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.

**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, which has contributed to 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 venture with Hitachi. Net sales increased, primarily due to overseas capital expenditures led to a decrease in sales 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.

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 conchot 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 been operating as a specialized system for the 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 the Company’s in-wheel motor was 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.

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

In the Transportation 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.

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.”

**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.
Orders received for railway station operating equipment decreased in the second half year, totaling 5,866 million yen (down 10.0% year-on-year), resulting in a 0.3% year-on-year increase in net sales for products for social infrastructure equipment. While orders received for social infrastructure equipment decreased, an increase in net sales for products for testing equipment for automobile development resulted in a 6.4% year-on-year increase in net sales for products for social infrastructure equipment. Segment income was 506 million yen, a 22.0% year-on-year increase.

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.

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.

For the half year ended March 2015, orders received for railway station operating equipment decreased significantly, totaling 328 million yen (down 31.9% year-on-year). 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.

For the half year ended March 2016, orders received for railway station operating equipment decreased significantly, totaling 401 million yen (down 31.9% year-on-year). 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.

For the full fiscal year ended March 2016, orders received for railway station operating equipment decreased significantly, totaling 12,862 million yen (down 2.4% year-on-year). 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 total of 12,735 million yen. Segment income was 1,335 million yen, a 1.2% year-on-year decrease.

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