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<https://www.toyodenki.co.jp/>

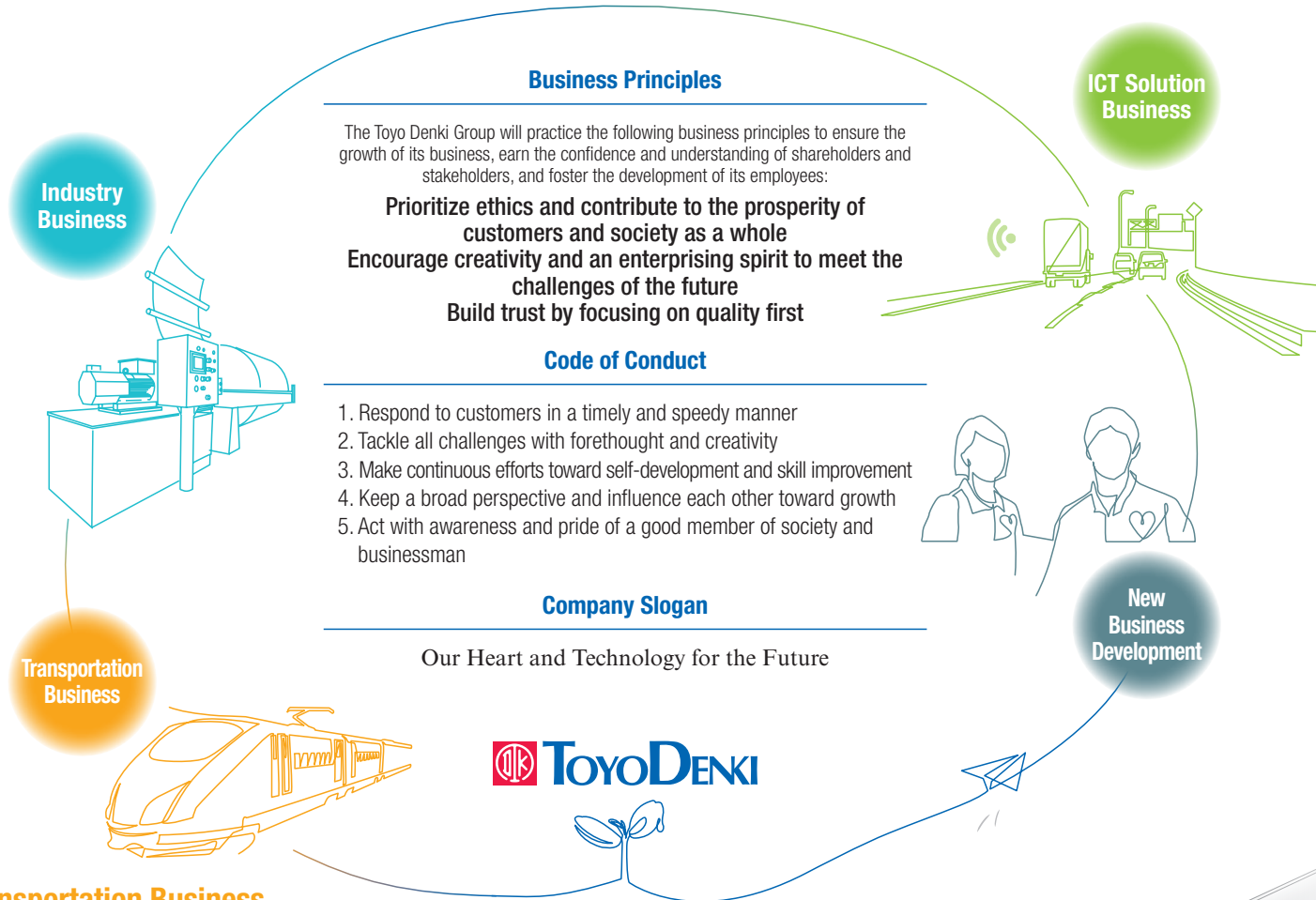
Integrated Report
Toyo Denki Seizo Report 2024

