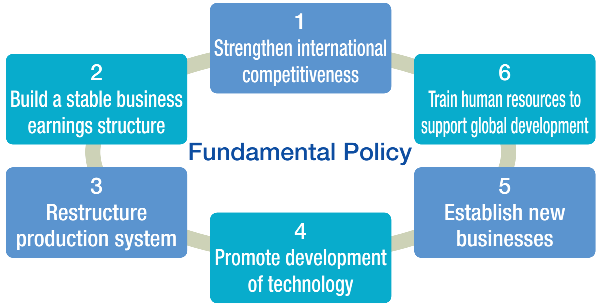
The new medium-term management plan and its fundamental policy

New medium-term management plan

NEXT 100 : Beyond 100 years

(June 2014 to May 2017)

The three years to strengthen our management foundation as the 50.0 billion yen company based on "the 100th anniversary of founding and beyond."



Numerical Targets for Management

Item	Fiscal 2013 (Actual Results)	Fiscal 2016 (Forecast)	Increase/Decrease
Net sales	34,950 million yen	50,000 million yen	+15,040 million yen
Transportation Systems Segment	22,200 million yen	31,000 million yen	+8,800 million yen
Industrial Systems Segment	10,920 million yen	16,000 million yen	+5,080 million yen
Information Equipment Systems Segment	1,830 million yen	3,000 million yen	+1,170 million yen
Operating income	1,070 million yen	3,000 million yen	+1,920 million yen
Operating income ratio	3.1%	6.0%	+2.9%
Ordinary income	1,030 million yen	3,200 million yen	+2,160 million yen
Net income	640 million yen	1,900 million yen	+1,260 million yen
Overseas net sales	9,560 million yen	25,000 million yen	+15,440 million yen
Overseas net sales ratio	27.3%	50.0%	+22.7%

As to the future prospect for the domestic market, we will strive to maintain the domestic net sales around 25.0 billion yen, based on assumption that the demand for renewals of rail vehicles other than new Shinkansen projects will be the core in the Transportation Systems segment and that the transfer of production to overseas are in progress in terms of the capital investment by manufacturers in the Industrial Systems segment. Consequently, expansion of overseas business in each segment is indispensable to achieve net sales of 50.0 billion yen; therefore we will implement measures such as strengthening the production capacity, increasing the number of employees, developing suppliers, and improving quality and ability, to achieve such goal.

In the Transportation Systems segment, we plan to advance our global operations of the Japanese and the overseas rail vehicle manufacturers mainly from our business bases in China, the U.S., Southeast Asia, and India, while entering the local rail vehicle maintenance business. In terms of the Industrial Systems segment, we will develop factory systems for capturing the demands for energy saving at manufacturing sites in Southeast Asia, centering our representative office in Bangkok, Thailand mentioned earlier.

We expect further expansion of orders received in this fiscal year (fiscal year ending May 31, 2015), which is the first year of "NEXT 100," by achieving an increase in revenue and doubling operating income based on the backlog of orders received in fiscal 2013.

Q Please tell us the details of "establish new businesses" in the principal measures of "NEXT 100."

A We launched the sale of biomass power generation system and the electrification of production facility equipment in Southeast Asia.

One is related to power generation business, mainly the biomass power generation system to be developed in the Southeast Asian market such as the Philippines. One example is a power generation using biomass resources of biological origin as a fuel, such as strained lees of sugarcanes emitted from sugar mills, which makes the mills a recycling-oriented energy system where generated power and refined ethanol can be used within the sugar mills. We plan to aim at sales of 3.0 to 4.0 billion yen in the three years of "NEXT 100" through the sales expansion by collaborating with a local engineering company.

As another new business, we plan to enter the maintenance business overseas in the Transportation Systems segment.

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

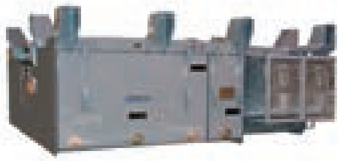
A We aim to achieve our goals through steady and bold measures to leap toward the next 100 years.

The aforementioned growth strategy for globalization through "NEXT 100" is indispensable for us to leap toward the next 100 years as we celebrate our 100th anniversary of its founding. The next three years are important period for building its foundation, and we are determined to achieve our goals through steady and bold measures.

