

President **Kenzo Terashima**

The newly formulated “Revitalize 2020” medium-term management plan is successfully moving ahead on track.

This fiscal year we have formulated a new medium-term management plan “Revitalize 2020,” promoting “lean” business operation. In the following interview, I would like to report on business conditions for the first half of the fiscal year, and our approach to the future.

segment returned to positive territory, with an enhanced focus on profitability and cost control, in addition to positive effects from the integration at the new plant.

The Information Equipment Systems segment experienced a comparative decline in orders as a result of the large project received in the previous fiscal year. Net sales grew due to increased sales of the new model of in-car replenishment ticket vending machines, and profit increased, partly due to better plant profitability.

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

A>> We will strive to enhance our earning power, consolidate our foundations and develop our businesses within Japan and overseas.

In June 2018 we were fortunate enough to celebrate the 100th anniversary of our founding. We took the opportunity to re-examine our management resources, formulated and launched our new medium-term management plan “Revitalize 2020” encompassing the four years to fiscal 2021, with the first target set for 2020. During the first two years of this four-year plan we are in the process of establishing a “leaner” business operation structure, with a focus on enhancing profitability.

As a first step towards realizing two of the Company’s priority policies – “building a stable business earnings structure” and “restructuring the production base to expand production capacity” – in June 2018 we commenced operation of the Shiga

Ryuo Plant, consolidating the operations of the Industrial Systems segment, which had been split between Yokohama and Shiga. This “Ryuo integration” brought about a profound transformation in attitudes within the Industrial Systems segment, and the resulting improvements in plant profitability are already apparent in the figures for the first half of the fiscal year. Robust demand will provide an opportunity to demonstrate the benefits of this integration on design and production capabilities, and we will continue to utilize the merits of integration to respond to production increases in the second half of the fiscal year and beyond. We will also engage in research and development of testing equipment for automatic driving and electric vehicles, using the new R&D building. In the Transportation Systems segment we are engaged in expanding production capacity in the Yokohama Plant, in response to domestic inbound demand and special events such as the Tokyo Olympics and Osaka Expo, as well as growing overseas demand from China and the ASEAN region. In the Information Equipment Systems segment we have developed a new onboard IC device: a mobile ticketing gate that can be installed inside trains, making the introduction of IC cards possible without the need for facilities at stations. Local train lines represent a promising market for this new device. As a group, we will continue to strive to develop new products while pursuing greater productivity.

Another of the Company’s priority policies is “expanding overseas businesses.” Last fiscal year our Transportation Systems segment established a joint venture in Chengdu, Sichuan Province, and increased our investment ratio in an affiliate in Changzhou, Jiangsu Province. We are currently also considering further expansion of the subway vehicle maintenance business already in operation. In our Industrial Systems segment we have our sights on endeavors such as new product development, local production in China and strengthening our representative office in Thailand, in response to increasing orders for generators and processing equipment in China and the ASEAN region.

Q What is the outlook for the second half of the current fiscal year, and the full-year results forecast?

A>> We have revised our forecasts upwards. We will continue to strive for even greater profitability, production efficiency and cost competitiveness.

Based on business conditions up to the first half of the fiscal year, we have revised our full-year results forecasts. While our

forecast for net sales remains unchanged, we have increased our forecasts for operating income and net income attributable to owners of the parent, based on improvements in profitability. (Please see page 1 for specific figures.)

Heading into the second half of the fiscal year, our Transportation Systems segment will strive to improve production efficiency by strengthening its factory management systems, while our Industrial Systems segment will pursue further improvements in profitability by harnessing the benefits of our “Ryuo integration.”

Q What comments do you have for shareholders?

A>> We will strive to strengthen ESG and corporate governance, with our sights set on sustained growth.

Employees across the Group will work together as one, as we strive for growth to last the next 100 years. To realize continued growth, it is vital that we respond to the needs of our external stakeholders, while creating an environment where diverse internal talent can flourish.

Regarding ESG, we will continue to respond to the requirements of corporate governance. During the first half of the fiscal year we altered our operating officer system in order to increase the flexibility of management by having the Board of Directors take responsibility of corporate governance, and delegating operational authority to operating officers. We will also strive to achieve more effective utilization of assets, through a re-evaluation of the significance of our policy of strategic shareholding, based on Japan’s Corporate Governance Code.

In other news this fiscal year, we received the Nikkei Advertising Award (an award for excellence in the Nikkei Business Daily section) for a newspaper advertisement placed on June 20, the anniversary of our founding, to commemorate the 100th anniversary of the Company’s founding. In December, we published the 100-year history of the Company in print. An employee at our Yokohama Plant received the 2018 Award for Outstanding Skilled Workers (Contemporary Master Craftsman) held by the Japanese Ministry of Health, Labour and Welfare, bringing the number of employees who have received that privilege to three. We will continue to strive to create a corporate environment that is easy to work in, to encourage diversity, and to promote the transmission of skills and technologies.

We hope that our shareholders look forward to the continued growth and expansion of the Company and we would like to ask for their continued support.