

Top Interview

We will restructure our production systems, and link it to sustainable growth beyond the 100 years.

As we look to celebrate the Company's 100th anniversary in June 2018, we will promote our medium-term management plan, with restructuring production systems at its core, and focus on building the foundations for the sustainable growth of the Group. I will hereby report on the business conditions during the first half of the current fiscal year and our future initiatives.

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

A Profitability declined in the Industrial Systems segment, and we reported an operating loss. We achieved an increase in net income owing to the reporting of extraordinary income.

Overall orders received fell below those of the corresponding period of the previous fiscal year owing to a decline in the Transportation Systems segment, but net sales increased thanks to increases in the Industrial Systems and Information Equipment Systems segments. From a profit perspective, profitability declined in the Industrial Systems segment, leading profits to fall below the initial targets. We achieved an increase in net income attributable to owners of the parent owing to the reporting of a gain on sales of investment securities.

Looking at it segment by segment, the Transportation Systems segment saw a decline in orders in Japan, a decline in net sales owing to the effect of some shipments being delayed into the second half, and a decline in operating income, although we exceeded our initial targets.

In the Industrial Systems segment, despite the fact that orders for testing equipment declined, net sales increased owing to an increase in sales for overseas customers. From a



President **Kenzo Terashima**

profit perspective, machinery costs increased in line with diversification targeting the expansion of the testing equipment market, leading to a decline in profit.

In the Information Equipment Systems segment, orders received increased as we secured orders for railway station operating equipment, and net sales also increased. From a profit perspective, development costs for new equipment increased, resulting in a decline in profit.

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

A We are accelerating business development overseas. Operations will finally commence at the Shiga Ryo Plant, constructed as the main focus of restructuring production systems.

The Company is promoting the medium-term management plan, "NEXT 100: Beyond 100 years, Ver. 2," which builds the management foundations for sustainable growth beyond 100 years. In the current fiscal year, the final year of the plan, we are completing the initiatives.

With regard to "strengthening our international competitiveness," one of the main measures of the plan, we

implemented initiatives aimed at local production of pantographs in China in the Transportation Systems segment. We decided to establish a new assembly site as a joint venture in Chengdu, Sichuan Province in August 2017, and increased our investment ratio in an affiliate in Changzhou, Jiangsu Province, which will be a local production site for components, in November 2017. In addition, we will also gradually expand the maintenance business for subway vehicles, which we began in 2014. We also expanded our businesses outside China, including securing orders for vehicles in Jakarta, Indonesia and Doha, Qatar.

On the other hand, in regard to overseas development in the Industrial Systems segment, we have steadily increased our orders for generators and processing machinery in the ASEAN region, and are developing new products to further respond to the needs of the region.

With regard to "restructuring production systems," which is another main measure of the plan, we have completed the construction of the Shiga Ryo Plant, a new production site of the Industrial Systems segment, and plan to commence full operations in June. In addition to consolidating production sites in the Industrial Systems segment and improving efficiency, we also aim to expand our business field and increase net sales by strengthening our research and development function. In the Transportation Systems segment also, we will increase production capabilities at the Yokohama Works, in order to accurately respond to increasing demand in future. We will further increase business efficiency with a new core system that began operating in June 2017 and pursue enhanced productivity across the Group as a whole.

Q What is the outlook for development in the second half of the current fiscal year and full-year forecasts?

A We have made downward revisions to our earnings forecasts. Our top priority is enhancing production efficiency and cost competitiveness in order to improve profitability.

In regard to full-year forecasts, we have made downward revisions to forecasts for net sales, operating income, and ordinary income, based on circumstances through the first half.

However, our forecast for net income attributable to owners of the parent remains unchanged, since we are systematically

compressing investment securities. (Please refer to P1 for specific figures.)

For the second half, we will enhance production efficiency in the Transportation Systems segment by strengthening plant management systems and improve profitability in the Industrial Systems segment by adjusting our organizational systems and strengthening machinery cost management.

Q Please tell us your thoughts in regard to the Company celebrating its 100th anniversary.

A We will achieve sustainable growth in the global market. We will focus on strengthening diversity and corporate governance.

Looking back over the Company's progress since its foundation in 1918, I am reminded of the importance of history. For the 100 years, the Company has built relationships of trust with customers with its cutting-edge technologies and products. I want all employees of the Group to take pride in having built this tradition as we unite for a new start.

In overseas development, it is essential that we go beyond the framework of Japanese values and corporate culture to achieve harmony and coexistence with local industries, and contribute to the development. The Company will continue to achieve growth in the global market.

The needs of the market become more diversified by the year, and in order to achieve further growth, it is essential that we create an environment where a diverse range of human resources can actively participate. We are implementing measures related to employment and personnel systems in order to promote the active participation of women, as we aim to cultivate a new corporate culture. 2017 saw new developments, including female employees passing Grade 1 of the National Skill Test, a national qualification, and the female fire-fighting team, formed for initial fire-fighting activities, winning the top prize in a training competition in Kanazawa, Yokohama. Furthermore, next year (the fiscal year ending May 31, 2019), we intend to increase the speed of management decision-making and business execution as we look to strengthen corporate governance.

We hope that our shareholders look forward to the future of the Company beyond the 100 years and we would like to ask for their continued support.