We will work on thoroughly strengthening our management foundation while conserving our strength in order to make astounding progress.

The Company's medium-term management plan "NEXT 100: Beyond 100 years" has passed its midpoint and is now approaching the final stage. We will hereby explain the business conditions during the first half of the fiscal year, as well as explain measures for growth and future developments.

President **Kenzo Terashima**

Q Please tell us about the business conditions for the first half of the fiscal year.

Overall, orders received as well as net sales have proceeded almost exactly as planned, and profits were greater than planned. The Transportation Systems segment showed strong growth both domestically and overseas, while the Industrial Systems segment and Information Equipment Systems segment continued to be stagnant. Meanwhile, our overseas business, an area of focus, has continued to show steady growth, and overseas net sales achieved a high net sales ratio of 33.1%.

In the Transportation Systems segment, the order of high-output regenerative power storage systems for the Tokyo Tama Intercity Monorail and other factors contributed to strong domestic orders. Overseas, there were new orders such as the one for the Jakarta Mass Rapid Transit in Indonesia, and Qatar's order of electrical equipment for the Doha Metro transit system, which the Company provides as part of a joint business venture with Hitachi. Net sales increased, primarily due to North American and Chinese projects, and an increase in parts sales played a particularly large role in improving profitability. Also, sales of door opening equipment for domestic tour buses created by a subsidiary were stronger than expected. In this field, we believe that developing new electric door opening equipment for rail vehicles has promising prospects.

In the Industrial Systems segment, a delay in the recovery of domestic capital expenditures led to a decrease in sales of products for manufacturing equipment, and in the realm of testing equipment for automobile development, the reduced interest toward EV vehicles resulted in lower orders and sales than forecast.

In the Information Equipment Systems segment, joint development with Denyo Co., Ltd. led to a focus on offering new solutions such as a remote monitoring system to be installed in portable engine power generators produced by the same company, but orders and sales results did not change significantly compared to last year, resulting in a sluggish period.

Q Please tell us about the new measures you are taking to boost growth.

In the Transportation Systems segment, the maintenance business for electrical railroad equipment in Beijing, China became a full-fledged one in the first half of the fiscal year, and we can expect it to contribute to earnings in the second half of the fiscal year. This maintenance business is being carried out as part of the basic policy of "Launching new businesses" listed in the three-year medium-term management plan "NEXT 100."

Also, in the Transportation Systems segment, the expansion of overseas business locations and the deepening and widening of alliance ties are considered important challenges. The aforementioned orders for the Jakarta Mass Rapid Transit and the Doha Metro transit system were the results of these efforts. Exhibiting at IREE 2015, an Indian railway technology trade show held in October 2015, allowed us to aggressively approach potential customers in pursuit of orders for subway and high-speed rail projects.

Meanwhile, in the Industrial Systems segment, a "Promotion Division for the Shiga Area Factory Reorganization" was formed to prepare for the establishment of the new Shiga Factory, the centerpiece of the "Restructuring production systems" policy. The division has begun operating as a specialized system for the said establishment.

As for the policy of "Launching new businesses" in the Industrial Systems segment, focus is being placed on the power generator business. Currently, we are acquiring an understanding of waste treatment incinerators, primarily domestically, while expanding the presence of biomass generators in Southeast Asian markets. For products related to power generation equipment, the sample of a Power Supply Vehicle (see image) that is able to supply electricity during times of emergency such as during natural disasters, which has electrical equipment created by the Company installed, was exhibited at the Tokyo Motor Show 2015.

Other developments include capturing energy conservation needs at sites of production that seek highly-efficient motors and developing an inverter that can be updated in advance while a direct current motor is operating as normal. We are seeing an increase in installations because this product reduces the capital investment burden on users. The world's first wireless in-wheel motor using electric transmission released at the end of the previous fiscal year has garnered much attention as a technology contributing to the development of next-generation electric automobiles. The Company will continue to focus on the development of such leading-edge technologies and plans to further grow its business and contribute to society as a result.

(Image:) Tokyo Motor Show 2015: Mitsubishi Fuso Booth Canter Power Supply Vehicle (With electrical equipment created by the Company installed)

Q Please tell us about the outlook for the second half of the fiscal year, as well as any comments you would like to make to the shareholders.

Regarding our forecast for business conditions in the second half, we have seen movements toward an increase in domestic and overseas orders in the Transportation Systems segment, and we expect net sales to increase favorably as well. In the Industrial Systems segment, the delayed sales for products for testing equipment for automobile development will be accounted for during the period, while in the Information Equipment Systems segment, we expect a recovery attributable to the majority of sales occurring in the second half. As a result, the initial outlook for sales during the current fiscal year will not be adjusted as we predict that the forecasts can be achieved.

A year and a half since our three-year medium-term management plan began, "NEXT 100" has now passed its midpoint. For the latter part of the plan, which begins in the second half of this fiscal year, we plan to further accelerate our measures and thoroughly strengthen our management foundation while conserving our strength in order to make the astounding progress we are aiming for by the Company's 100th anniversary of founding. At the same time, we will endeavor to strengthen corporate governance and take appropriate measures with regards to each principle of the Corporate Governance Code established by the Financial Services Agency and the Tokyo Stock Exchange, in order to sustainably increase corporate value.

