

We will steadily promote reform of our earnings structure and production system towards future astounding progress.

We have begun the first year of our medium-term management plan, “NEXT 100: Beyond 100 years, Ver. 2.” This two-year period will be an important time for us to achieve future drastic growth. I will hereby report on the business conditions during the first half of the current fiscal year and explain our initiatives for the future.



President **Kenzo Terashima**



Please tell us about the business conditions for the first half of the current fiscal year.

With regard to our overall results, although we achieved an increase in orders received compared with the corresponding period of the previous fiscal year, net sales and profit fell below those of the corresponding period of the previous fiscal year mainly due to the declining profitability of the Industrial Systems segment in the first quarter. However, ordinary income largely reached the target figure as the yen has weakened more than we assumed. Under these circumstances, in our overseas business, which is an area of our focus, the ratio of overseas net sales reached 27.4%.

In the Transportation Systems segment, although overseas there was a delay in orders for electrical equipment for the high-speed railroads in China at the beginning of the current fiscal year, thanks to strong growth in demand from private railway companies in Japan, net sales remained the same level with the corresponding period of the previous fiscal year and segment profit was the same as the corresponding period of the previous fiscal year.

In the Industrial Systems segment, more man-hours were required than anticipated in order to realize high performance

of testing equipment for automobile development and to introduce a new testing equipment for automobile components, thereby resulting in deterioration of profitability during the first quarter of the current fiscal year. As a result, net sales and profits inevitably posted a significant decrease, despite increased orders both for printing presses thanks to demand ahead of the Olympic Games and for processing machinery in Southeast Asia.

In the Information Equipment Systems segment, orders received increased significantly due mainly to orders for 50 commuter pass vending machines from the Transportation Bureau of the City of Yokohama. This machine is a composite ticket vending machine capable of issuing a variety of tickets. Furthermore, net sales in the first half of the fiscal year greatly exceeded our target figures, partly owing to orders received in the previous fiscal year and maintenance.



How are the initiatives based on the medium-term management plan progressing?

We have extended the medium-term management plan “NEXT 100” by one year and as Ver. 2 of the plan covering

the two-year period from fiscal 2016 to fiscal 2017, are working on reforms with an emphasis on “building a stable business earnings structure” and “restructuring production systems.”

One of the pillars of the reforms is the integration of production in the Industrial Systems segment with the construction of a new factory in Ryuoh, Shiga Prefecture. Implementation of the launch plan is progressing, and we are moving forward with the plan to start operations in spring 2018. We will not only integrate and reinforce the production functions of the Industrial Systems segment that are currently located separately in Yokohama and Shiga but will also create a new production system by enhancing the functions of the factory as an advanced environmental model factory that installs an automated warehouse system linked to production plans, highly efficient air conditioning using high-insulation materials and LED lighting equipment.

Furthermore, as the basis for companywide reforms, we are progressing with the introduction of a new core system that will integrate our information management system from sales to production, and plan to start full-scale operations from June 2017. As a result, we will improve business efficiency, reduce costs and accelerate management decision-making, which will lead to increase our organizational capabilities.



Conceptual image of the exterior of the new factory at Ryuoh, Shiga Prefecture



Please tell us about your response to leading-edge technologies, such as IoT.

We have developed data acquisition and analysis systems for fuel cell lift trucks in cooperation with TOYOTA INDUSTRIES CORPORATION with a view to expanding our business leveraging automotive IoT/M2M solutions. With

this system, fuel cell operation data is collected, stored in cloud servers using mobile phone communication systems, and analyzed. The system is used to optimize maintenance services and improve merchantability, and is also useful in monitoring and verifying the amount of hydrogen used by the fuel cell lift trucks and the effect of CO₂ reduction.

Going forward, we will continue research with a view to incorporating the functions of IoT/M2M solutions in our products and applying them to maintenance and other services. We also plan to utilize IoT/M2M solutions specifically to ensure safety, which is one of the missions of the Transportation Systems segment.



Please tell us about the outlook for the second half of the current fiscal year, as well as any comments you would like to make to the shareholders.

Following the weak business results in the Industrial Systems segment during the first half, we are currently experiencing an improvement as we move forward with a companywide response spurred by a sense of crisis. Under a favorable order environment, the order backlog at the end of the second quarter of the current fiscal year has surpassed the figure of ¥31,100 million at the end of the previous fiscal year to reach ¥33,400 million. Based on these circumstances, we aim to achieve a recovery in the second half and reach our initial full-year forecasts by steadily proceeding with initiatives in line with our medium-term management plan.

With regards to our current management structure, corporate governance is strengthened effectively by adding two Outside Directors. As a result, the Board of Directors has revitalized, and opportunities for discussion have been broadened to incorporate opinions from outside the Company. We will continue in our efforts to establish a solid management foundation as a global manufacturer and enhance our corporate value.

We hope that our shareholders will watch for the growth and expansion of the Company's business from a long-term perspective, and we would like to ask for their continued support.