

# Building a foothold for the next leap by steadily establishing a management foundation

**Orders increased favorably and net sales topped 40.0 billion yen.**

**Both net sales and profits are expected to increase also in the fiscal year ending May 31, 2018.**

In the fiscal year ended May 31, 2017, all three business segments secured more orders than the previous fiscal year and we achieved a year-on-year increase of 2.3% in net sales, mainly attributable to the Transportation Systems segment and the Information Equipment Systems segment. Orders of 43.3 billion yen and net sales of 40.6 billion yen are both all-time highs since 2000. Ordinary income increased 11.5% year on year and net income attributable to owners of the parent grew 32.0% year on year thanks to a sharp decrease in exchange losses, although operating income declined from the previous fiscal year due to decreased profits in the Industrial Systems segment.

In the Transportation Systems segment, orders received for Chinese high-speed railways decreased since it was not the timing for rail vehicles to be replaced with new models, but orders increased in Japan, mainly from private railway companies. Coupled with the robust performance of the business for domestic buses, operated by a subsidiary, both net sales and profits in this segment increased.

In the Industrial Systems segment, net sales decreased due to a decline in sales for testing equipment for automobile

development, despite increases in orders for processing equipment and for overseas, mainly Southeast Asian countries and South Korea. Profits decreased significantly as a result of a decline in profitability in addition to the impact of net sales decrease. The decline in profitability was temporary, resulting from a longer-than-expected man hours required for designing in relation to the high functionalization of testing equipment for automobile development and its expansion to automotive parts manufacturers. We believe that the technologies and knowledge acquired through this experience will fully contribute to future market expansion.

In the Information Equipment Systems segment, the increase in orders through acquisition of orders for large-scale projects of composite commuter pass issuing machines that can singlehandedly issue a variety of tickets resulted in sharp increases in net sales and profits.

Looking at the future business environment, the overall economy is expected to continue a gradual recovery in the near term. Investments in railway infrastructure are projected to continue expanding in China and the ASEAN countries and demands are increasing toward the hosting of the Tokyo 2020 Olympic and Paralympic Games. With regard to consolidated financial results for the fiscal year ending May 31, 2018, we project increases in both net sales and profits, since the order backlog has increased in all the three business segments and more orders are expected.

**International competitiveness was strengthened and restructuring of production systems progressed.**

**Advancing in the initiatives for development of new businesses and technologies.**

The medium-term management plan "NEXT 100: Beyond 100 years, Ver. 2," which has been under way, is aimed at building a management foundation toward significant growth in the future through such basic policies as "strengthening international competitiveness," "restructuring production system" and "developing new businesses and technologies," with a focus on "building a stable business earnings structure," in the two-year period from fiscal 2016 to fiscal 2017.

With regard to "strengthening international competitiveness," we are accelerating development in China in the Transportation Systems segment. We have captured demands associated with the introduction of standard vehicles of high-speed railways and expanded the maintenance business for electrical equipment for subway vehicles in Beijing. Furthermore, to expand the subway-related business from Beijing to other regions, we will en-

gage in local production of pantographs at Chengdu Yonggui Toyo Rolling Stock Equipment Co., Ltd., which was established in Chengdu. Other than China, we will seize the opportunities for market expansion in India and the ASEAN region. In the Industrial Systems segment, orders for generators and processing machines are increasing in Asia due to the effect of establishing a representative office in Thailand in 2014. As for testing equipment for automobile development, we are currently strengthening our sales activities for parts manufacturers in addition to finished vehicle manufacturers.

Regarding "restructuring production system," construction work of the Shiga Ryuo Plant is advancing steadily and full-scale operation of the plant is expected to start in June 2018. We will realize more than 30% improvement in productivity by consolidating the development, design and production functions of the Industrial Systems segment, which are now dispersed in Yokohama and Shiga, into the new plant. At the same time, we will expand business domains by expanding the lineup of motors and inverters and enhancing the competitive advantage of our products, such as by adding higher values to generators, and will thereby increase net sales. Meanwhile, we will push forward with the restructuring of the production lines at the Yokohama Plant to reinforce production capability of the Transportation Systems segment.