Our Heart and Technology for the Future



Our Long-Term Vision

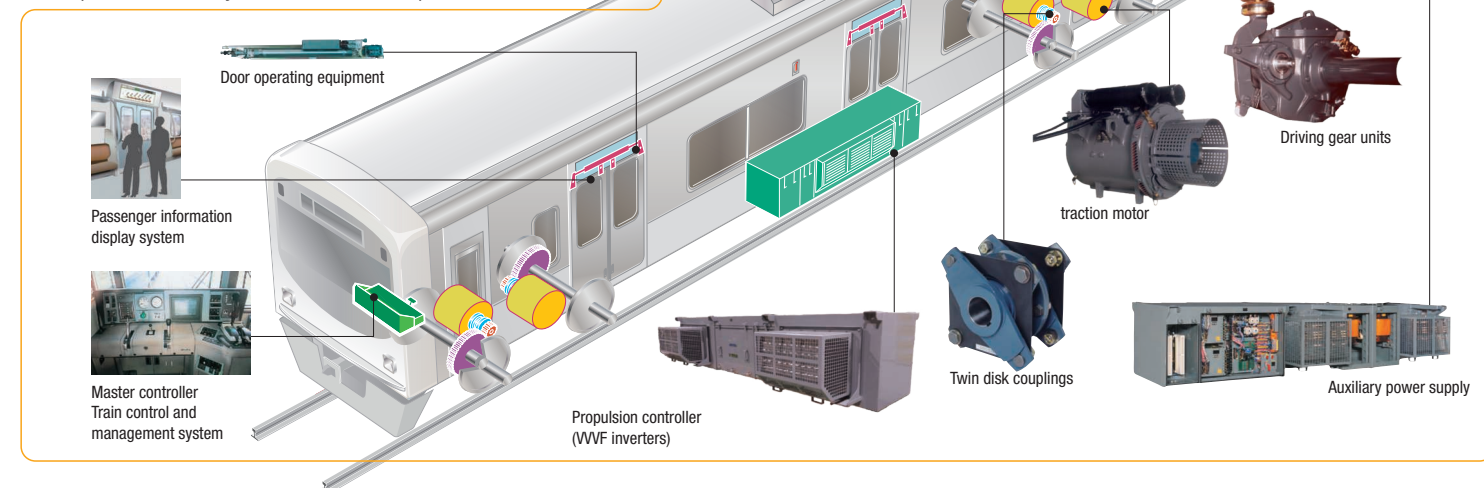
Based on a firm management foundation, we help build social and environment through the global provision of high-quality products establishment with our breakthrough advanced technologies.



Transportation Business

Electrical equipment for railway vehicles manufactured by the Company using its technological capability developed since its founding covers a wide range of product groups, including Propulsion controller, driving gear units, current collectors (pantographs), traction motor, auxiliary power supply and Train control and management system, and is designed to enhance the safety and comfort of trains.

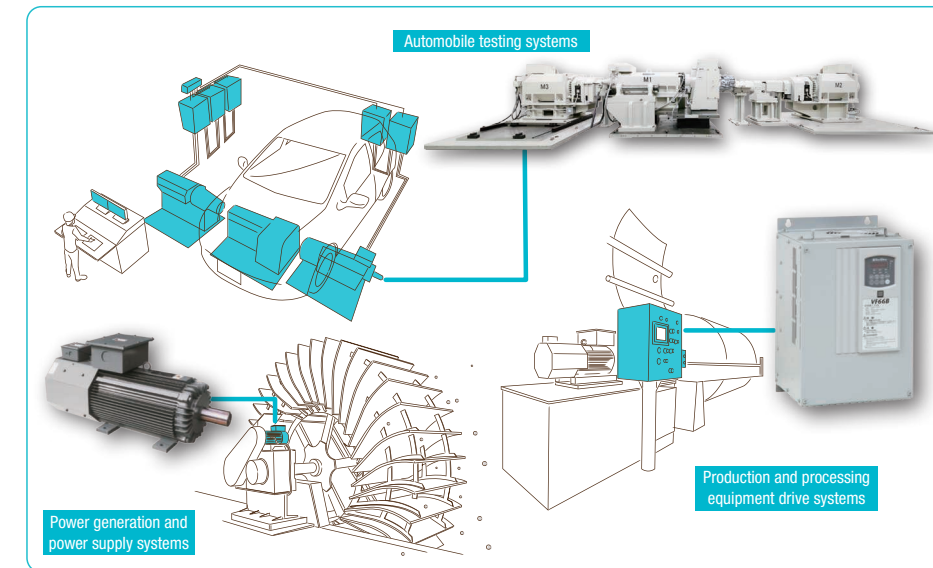
Furthermore, the provision of maintenance services that extend from repairing failures and equipment renewal by the Group companies contributes to the maintenance and development of railway infrastructure in Japan and overseas.