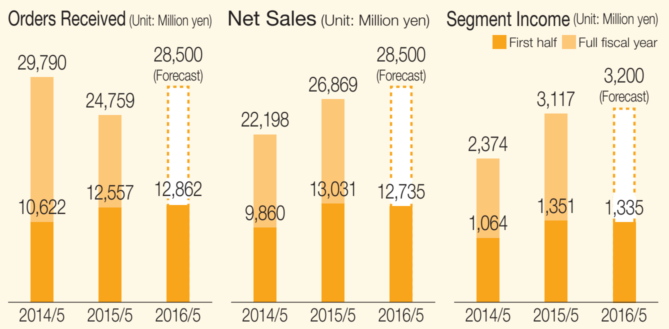
I would like to appeal to our shareholders to view this transitional period in the Company's business operations from a long-term perspective, and to continue providing us with their support.

Transportation Systems Segment

Orders Received
12,862 million yen
(Up 2.4% year on year)

Net Sales
12,735 million yen
(Down 2.3% year on year)

Segment Income
1,335 million yen
(Down 1.2% year on year)



As orders received from overseas increased, there was a 2.4% increase in orders compared with the corresponding period of the previous fiscal year for a total of 12,862 million yen.

While there was a moderate increase in domestic net sales, a decrease in overseas net sales resulted in a 2.3% year-on-year decrease for a total of 12,735 million yen.

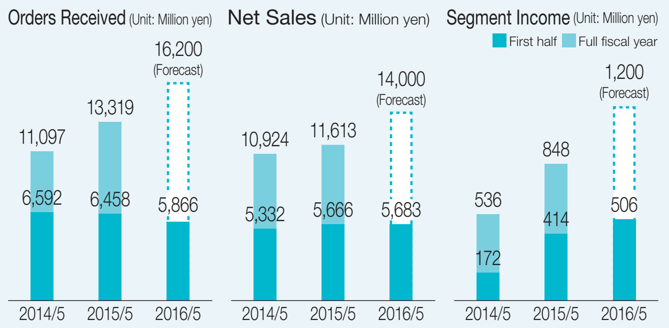
Segment income was 1,335 million yen, a 1.2% year-on-year decrease.

Industrial Systems Segment

Orders Received
5,866 million yen
(Down 9.2% year on year)

Net Sales
5,683 million yen
(Up 0.3% year on year)

Segment Income
506 million yen
(Up 22.0% year on year)



While orders received for products for testing equipment for automobile development and others increased, products for social infrastructure decreased, resulting in a 9.2% year-on-year decrease in orders to 5,866 million yen.

While net sales in products for social infrastructure decreased, an increase in net sales for products for testing equipment for automobile development resulted in a 0.3% year-on-year increase in net sales to 5,683 million yen.

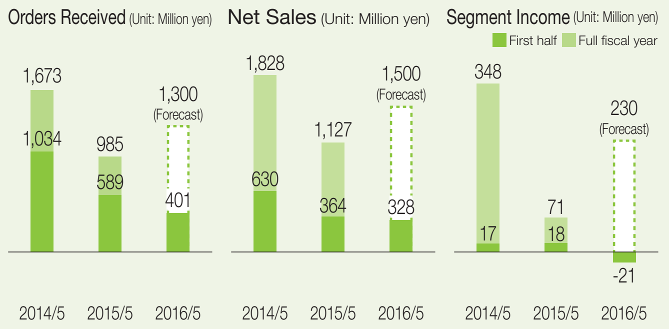
Segment income was 506 million yen, a 22.0% year-on-year increase.

Information Equipment Systems Segment

Orders Received
401 million yen
(Down 31.9% year on year)

Net Sales
328 million yen
(Down 10.0% year on year)

Segment Income
-21 million yen
(Down 40 million yen year on year)



Orders received for railway station operating equipment and remote monitoring systems decreased significantly, for a 31.9% year-on-year decrease to 401 million yen.

While net sales for railway station operating equipment increased, a decrease in net sales for remote monitoring systems resulted in a 10.0% year-on-year decrease to 328 million yen.

Due to an increase in development expenses, etc., segment income decreased by 40 million yen compared with the corresponding period of the previous fiscal year for a segment loss of 21 million yen.

TOPICS

Exhibitions

Corporate PR and Product PR Activities of the Company

We actively conduct corporate PR and product PR activities of the Company by exhibiting in events both in Japan and overseas.

IREE 2015

Date: October 14-16, 2015
Venue: Pragati Maidan (New Delhi, India)

At India's largest trade show for railway technology, the Company participated as a co-exhibitor at the Japan Overseas Railway System Association (JORSA) booth. Driving gear units for high-speed rail, high-speed circuit breakers, and other products were exhibited.


Company Booth, IREE 2015

Biwako Environmental Business Exhibition 2015

Date: October 21-23, 2015
Venue: Shiga Prefectural Nagahama Dome (Shiga Prefecture)

The Company exhibited at one of Japan's largest comprehensive environmental and industrial trade show to increase recognition in the Shiga area, where the Company plans to build a new factory, and to promote products in the Industrial Systems segment.

4th Mass-Trans Innovation Japan

Date: November 11-13, 2015
Venue: Makuhari Messe (Chiba Prefecture)

The Company participated for the first time at a comprehensive trade show for the railway field together with its subsidiary Taihei Electric. At the booth, the newly-developed electronic door opening equipment, as well as products for transportation and information equipment systems were exhibited.

METRO CHINA 2015

Date: November 17-20, 2015
Venue: China International Exhibition Center (Beijing, China)

We exhibited actual power collection equipment (pantographs) for the Beijing Subway, and described our track record of supplying equipment to the Beijing Subway and the Chengdu Metro. We also introduced our associated companies in China to visitors.