With regard to "developing new businesses and technologies," we are working on development projects, with an eye on future growth domains in the Transportation Systems segment and the Industrial Systems segment, including "inverters adopting silicon carbide (SiC) elements" that contribute to space and energy saving for rail vehicles, multifunctional testing equipment applicable for tests for electric vehicles (EVs) and hybrid electric vehicles (HEVs) and generation systems that support effective use of natural energies.

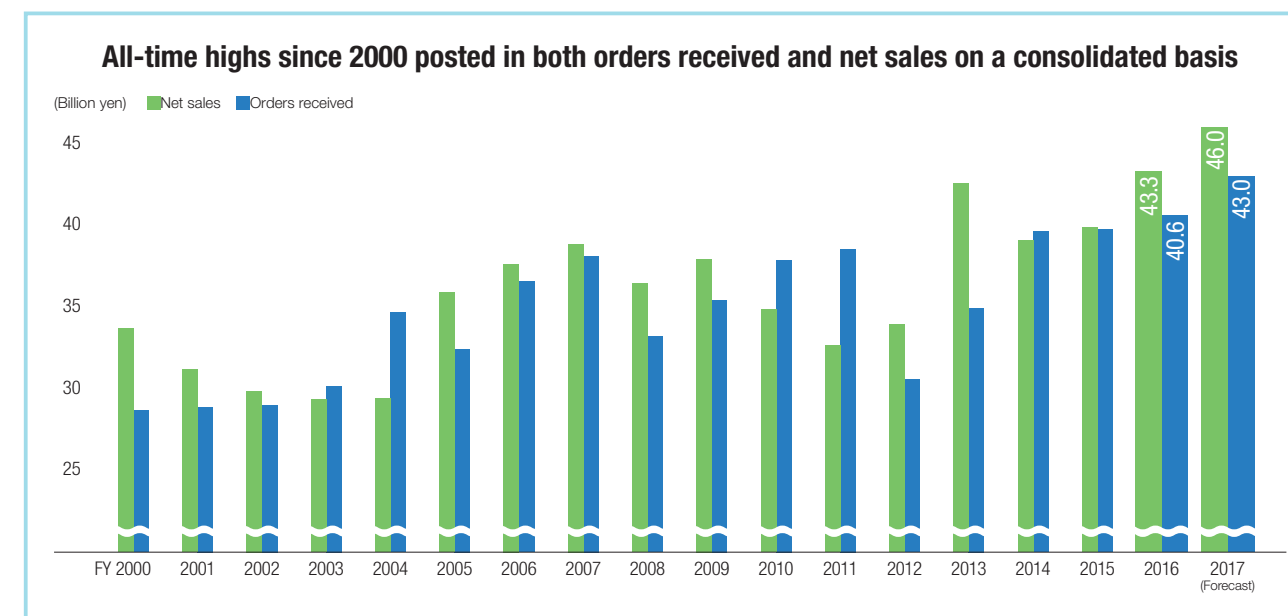
Unfortunately, we are unlikely to achieve the initial performance targets of the plan. However, we will steadily establish a management foundation over the next year to build a foothold for the next leap.

**Understanding that contribution to the establishment of railway and industrial infrastructure is the mission of the Company and the basis of environmental, social and governance (ESG), we will strive to consolidate our position as a specialized manufacturer by taking on the challenge of innovation for providing further values.**

The Company will continue product development that contributes to environmental loading reduction, based on such keywords as "energy conservation," "high efficiency" and "clean."

Since we operate in the railway transportation domain, which is of a highly public nature and requires a high level of safety, we are striving to improve and develop our business in the recognition that our business itself contributes to society. Therefore, we aim to be a "company needed by society" and "build a solid position as a specialized manufacturer" through development and innovation of environment-friendly products. At the same time, we will enhance our foundation for growth by pushing forward with utilization of diverse human resources and diverse work styles in order to raise the job satisfaction of employees, those of which are the starting point of value creation cycle of the Company.

We will realize a company that is trusted by all stakeholders and live up to their expectations by achieving sustainable development through the initiatives mentioned above.



President,  
Representative Director  
Kenzo Terashima