As a manufacturer aiming for global growth, we will improve our earnings structure and production system.

In the second year of our medium-term management plan, realizing the need to strengthen our management foundation in order to accomplish our goal of becoming a 50.0 billion yen enterprise, we have implemented revisions to our plan.
In the following interview, we will hereby explain these goals and directions.

President Kenzo Terashima

Q Please tell us about the business conditions of fiscal 2015.

A While we're maintaining the growth trend for our revenue and profits, due to sluggishness in the Industrial Systems segment and foreign exchange losses, ordinary income and net income decreased.

As for orders for this fiscal year, although the Transportation Systems segment and Information Equipment Systems segment continued to show steady growth, orders of the Industrial Systems segment have been influenced by capital investment restraint, and overall we fell short of our plans. In terms of consolidated profit and loss, net sales slightly increased and we have maintained the positive growth in operating income. However, due to exchange losses resulting from appreciation of the yen, ordinary income and net income decreased. Furthermore, the overseas net sales were 32.0%.

Looking at it segment by segment, the Transportation Systems segment has seen an increase in Japanese orders. As for overseas, despite favorable Chinese railway project orders and good news on the regularization of the Beijing railroad electrical equipment maintenance business, there has been a slip in some periods that has led to a slight decrease in net sales. From a profit perspective, there has been a decline as a result of an increase in design costs from new projects.

In the Industrial Systems segment, as a result of the more cautious investment approach of Japanese corporations, and the influence of the sluggish economy in emerging nations, orders received decreased for testing equipment for automobile development, products for production facilities such as processing equipment, and products for the social infrastructure. Net sales and profits have surpassed the last fiscal year, but have not reached our planned goals.

In the Information Equipment Systems segment, due to demands for updates and new acquisition of onboard ticket vending machines and composite ticket vending machines, orders have increased but have not resulted in recorded sales for this financial year, and there has been a decline. In terms of profits, there has been a slight increase from the slump of the last financial year.

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

A We need to deal with challenges of the business earnings structure and production systems, so we revised our plan period and target numbers.

In the fiscal year ended May 31, 2015, the Company started the three-year medium-term management plan "Next 100: Beyond 100 years" and looking beyond 2018 when we will have our 100th anniversary of foundation, we are working to strengthen our management foundation beginning with an expansion of overseas sales and restructuring our production systems. However, in that process, changes in the external environment have been striking since the second half of the financial year under review. New challenges related to our business earnings structure and production systems have arisen internally as well.

In concrete terms, there is a need to plan for more earning power in the Transportation Systems segment, and to make further improvements in design effectiveness and productivity reform. Also in order to expand our Industrial Systems segment and stabilize our earnings structure, we must expand our production items and specification zones.

Taking these conditions into account, we will continue with the basic policies of the medium-term management plan and have implemented the "Next 100: Beyond 100 years Ver. 2" plan which incorporates rolling changes to the term period and target numbers. This plan, "Ver. 2," in the two years between the fiscal year ending May 31 2017 and the fiscal year ending May 31 2018, sets forth as a goal to achieve 46.0 billion yen of net sales and 2.4 billion yen of operating income (operating income ratio of 5.2%), with an overseas net sales ratio of 50%. Moreover, among the basic policies we will place an emphasis on "building a stable business earnings structure" and "restructuring production systems," and promote additional measures to deal with the previously stated challenges.

At the factory in Ryuoh Town, Shiga Prefecture, where production will be integrated for the Industry Systems segment, the new organization, "Ryuoh Integrated Promotion Headquarters" which was established on July 1, 2016, we will continue to build and promote the Beyond 100 years Industry Systems segment structural vision and aim to begin operation in the first half of 2018. With this achieved, we will have established a two-base system to handle production for the Transportation Systems segment. The Company will, in these two years, complete our challenges addressed in "Ver. 2" and strengthen our management foundation for realizing our goal of becoming a 50.0 billion yen enterprise.

* Please see page 6 for details on the "Next 100: Beyond 100 years Ver. 2" plan.

Q How is the outlook for the current fiscal year (fiscal year ending May 31, 2017)?

A Driven by the Transportation Systems segment demands in Japan and overseas, we are projecting an increase in revenue and profits.

The current external environment is increasingly unpredictable as a result of the turmoil caused by the slowing down of the growth of China and emerging nations in Asia and British secession from the EU as well as resulting appreciation of the yen. However, with regards to the Transportation Systems segment, there is no sign of shrinking in the plans for China's railway infrastructure. In Japan as well, there is a great deal of activity involving railway renovation and replacement of railway station operating equipment in expectation of the increase in foreign visitors and the 2020 Tokyo Olympics. Furthermore, in the Industrial Systems segment also, expansion in clients for testing equipment for automobile development, acquisition of update projects for rotary presses for newspaper printing, orders for small hydroelectric generators for agricultural water, etc. continue to be made and so we can expect an expansion in sales.

