We achieved net sales of 42.5 billion yen, an all-time high since 2000, owing to increases in the Industrial Systems and Information Equipment Systems segments. Orders received decreased compared to the previous fiscal year to 39.5 billion yen, as a result of carefully examining profitability. Operating income declined due to continually unprofitable projects in the Transportation Systems and Industrial Systems segments.

Ordinary income and net income attributable to owners of the parent turned to a decrease year on year owing to the effects of expenses on consolidation of production sites to Shiga Ryuo Plant in the Industrial Systems segment, despite the gain on sales of investment securities. The ratio of overseas sales stood at 25.3% due to a decline in sales for the high-speed railroads in China owing to the transition to new vehicle models.

By segment, the Transportation Systems segment has seen a decrease in orders received because of a decline in orders received in Japan. Net sales declined due to a drop in sales from the high-speed railroads in China. Segment profit fell as engineering expenses were additionally expensed for some overseas projects.

In the Industrial Systems segment, orders received were below the previous year level, as we fully emphasized profitability of testing equipment for automobile development as well as power sources. Net sales rose owing to increases in orders for electrical equipment, including processing machinery and printing machinery, and power sources. Segment profit declined significantly due to the occurrence of depreciation at Shiga Ryuo Plant ahead of schedule and a greater-than-expected increase in cost of some ongoing projects of testing.

Q Please tell us about the business conditions for the current fiscal year.

A Net sales increased compared to the previous fiscal year, holding steady at 42.5 billion yen. Income declined due to the effect of some projects in the Transportation Systems and Industrial Systems segments.

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Under the newly formulated “Revitalize 2020” medium-term management plan, we will establish a “leaner” business operation structure.

Based on the results and issues identified in our previous medium-term management plan “NEXT 100,” we formulated a new medium-term management plan “Revitalize 2020,” taking advantage of the 100th anniversary of our foundation. In the following interview, I would like to explain the targets and direction of the new medium-term management plan.

President Kenzo Terashima
equipment for automobile development. To improve profits, the whole business unit is making efforts to turn into a business management structure organized by model, rebuild the supply chain and enhance process management.

In the Information Equipment Systems segment, orders received, net sales, and segment profit all increased significantly due to large projects for composite commuter pass vending machines capable of issuing a variety of tickets.

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

A We will enhance our “earning power” to establish a “leaner” business management structure capable of steadily generating profits.

Under our medium-term management plan “NEXT 100: Beyond 100 years” launched in fiscal 2014, and “NEXT 100: Beyond 100 years, Ver. 2,” initiated in fiscal 2016, we promoted measures to enhance the management foundation through two priority policies: “building a stable business earnings structure” and “restructuring production systems,” looking toward the 100th anniversary of our foundation and beyond and with a view to creating a Toyo Denki Seizo Group suited to the new era.

As a result, we pushed forward with the restructuring of production systems. For example, with the launch of Shiga Ryuo Plant, a new factory, we consolidated the production sites of the Industrial Systems segment in Japan, which were previously divided between part of Yokohama Plant and former Shiga Factory (Moriyama, Shiga Prefecture). In addition, we pushed forward with the improvement of the foundation of the Transportation Systems segment by establishing Chengdu Yonggui Toyo Rolling Stock Equipment Co., Ltd., a joint venture to serve as a pantograph manufacturing base, in Chengdu, China, and making additional investments in Taiping Zhanyun Automatic Door (Changzhou) Co., Ltd. (currently Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd.), a production base for important parts. In addition, we have at last confirmed our plan to commercialize a super-high-speed, low-inertia dynamo featuring 20,000 rotations that is compatible with testing equipment for development of electric vehicles (EVs). Meanwhile, with regard to numerical management targets set under the medium-term management plan, issues remain about factors of decline in earning power, particularly concerning the improvement of profitability and the speed of product development.

With these results and issues as our starting point, we re-examined our management resources on the occasion of the 100th anniversary of our foundation and, with the year 2020 set as the nearest target, formulated the new four-year medium-term management plan “Revitalize 2020,” the final year of which is fiscal 2021.

In the first two years (from fiscal 2018 to fiscal 2019), which we regard as a period for strengthening our base, we will focus on the pressing issue of improving our profitability. In the latter two years (from fiscal 2020 to fiscal 2021), which we consider as a period for achieving growth to realize net sales of more than 47 billion yen, we will focus on strategically developing our businesses, including new business alliances and M&As, both in Japan and abroad.

Under the new medium-term management plan, we added equity in profit of unconsolidated subsidiaries and affiliates, ROE (Return on Equity) and dividend payout ratio to numerical management targets. We will aim to achieve equity in profit of unconsolidated subsidiaries and affiliates of 0.4 billion yen through the expansion of overseas businesses, and ROE of 5% through the establishment of a stable business earnings structure, while realizing stable return to shareholders by targeting a dividend payout ratio of 30%.

Under the basic policies of this plan, we will make new progress in order to enhance our “earning power” and establish a “leaner” business management structure to steadily generate profits.

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* We put a middle dot between “re” and “vitalize” in katakana, a form of Japanese syllabic writing, in order to emphasize the meaning of “again.” Under the “Next 100” medium-term management plan, we were able to establish a foundation for future growth, including the launch of Shiga Ryuo Plant. We named the new medium-term management plan with the intention to gain a solid footing and make a new start toward the future in order to produce certain results by 2020.
Shiga Ryuo Plant, a new production site of the Industrial Systems segment, came on stream in June 2018. Please tell us about its performance so far.

We have started to see tangible results since shortly after the consolidation.

We consolidated production sites of the Industrial Systems segment, which had been divided between part of Yokohama Plant and former Shiga Factory (Moriyama, Shiga Prefecture), and commenced operations of Shiga Ryuo Plant in June 2018. With the integration of development, design and manufacturing functions at the new site, we are now capable of responding to customer needs with speed and flexibility. Communications between divisions have become more active, and we now see entirely new proposals for improvement and original ideas. Furthermore, Shiga Ryuo Plant has gained much positive response from people in the local community and our customers, partly because it was reported in the media. The number of requests for factory tours and inquiries is increasing as well.

Going forward, we will further promote research and development in the newly established R&D building and provide products that satisfy diverse needs of our customers.

Please tell us any comments you would like to make to the shareholders.

To live up to your expectations, we will further raise our position as a specialized manufacturer befitting the name of “Toyo as a technology company.”

The Company was founded in 1918 in an aim to “domestically manufacture electrical equipment for railway vehicles.” Since then, we have overcome many difficulties and was able to come this far.

Please allow me to take this opportunity to express my sincere gratitude to our stakeholders, including shareholders and customers, for their guidance and support, both tangible and intangible, for us.

Concerning year-end dividends for this fiscal year (fiscal 2017), we have decided upon 50 yen per share by adding a commemorative dividend of 20 yen to the regular dividend of 30 yen to express our gratitude to our shareholders in commemoration of the 100th anniversary of our founding.

We will continue to strive to further raise our position as a specialized manufacturer befitting the name of “Toyo as a technology company,” centering on our motor drive technology developed over 100 years since our foundation.

We hope that our shareholders look forward to the continued growth and expansion of the Company and we would like to ask for their continued support.

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<th>Dividends per share</th>
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* A reverse stock split of 5 common shares into 1 was conducted on December 1, 2016. Dividends before fiscal 2016 are stated in their actual amounts before the reverse stock split. The amounts in brackets (“[ ]”) are those after the reverse stock split.