



President Terashima (left) inspects testing equipment for automotive development

We will continue to expand internationally, while strengthening the income structure of the Industrial Systems segment.

Under the new management structure, fiscal 2013 marks the second year of the DASH 2015 medium-term management plan, and our results are recovering strongly buoyed by the upturn of the business environment. President Kenzo Terashima hereby explains the business condition for the first half of fiscal 2013 and future development.

Kenzo Terashima
President

Q Could you tell us about the business conditions and results for the first half?

In terms of orders received, the Transportation Systems segment was particularly strong both in Japan and overseas. In Japan, demand for renewal of rail vehicles has increased among both JR and private railway companies, and we have won several large orders, including the Hokuriku Shinkansen Class E7 and new rail vehicles for local lines in the Niigata region. Overseas, orders have come back for components for high-speed railroads in China. We have also won an order for approximately 1.7 billion yen in electrical equipment for the Beijing Subway Line 10, although this will appear in our results for the second half. Our record of deliveries for core lines in major cities like Beijing and Chengdu has won us a strong reputation not only for our products, but for our after-sales service as well, and this has led to repeated orders.

In the Industrial Systems segment, orders for systems for production facilities were below expectations due to weak capital investment in Japan, despite increased orders for testing equipment for automotive development buoyed by favorable conditions in the automobile industry. The Industrial Systems segment has been reviewing business structure since the start of fiscal 2013, with the aim of achieving stable profitability. Specifically, the segment is investing corporate resources to reorganize its structure of industrial plant as well, with a focus on increasing the added value of the testing equipment for automotive development business. We believe that we will see the results of this investment starting in the second half of the 153rd term.

In the Information Equipment Systems segment, orders fell due to a rebound from the increase in orders for ticket issuing handy terminals in the previous fiscal year. We are currently reprogramming our railway station operating equipment corresponding to the hike of consumption tax set for April 2014.

Due to the previous fiscal year's increase in orders in the Transportation Systems segment as well as expansion of testing equipment for automotive development, net sales and income for the first half of fiscal 2013 increased and returned to profitability, generally according to our plan.

Q Please explain the Company's initiatives to expand internationally.

In the DASH 2015 medium-term management plan currently in progress, one of the fundamental policies is strengthening our business overseas. We plan, by the final year of the plan (fiscal year ending May 31, 2015), to expand current overseas net sales ratio of approximately 35% to 50%.

In the Industrial Systems segment in particular, we are accelerating our business development with a focus on offering factory system solutions, such as high-efficiency motors and inverters, in order to capture rising demand for energy saving at manufacturing sites in Southeast Asia. Moving forward, we will open a representative office in Bangkok, Thailand during fiscal 2013, and we will actively approach the local market and markets in nearby countries.

Meanwhile, in the Transportation Systems segment, we are also strengthening our systems for receiving orders and maintenance requests in Asia and North America, with the aim of gaining more international contracts. We are working on initiatives to increase transactions, such as acquiring "International Railway Industry Standard (IRIS)" set by the Association of the European Rail Industry (UNIFE) on our auxiliary power supply in November 2013.

International expansion is changing over time, evolving from exports to overseas procurement, overseas production, technology transfer, and expansion of bases. The Company is also in the midst of this evolution, and we must undergo a qualitative transformation to be ready for the future. Our first challenges in this transformation are to build a supply chain and to develop global human resources.

As for supply chain, amid increasing the proportion of local production, we must move out from a previous export-based industry, toward a purchasing system that can deal with overseas suppliers, and strive to work on manufacturing which meets the needs of the market. At the

same time, we must establish a management system initiated by the Company for quality maintenance and quality assurance responsibility for components procured overseas.

In order to develop human resources who can implement these initiatives, we will increase the number of local hires and promote education, while enhancing the global awareness of the Company as a whole.

Q Please tell us about the outlook for the full fiscal year and future development.

We have not changed our initial forecast for the full fiscal year results, and aim to increase income and profits in line with our plan. Although the Transportation Systems segment is expected to remain strong, we must ensure that we contribute to the results for the current fiscal year with initiatives in the Industrial Systems segment to increase orders of the systems for production facilities with relatively tight delivery period. In the Information Equipment Systems segment, we will develop new technologies and applications, including the remote monitoring field, such as status monitoring systems for plastic greenhouses for farmers, while dealing with the revision to the consumption tax on railway station operating equipment.

"Stable profitability of the Industrial Systems segment" mentioned earlier is an absolute requirement for the Company to become robust. In the second half of the DASH 2015 three-year plan, we will accelerate and execute our strategy to create high added value through the testing equipment for automotive development business, and increase orders for systems for production facilities in Japan and overseas.

This is a vital time for restructuring of the Company's business, and we would like to ask for our shareholders' patience and continued support as we move forward with these initiatives.