If the above conditions are met, our expected consolidated financial results for the current fiscal year anticipate an increase in revenue and profits driven chiefly by the Transportation Systems segment. For the first half of the two years, which carries the burden of the success or failure of the "Next 100: Beyond 100 years Ver. 2" plan, we are working towards building sound accomplishments.

Q Please give a message to your shareholders.

A We will expand the corporate value by making use of the abundant experience and technical knowledge of our outside directors.

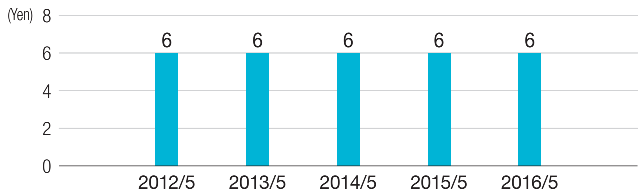
Concerning year-end dividends for the fiscal year under review, based on our fundamental profit return policy of providing continuous and stable dividends, we have decided upon 6 yen per share, the same as the previous fiscal year. Furthermore, the year-end dividends for the end of the 156th term are, for the time being, planned to be set at approximately the same price.

Moreover, regarding our stock, as of December 1, 2016, the number of shares constituting one unit will be changed from 1,000 shares to 100 shares, and at the same time we will implement a reverse stock split of 5 shares into 1 share. In accordance with this, it will be possible to invest in our company stock's trading unit at approximately half of the previous price. The above changes have been made with a view to improve the liquidity of our stock and broaden the scope of our shareholders. We ask for your understanding.

At this time, understanding the need to further expand our company's corporate governance, we have increased the number of outside directors and revised the basic policies for our internal control system. As an outside director, in addition to Mr. Hirokazu Chinone, a lawyer who has already assumed his office, we have elected Mr. Takashi Yamagishi who has held the position of vice president and advisor of TEIJIN LIMITED. to establish a two-person system. We would like to use the experience and technical knowledge they have gained over long years in the management of a manufacturer to expand our corporate value. Regarding our internal control, we have reformed our basic policies in line with reorganizing and expanding our Internal Control Committee. We plan to further enhance our business operation system, making it more efficient, legal and appropriate through compliance adherence, risk management formulation, etc.

Our shareholders can expect continued growth and expansion of our company's business and we would like to ask for their continued support.

■Dividends per share



Special Feature

Regarding Revisions to Medium-Term Plan "Next 100: Beyond 100 years"

Looking towards the 100th anniversary of our foundation and beyond, in order to create Toyo Electric Group suited to the new age, we continue to plan to radically strengthen our management foundation and aim to rapidly expand our corporate value.

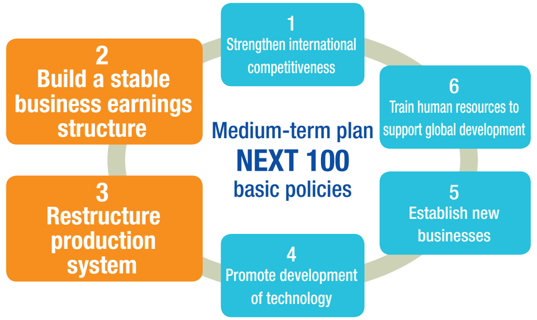
Following "Next 100: Beyond 100 years" (hereafter, "current plan"), our medium-term management plan from June 2014 to May 2017, we have revised the plan in response to the changes to the business environment as well as challenges, etc. as the "Next 100 years: Beyond 100 years Ver. 2."

Photo: Shiga Ryuoh Industrial Park vicinity. The red borders indicate planned site of our factory.

Main Points

While continuing with the basic policies put forth in the current plan, we will put efforts into emphasizing "building a stable business earnings structure" and "restructuring production systems," and institute and promote new policies that mutually support both goals.

Furthermore, the operation of the Shiga factory which is one of the main pillars of the "restructuring production systems" is planned for the first half of 2018, the Company's 100th anniversary of foundation, and that, along with the completion of other related policy matters is the reason for the change in the plan's period.



Details after Revision

- New plan period: June 2014~May 2018
  (Ver. 2 June 2016~May 2018)

- New additional main policy measures

"Building a stable business earnings structure"

・Earnings improvements by productivity reform promotion reinforcement of the Transportation Systems segment

・Earnings stabilization by the medium-term structural vision construction of the Industrial Systems segment

"Restructuring production systems"

・Productive capacity increase based on the Transportation Systems segment productivity reform

・Production systems integration based on the Industrial Systems segment structural vision

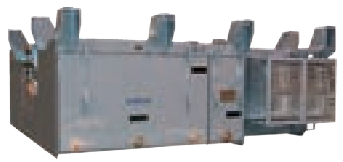
■**Numerical targets (consolidated)**

(unit: 100 million yen)

