By laying a foundation to promote globalization, we will accelerate our initiatives.

In fiscal 2014, we launched our new medium-term management plan, “NEXT 100: Beyond 100 years.” Along with a report on business conditions for the first half of fiscal 2014, we hereby explain the initiatives based on the principal measures of “NEXT 100,” and its future development.

“NEXT 100: Beyond 100 years,” the three-year medium-term management plan started in fiscal 2014, sets “establishing new businesses” as one of its principal measures. As part of this measure, in August 2014, we established a subsidiary, Beijing Jingche Shuangyang Traction System Co., Ltd. in Beijing, China, which will develop a maintenance business for electrical equipment for railroads. The company was established as a joint venture between Toyo Denki (Beijing) Co., Ltd., one of our subsidiaries, and a local trading company, and will be engaged in the promoting periodic inspection business for electrical equipment mainly for the rail vehicles of the Beijing Subway.

The Beijing Subway has currently expanded its total track length beyond that of the Tokyo metropolitan area, boasting approximately 4,000 rail vehicles in operation. We deliver electrical equipment to 34% of all its rail vehicles and have established a strong relationship of trust with the subway system operators based on our solid performance. The purpose of launching this maintenance business is to ensure our sustainable growth in the Chinese market by expanding the business from manufacturing to maintenance, leveraging these firm relationships with them. Rail vehicles undergo periodic inspection approximately every eight years (about 1.20 million kilometers) in travel distance, meaning that in the Beijing Subway, which was developed for the 2008 Beijing Olympics, increasing number of vehicles will become subject to periodic inspection beginning in 2015, and we believe that there will be a continuous demand for maintenance.

Additionally, another principal measure of “NEXT 100” is advancing the "restructure production system" in preparation for future increase in orders in both in Japan and overseas.

With the aim of achieving “net sales of 50.0 billion yen” and “net income ratio of 10%” by the final year (fiscal year ending May 31, 2017) of “NEXT 100,” we will continue to expand overseas production, but our mainstay parts will continue to be produced primarily in Japan. Therefore, the Transportation Systems segment of which major production site is the Shiga Factory which is engaged in production for the Hokuriku Shinkansen and the train timetable revisions, as well as contribution to sales of the railway service information system utilizing remote monitoring technology, which was adopted by the Kagoshima City Transportation Bureau.

Focusing on the 100th anniversary of our founding in 2018, we are currently laying a foundation for growth further into the future with the measures outlined above. Moving forward, in order to promote globalization, which is the main theme of “NEXT 100,” we will accelerate these measures. We would like to ask for the continued support of our shareholders in anticipation for our businesses to expand into the new areas.
### REVIEW OF SEGMENT OPERATIONS

#### Transportation Systems Segment
- **Orders Received**: 12,557 million yen (Up 18.2% year on year)
- **Net Sales**: 13,031 million yen (Up 32.2% year on year)
- **Segment Income**: 1,351 million yen (Up 27.0% year on year)

#### Industrial Systems Segment
- **Orders Received**: 6,458 million yen (Down 2.0% year on year)
- **Net Sales**: 5,666 million yen (Up 6.3% year on year)
- **Segment Income**: 414 million yen (Up 14.0% year on year)

#### Information Equipment Systems Segment
- **Orders Received**: 589 million yen (Down 43.0% year on year)
- **Net Sales**: 364 million yen (Down 42.1% year on year)
- **Segment Income**: 18 million yen (Up 7.1% year on year)

Orders received recorded an increase both in Japan and outside Japan. In overall terms, orders received increased 18.2% compared with the corresponding period of the previous fiscal year to 12,557 million yen. Net sales were flat in Japan, but increased sharply outside Japan, and totaled 13,031 million yen representing 32.2% year-on-year increase. Due to increased revenue, segment income totaled 1,351 million yen representing 27.0% year-on-year increase.

Orders received decreased 2.0% compared with the corresponding period of the previous fiscal year to 6,458 million yen, due to weak orders received for capital investment related such as printing equipment and processing equipment, and testing equipment for automobile development, despite strong infrastructure system related. Net sales in this segment increased 6.3% on year to 5,666 million yen, mainly due to increased testing equipment for automobile development. Segment income increased 14.0% on year to 414 million yen, which was attributable to increased revenue and improved profitability.

Orders received in this segment decreased 43.0% compared with the corresponding period of the previous fiscal year to 589 million yen, due to a decrease in both railway station operationing equipment and remote monitoring systems. Net sales in this segment decreased 42.1% on year to 364 million yen, mainly for the same reasons underlying the decrease in orders received. Segment income for this segment increased 7.1% year on year to 18 million yen, which was attributable to improved profitability.

### TOP INTERVIEW

#### Our business in China has centered on the delivery of electrical equipment for rail vehicles for high-speed railroads and subways. In order to further reinforce our business, we have established a new subsidiary to capture the demand for maintenance, which is expected to increase in the future.

(1) Name: Beijin Jingche Shuangyang Traction System Co., Ltd.
(2) Address: 82-3 Metro Industrial Park, 9 Second Street East, Beijing Economic and Technological Development Area
(3) Established: August 19, 2014
(4) Capital stock: CNY20 million
(5) Business activities: Maintenance of traction systems for light rail vehicles; sale, import and export of related equipment and ancillary business
(6) Shareholders: Toyo Denki (Beijing) Co., Ltd. 50% Beijing Xin Xing Ri Xiang Science & Technology Trade Co., Ltd. 50%

#### Established a subsidiary in Beijing, China, with primary business in maintenance of electrical equipment for railroads

- **Opened a representative office in Bangkok, Thailand**
- **Established a representative office in Bangkok, Thailand**
- **Established a subsidiary in Beijing, China, with primary business in maintenance of electrical equipment for railroads**
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*Wholly owned subsidiary of Toyo Denki Seizo K.K.*