REVIEW OF SEGMENT OPERATIONS

Transportation Systems Segment

Percentage of total net sales

62.3%



Orders Received

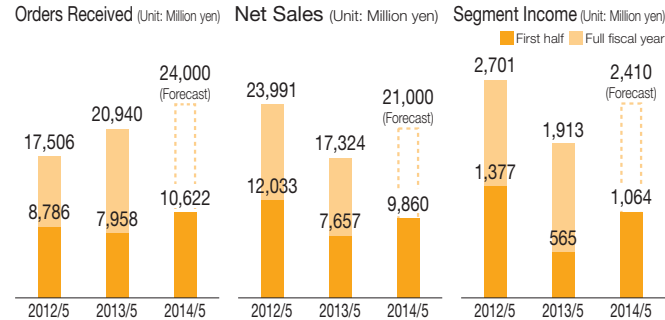
10,622 million yen
(Up 33.5% year on year)

Net Sales

9,860 million yen
(Up 28.8% year on year)

Segment Income

1,064 million yen
(Up 88.3% year on year)



Orders received recorded a slight increase in Japan and saw a sharp upturn outside Japan, primarily in China. In overall terms, orders received increased 33.5% compared with the corresponding period of the previous fiscal year to 10,622 million yen.

Net sales increased sharply as a result of a recovery in vehicle demand in Japan, as well as increased momentum outside Japan, and totaled 9,860 million yen representing 28.8% year-on-year increase.

Due to mainly to increased revenue, segment income totaled 1,064 million yen representing 88.3% year-on-year increase.

Industrial Systems Segment

Percentage of total net sales

33.7%



Orders Received

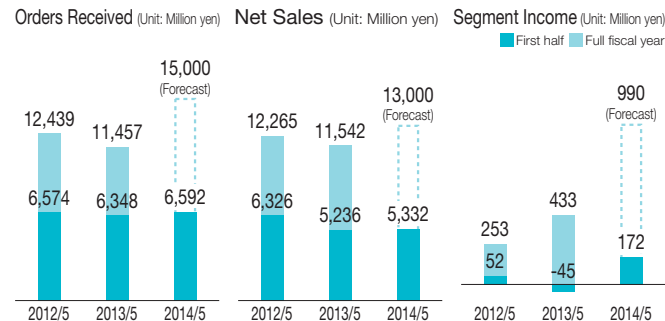
6,592 million yen
(Up 3.8% year on year)

Net Sales

5,332 million yen
(Up 1.8% year on year)

Segment Income

172 million yen
(Same year on year)



Orders received increased 3.8% compared with the corresponding period of the previous fiscal year to 6,592 million yen, due to an increase in orders for testing equipment for automobile development amidst subdued capital investment both in and outside Japan.

Net sales in this segment increased 1.8% year on year to 5,332 million yen, mainly for the same reasons underlying the increase in orders received.

In the period under review, this segment recorded a segment income of 172 million yen, mainly attributable to improved profitability of factories as a result of increased operating efficiency.

Information Equipment Systems Segment

Percentage of total net sales

4.0%



Orders Received

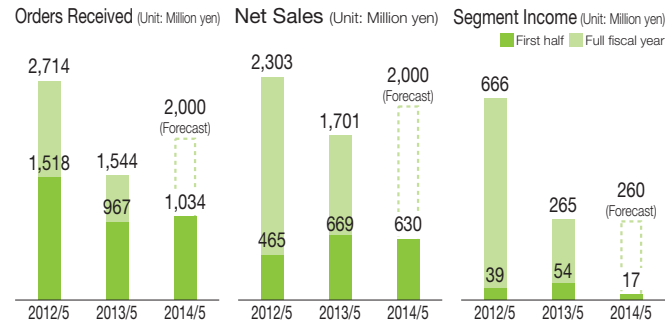
1,034 million yen
(Up 6.9% year on year)

Net Sales

630 million yen
(Down 5.8% year on year)

Segment Income

17 million yen
(Down 68.5% year on year)



Orders received in this segment increased 6.9% compared with the corresponding period of the previous fiscal year to 1,034 million yen, due to a large order placed for remote monitoring systems, despite low performance in orders for railway station operating equipment.

Net sales in this segment decreased 5.8% year on year to 630 million yen, mainly due to a winding down in deliveries for ticket issuing handy terminals. In the first half of fiscal 2013, segment income for this segment decreased 68.5% year on year to 17 million yen.

TOPICS

Won the Order for Electrical Equipment for Increased Rail Vehicles on the Beijing Subway Line 10

In December, the Company won the order for electrical equipment for 192 rail vehicles on the Beijing Subway Line 10.

- (1) Name of line: Beijing Subway Line 10
- (2) Number of rail vehicles: 32 trains/192 vehicles
- (3) Items ordered: Electrical equipment for rail vehicles (VVVF propulsion inverter, auxiliary power supply, train information system, driving gear unit)
- (4) Amount of order: Approximately 1.7 billion yen
- (5) Delivery: May 2014 to July 2015



Beijing Subway Line 10

Acquired Certification of International Railway Industry Standard (IRIS) on Auxiliary Power Supply for Rail Vehicles

The Company has acquired certification of International Railway Industry Standard (IRIS) on "auxiliary power supply (SIV)" in the field of auxiliary systems for rail vehicles.

IRIS is an international standard requiring high quality and safety in the railway industry. IRIS certification is recommended for railway-related transactions including major manufacturers of rail vehicles in Europe.

This is the first time Japanese auxiliary power supply has been certified under IRIS. The Company is working to acquire IRIS certification for other products as well. In addition, the Company remains committed to expanding its Transportation Systems segment globally, and increasing sales of its electrical equipment for rail vehicles.



IRIS logo



Certified auxiliary power supply (SIV)