

Medium-Term Management Plan “Revitalize 2022”

The Group reviewed the medium-term management plan “Revitalize 2020” in light of changes in the business environment and issues to be addressed, and relaunched it as “Revitalize 2022” with new numerical management targets. Measures for the new plan are underway.

Achievements of the first two years and future issues

- For the first two years (fiscal 2018 through fiscal 2019), the Company focused on improving profitability and produced desired results, including hitting profit targets and improving ROE.
- Sales activities have begun to be affected by COVID-19, which poses a challenge for future sales expansion.

Changes in the business environment

- Domestic and overseas economic conditions are clouded by concerns over the resurgence of COVID-19. On the other hand, there are signs of recovery in the manufacturing industry’s capital investment and demand related to high-speed railways and urban transport systems in China.
- Efforts to realize a decarbonized society are gathering pace, and digital transformation (DX) is advancing.
 - ➔ Possible areas for contribution by our business, which is deeply involved in social infrastructure development and global environmental conservation, will further expand.

Positioning of the second two years

- The second two years (fiscal 2020 through fiscal 2021) were revised from “a period for creating growth” to “a period for accumulating earning power and returning to a growth path.”
- We will establish a foundation to achieve the initial target of “securing net sales of over 47 billion yen, operating income of 2 billion yen, and ROE of 5%” within the first two years of the next medium-term management plan.

Fundamental policies and major actions

- The existing seven fundamental policies remain in place.
- Major actions for each policy were revised by considering responses to changes in the business environment.

Major actions added or revised in the plan

Response to the impact of COVID-19

- Establish a business continuity plan (BCP) that can address the COVID-19 pandemic
- Improve business profitability with operating income in mind
- Reduce fixed costs through the united efforts of administration, sales and plants

Response to the realization of a decarbonized society and DX advancement

- Develop products that contribute to the realization of a decarbonized society and bring them to market at an early stage
- Promote the development of test equipment that contributes to the electrification of automobiles and autonomous driving
- Roll out industrial motors into the Chinese market
- Promote the application of IoT technology to the maintenance field
- Commercialize wireless power supply technology at an early stage
- Explore production methods that incorporate energy efficiency

Response to SDGs

- Establish a sustainability policy and roadmap

* For details of the fundamental policies and major actions, please see the [IR Release section on the Company’s website](#).

Numerical management targets (consolidated)

(Unit: 100 million yen)

	Revitalize 2020		Revitalize 2022		
	FY ended May 2019 (Result)	FY ended May 2020 (Result)	FY ended May 2021 (Result)	FY ending May 2022 (Plan)	FY ending May 2022 (Revised plan)
Toyo Denki Group					
Net sales	411.7	390.7	331.4	340.0	360.0
Operating income (Operating margin ratio)	5.5 (1.4%)	10.6 (2.7%)	4.2 (1.3%)	4.5 (1.3%)	6.0 (1.7%)
Ordinary income	4.9	12.0	7.5	7.0	8.0
Net income	6.9	10.8	9.7	8.0	7.0
Investment gain on equity method	0.1	(0.3)	(0.0)	1.7	1.0
ROE	2.7%	4.4%	4.1%	3.3%	3.0%
Payout ratio	39.9%	24.8%	27.4%	33.5%	30.0%
Net sales by segment					
Transportation Systems	272.3	242.6	215.2	205.0	220.0
Industrial Systems	123.3	130.2	105.4	127.0	130.0
Information Equipment Systems	15.8	17.7	10.6	8.0	10.0

2

Establishment of Sustainability Policy

Considering efforts for the Sustainable Development Goals (SDGs) as an important management issue, the Group has formulated the Sustainability Policy as a guideline for specific actions.

Basic policy

The Toyo Denki Group states its commitment to contributing to society in the business principles and initiatives to protect the global environment as its priority task in the environmental philosophy. The Group has formulated the Sustainability Policy as a guideline for its efforts to realize these principles and contribute to the sustainable development of society.

Based on the Group’s business principles, environmental philosophy, and slogan, relations between the Company’s initiatives and the realization of SDGs were summarized from the following three perspectives: “Initiative in Products and Services,” “Initiative in Production Activities,” and “Initiative in Valuing People and Communities.” While assessing the various impacts of the Group’s businesses and activities, we will set out specific action targets as a roadmap and implement them.



Corporate principles

Business Principles

The Toyo Denki Group will practice the following business principles to ensure the growth of its business, earn the confidence and understanding of shareholders and stakeholders, and foster the development of its employees:

- Prioritize ethics and contribute to the prosperity of customers and society as a whole
- Encourage creativity and an enterprising spirit to meet the challenges of the future
- Build trust by focusing on quality first

Environmental Philosophy

The Toyo Denki Group sets initiatives to protect the global environment as its priority task and contributes to the development of a sustainable society.

<Action Guidelines>

We will continue to provide products and services that are considerate of the burden on the global environment by drawing on our “future-oriented technologies friendly to the Earth and mankind.”

1. We will comply with all environmental requirements including those under the relevant laws and regulations.
2. We will strive to minimize environmental burden through a reduction of energy consumption and other measures at all stages of product lifecycle, namely planning, development, design, production, sales, use and disposal.
3. We will establish and execute a system to continuously promote activities to protect the global environment.
4. We will raise environmental awareness among individuals through enlightenment activities within the Group.

Company Slogan of the Toyo Denki Group
Our Heart and Technology for the Future

Specific initiatives

Initiative in Products and Services

- Supply of decarbonized energy, such as small hydroelectric power generation
- Popularization of energy-efficient transportation, such as railroads and electric vehicles
- Efficiency improvement of electrical equipment and the spread of power storage systems
- Improvement of safety through a shift to barrier-free transportation systems etc.

Initiative in Production Activities

- Reduction of energy consumption in production
- Study of solar power generation and decarbonization of energy currently used
- Reduction of energy consumption during transportation of materials and products
- Recycling activities at production sites and offices etc.



Initiative in Valuing People and Communities

- Support for school education by offering university endowed lectures and accepting school field trips in plants
- Promotion of gender equality initiatives and appointment of female managers
- Protection of the global environment to contribute to nature conservation etc.