We would like to ask for the continued support of our shareholders in anticipation for our businesses to grow beyond the future.

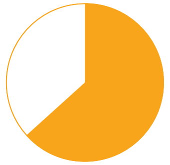
Transportation Systems Segment

Manufacturing, sales and related construction for electrical equipment for rail vehicles, magnetic levitation vehicles (high speed surface transport or HSST) systems, light rail vehicles (LRV), alternative rail vehicles and special purpose vehicles, as well as railway power storage systems.


Propulsion inverter


Driving gear unit

Percentage of total net sales
63.5%

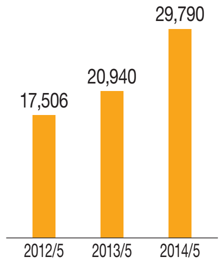


Orders Received 29,790 million yen (Up 42.3% year on year)

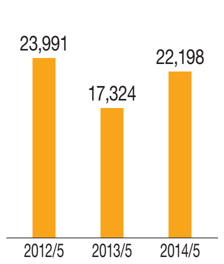
Net Sales 22,198 million yen (Up 28.1% year on year)

Segment Income 2,374 million yen (Up 24.1% year on year)

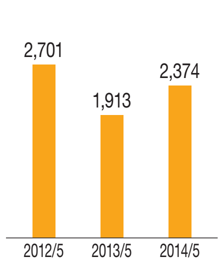
Orders Received (Unit: Million yen)



Net Sales (Unit: Million yen)



Segment Income (Unit: Million yen)



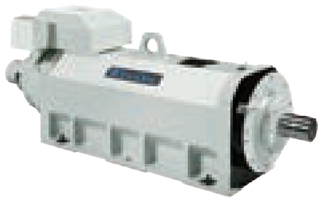
Orders received recorded an increase in Japan and saw a sharp upturn outside Japan, including high-speed railroad and subway contracts in China as well as LRV in the U.S. In overall terms, orders received increased 42.3% compared with the previous fiscal year to 29,790 million yen.

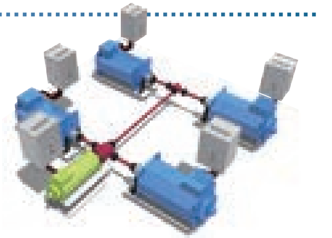
Net sales increased sharply as a result of a recovery in vehicle demand in Japan, as well as increased momentum outside Japan, and totaled 22,198 million yen representing 28.1% year-on-year increase.

Due mainly to increased revenue, segment income totaled 2,374 million yen representing 24.1% year-on-year increase.

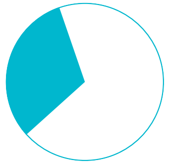
Industrial Systems Segment

Manufacturing, sales and related construction services for motors, inverters, testing equipment, water supply and sanitation equipment systems, power generating equipment, alternative power generating systems and in-wheel motors.


High-speed, low-inertia dynamos


Example of system configuration of testing equipment for automobile development

Percentage of total net sales
31.3%

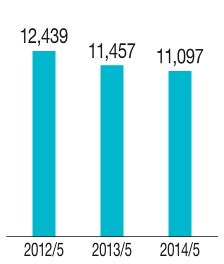


Orders Received 11,097 million yen (Down 3.1% year on year)

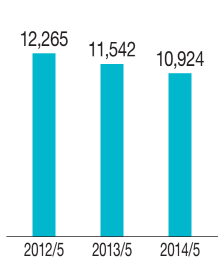
Net Sales 10,924 million yen (Down 5.4% year on year)

Segment Income 536 million yen (Up 23.8% year on year)

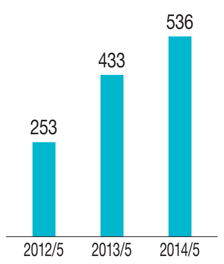
Orders Received (Unit: Million yen)



Net Sales (Unit: Million yen)



Segment Income (Unit: Million yen)



Orders received decreased 3.1% compared with the previous fiscal year to 11,097 million yen, due to rather weak orders received for infrastructure system related despite strong testing equipment for automobile development and capital investment related.