	NEXT 100			
	Ver. 1		Ver. 2	
	5/2015 (Actual Results for the First Year)	5/2016 (Actual Results)	5/2017 (Forecast)	5/2018 (Forecast for the Final Year)
Net sales	396.1	397.4	430	**460**
Operating income (Operating income ratio)	15.9 (4.0%)	16.3 (4.1%)	19 (4.3%)	**24 (5.2%)**
Ordinary Income	20.5	14.9	18	**25**
Net income	11.0	8.8	12	**17**
Overseas net sales (Overseas net sales ratio)	150.6 (38.0%)	126.5 (32.0%)	— —	**230 (50%)**

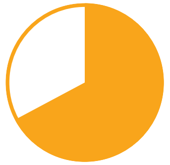
Transportation Systems Segment

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

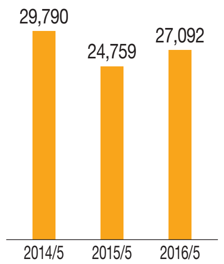
Percentage of total net sales
67.3%

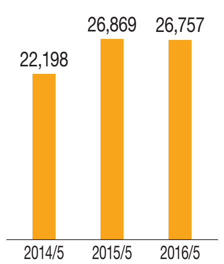


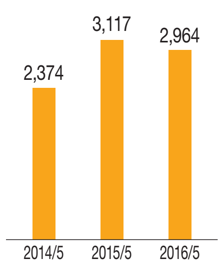
Orders Received 27,092 million yen (Up 9.4% year on year)

Net Sales 26,757 million yen (Down 0.4% year on year)

Segment Income 2,964 million yen (Down 4.9% year on year)







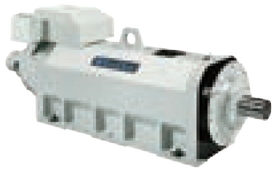
Due to an increase in Japan and overseas orders, overall orders received increased 9.4% compared to the previous fiscal year and reached 27,092 million yen.

Net sales showed increased in Japan sales, but due to a small decrease in overseas sales, there was a 0.4% reduction year-on-year to 26,757 million yen.

Segment income decreased by 4.9% from the previous fiscal year and totaled 2,964 million yen.

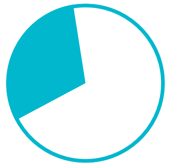
Industrial Systems Segment

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 Automobile electrical equipment.


High-speed, low-inertia dynamos


Example of system configuration of testing equipment for automobile development

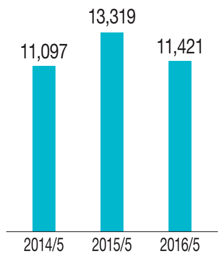
Percentage of total net sales
30.3%

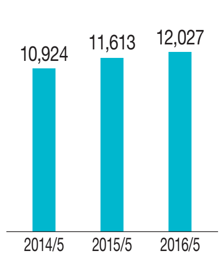


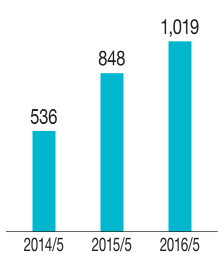
Orders Received 11,421 million yen (Down 14.2% year on year)

Net Sales 12,027 million yen (Up 3.6% year on year)

Segment Income 1,019 million yen (Up 20.2% year on year)







Due to a decrease in orders for testing equipment for automobile development, products for processing equipment and social infrastructure, total orders received decreased 14.2% compared to the previous fiscal year and totaled 11,421 million yen.

Although there was a slight decrease in the sales of products for social infrastructure, etc. due to an increase in testing equipment for automobile development and overseas sales, there was an overall 3.6% increase compared to the previous fiscal year and net sales totaled 12,027 million yen.

Segment income increased by 20.2% and totaled 1,019 million yen.

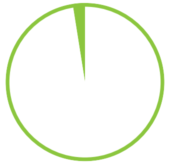
Information Equipment Systems Segment

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


Composite ticket vending machine


Toyo M2M Solution

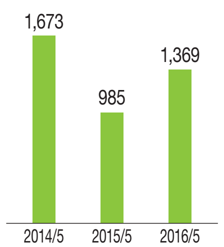
Percentage of total net sales
2.4%

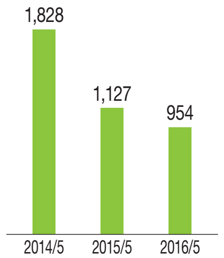


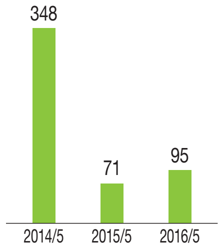
Orders Received 1,369 million yen (Up 39.0% year on year)

Net Sales 954 million yen (Down 15.4% year on year)

Segment Income 95 million yen (Up 34.1% year on year)







Due to a significant increase in orders from railway station operating equipment, orders received increased 39.0% compared to the previous fiscal year and totaled 1,369 million yen.

Net sales however, due mainly to a reduction in remote monitoring systems, decreased 15.4% year-on-year to 954 million yen.

Segment income increased by 34.1% and reached 95 million yen.