

■ Top Management Interview



President Kenzo Terashima

Medium-term management plan “Revitalize 2020” is progressing steadily

We have been working to establish a business operation structure that can stably generate profits based on our medium-term management plan “Revitalize 2020” since Fiscal 2018. I would like to take this opportunity to report on operating performance for the first half of Fiscal 2019 and our initiatives going forward.

Q: Please describe operating performance for the first half of Fiscal 2019.

A: **We managed to record profits in the first half for the first time in three periods, thanks to significant growth in income in the segments of Industrial Systems and Information Equipment Systems.**

Orders received amounted to 20.3 billion yen as performance in the Transportation Systems segment and the Information Equipment Systems segment improved year on year. Net sales came to 19.3 billion yen, which was comparable to the results of the year before, due to higher revenues in the Industrial Systems segment and the Information Equipment Systems segment. Operating income improved by 420 million yen year on year to 300 million yen, thanks to significant growth in earnings in the Industrial Systems and Information Equipment Systems segments, and the Company managed to record profits in the first half for the first time in three periods. Net income attributable to owners of the parent came to 470 million yen as a result of efforts made to reduce certain cross holdings.

By business segment, the Transportation Systems segment saw a year-on-year increase in orders received as demand recovered for JR and China. Net sales declined due to the impact of a decrease in orders received in the previous fiscal year. Segment profit was comparable to the level of a year earlier as the profitability of plants improved further and covered the impact of lower revenues.

In the Industrial Systems segment, orders received declined due to the impact of the new large-scale project, the order for which was received in the previous fiscal year. However, orders were steady for testing devices and increased by 17%. Net sales rose, boosted by the favorable performance of testing devices. Segment profit increased significantly as a result of efforts made to strengthen cost control and process management while curtailing expenses.

The Information Equipment Systems segment posted higher profit on higher revenues as orders received, net sales, and segment profit increased thanks to software improvement projects associated with consumption tax revisions.

Q: Please summarize the progress of the medium-term management plan.

A: **“Revitalize 2020” continues to progress smoothly in its 2nd year.**

The Toyo Denki Seizo Group has been making concerted efforts to establish a business operation structure that stably generates profits by reinforcing organizational strength and promptly providing customers with high-quality products based on our medium-term management plan “Revitalize 2020” that

was launched in July 2018.

I will summarize the status of our major initiatives under the plan. First, in terms of “developing a foundation to expand production capacity” and “establishing a stable business earnings structure,” we are in the process of putting in place a business operation structure that stably generates profits by upgrading our core systems and increasing production efficiency in connection with the integration of production sites to the Shiga Ryuo Plant in the Industrial Systems segment. Further, at our Yokohama Plant, which is the production site for our Transportation Systems segment, we have initiated layout reforms aimed at enhancing productivity.

Next, in relation to “promoting development of technologies in advance of market needs,” the Company, including our research centers and affiliates, is working to develop new products and unearth new markets. In particular, we anticipate future deployment of testing devices for automotive development using in-wheel-well dynamo and on-board type IC ticket gates, among others.

As for “expanding overseas business,” which is another main initiative, in the Industrial Systems segment, we upgraded our Bangkok Representative Office to an affiliate, SIAM TOYO DENKI Co., Ltd., in June 2019, and have been pursuing sales activities in the ASEAN region and making progress in cultivating suppliers. Moreover, in Changshu, Jiangsu Province, China, we established Chalco-Toyo Permanent Magnet Motor Co., Ltd. also in June as the Industrial Systems segment’s first overseas production site that manufactures highly efficient permanent magnet motors. Preparations are under way to launch the plant and start operations in March 2020. Meanwhile, in the Transportation Systems segment, we have been accelerating our efforts to expand our overseas business since early 2000. Today, we have one affiliate in the U.S. and six affiliates in China. Based on our achievements over many years, we will continue to timely and appropriately grasp changes in the market environment, such as the growing demand in the maintenance business (in China and North America), and effectively allocate management resources by implementing organizational reforms along with other measures as we strive to convert to a business system with increasingly high added value.

Q: Please provide your full-year earnings forecast and a message to your shareholders.

A: **We will aim to achieve our earnings forecast also on a full-year basis.**

Given that our operating performance for the first half of the fiscal year was generally in line with the plan, our full-year earnings forecast remains unchanged. The Toyo Denki Seizo Group will make concerted efforts in driving our business to achieve the plan. In the Transportation Systems segment, we will work to secure orders, which are on a recovery trend, as well as strive to enhance profitability. In the Industrial Systems segment and the Information Equipment Systems segment, we will make efforts to further expand sales and improve profitability while maintaining the favorable performance from the first half of the year.

Our ESG initiatives will continue to aim at reducing environmental burden by providing energy-saving products and contributing to the establishment and advancement of social infrastructures. In terms of governance, we have implemented measures to reinforce governance, including appointing Outside Directors and introducing an Executive Officer System to separate supervision and execution. We will continue making reinforcements and enhancements according to changes in the business environment.

I would greatly appreciate our shareholders’ understanding and continued support for further development of the Company.