Net sales in this segment decreased 5.4% year on year to 10,924 million yen, mainly for the same reasons underlying the decrease in orders received.

Segment income increased 23.8% year on year to 536 million yen, which was mainly attributable to improved profitability of factories.

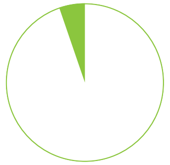
Information Equipment Systems Segment

Manufacturing, sales and related construction services for commuter pass issuing machines, onboard ticket vending machines, smart card vending machines, remote monitoring systems and other systems and information systems equipment.


Commuter pass issuing machine


Toyo Wireless Measurement System

Percentage of total net sales
5.2%

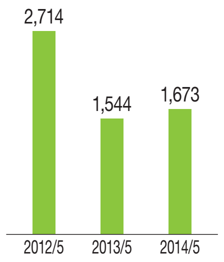


Orders Received 1,673 million yen (Up 8.4% year on year)

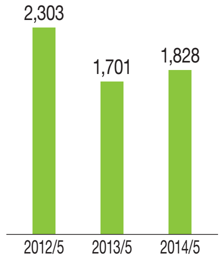
Net Sales 1,828 million yen (Up 7.5% year on year)

Segment Income 348 million yen (Up 31.3% year on year)

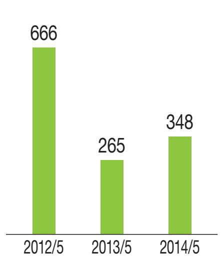
Orders Received (Unit: Million yen)



Net Sales (Unit: Million yen)



Segment Income (Unit: Million yen)



Orders received in this segment increased 8.4% compared with the previous fiscal year to 1,673 million yen, due to an increase in both railway station operating equipment and remote monitoring systems.

Net sales in this segment increased 7.5% year on year to 1,828 million yen, due to reprogramming of railway station operating equipment corresponding to the hike of consumption tax and such.

Segment income for this segment increased 31.3% year on year to 348 million yen.

TOPICS

Factory Tour

We held the factory tour for our shareholders for the first time.

We invited our shareholders in April 2014 to hold a factory tour at Yokohama Plant, the Company's major production base.

Date	Friday, April 11, 2014 1:30PM - 5:00PM
Place of Tour	Yokohama Plant (Kanazawa-ku, Yokohama) (Factory building, Engineering Center, Technical Training Center, etc.)
Number of participants	31 of our shareholders (120 applicants)
Schedule	(i) Meet at Keikyu Main Line Kanazawa-bunko Station (Travel by bus) (ii) Arrive at Yokohama Plant/ Greetings from the President, Company Presentation (iii) Factory and facilities tour. Questions and Answers. (iv) (Travel by bus) to Keikyu Main Line Kanazawa-bunko Station and dismiss.
Survey Results	93.5% of the shareholders responded "very satisfied" or "satisfied."


Greetings from the President Terashima


Scene from tour of Factory building (Site of pantograph assembly)


Scene from tour of Technical Training Center

Exhibition

The IT Business Unit exhibited at "Wireless M2M Expo."

We participated in the special exhibition specific to M2M* held at the Tokyo Big Sight.

*M2M is an abbreviation of "Machine to Machine," the communication between devices, which is the network system where information is exchanged automatically through wireless communication technology between one machine to another, without involving humans.


Our Booth

Exhibition's Name	Japan IT Week Spring 2014 / The 3rd Wireless M2M Expo
Dates	Wednesday, May 14, 2014 to Friday, May 16, 2014
Venue	Tokyo Big Sight (Tokyo International Exhibition Center)
Details of the Company's Exhibit	Remote monitoring and control systems

Exhibition

The Industry Business Unit exhibited at "2014 Automotive Engineering Exposition."

We participated in "2014 Automotive Engineering Exposition," a special exhibition for automotive engineering, held at Pacifico Yokohama.


Our Booth

Exhibition's Name	2014 AUTOMOTIVE ENGINEERING EXPOSITION
Dates	Wednesday, May 21, 2014 to Friday, May 23, 2014
Venue	Pacifico Yokohama (National Convention Hall of Yokohama) Exhibition Hall
Details of the Company's Exhibit	Testing system for automobiles