industrial infrastructure systems that are considerate of the global that integrate our exceptional motor drive technologies since

Industry Business

The Company is extensively contributing to customers at home and abroad through automobile testing systems, production and processing equipment drive systems, and power generation and power supply systems that are indispensable to the daily lives of people. In addition, we address manufacturing that contributes to the realization of a sustainable society, while providing products manufactured through high system-building technologies that make full use of energy-saving motors, inverters, FA controllers and networks.



ICT Solution Business

In the ICT Solution Business, we operate in the two fields of railway station operating equipment systems and IoT solutions, by merging advanced ICT and electronics. With regard to railway station operating equipment systems, we develop and manufacture Commuter pass issuing machine that quickly became IC card compliant and handsets for conductors, and provide host systems by leveraging cloud and IoT technologies. In doing so, we supply railway operators with systems for smooth fare collection and income management.

Our IoT solutions enable monitoring and control of mobile entities and remote equipment through services that leverage cloud computing and mobile communication, and thus contribute to customers' efforts to streamline operations and optimize equipment maintenance.



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● **Editorial Policy** ●
We have been publishing this report since 2013 with the goal of allowing a wide range of stakeholders to have a better understanding of the Company. This report combines our management policy with reports on our businesses, sustainability, governance, finances, and other matters. We are committed to describing our initiatives during the year and our future direction in a manner that is easy to understand.

● **Period Covered by This Report** ●
This report focuses on our activities in fiscal 2023 (from June 2023 to May 2024), but also contains some information from outside this period.

● **Organizations Covered by This Report** ●
This report covers Toyo Denki Seizo K.K. and its subsidiaries and affiliates listed on page 53.

● **Reference Guidelines** ●
The GRI Sustainability Reporting Standards (GRI Standards) / IIRC / Guidance for Value Creation / TCFD / Human Capital Guidelines

Over 100-Year History of Toyo Denki Seizo K.K.

Our company was founded in 1918 with the intention of “domestic production of electrical machinery for railway vehicles”. A spectacular feeling that we want to export products to domestic as well as to many Orient countries and contribute to the development of the country has come from the name of “TOYO DENKI SEIZO K.K.”. And this feeling has been handed down to successive employees, and now our products are contributing to the development of social infrastructure systems around the world.

1918–1949



Group photo of our employees with technical advisors from the partner British Dick Kerr company.

1918 ● Technical cooperation with British company Dick Kerr and establishment of the Company with capital of 3 million yen

1919 ● Operation started at Yokohama Factory



Yokohama factory at the start of operations (Hodogaya-ku, Yokohama)

1920 ● Control equipment and traction motor delivered directly to Keihan Electric Railway Co.

1921 ● Development of pantograph, first in Japan

1926 ● Start of manufacturing of three-phase current commutator motor (Schrage-type, later AS motor)

1932 ● Development of electric equipment for trolleybus, first in Japan
● Completion of controller with regeneration brake using compound motor, first in Japan

1935 ● Development of diesel electric railcar, first in Japan, and delivery to Sagami Railway

1949 ● Our stocks was listed on Tokyo Stock Exchange



Early domestic pantograph



Three-phase current commutator motor (Schrage-type, later AS motor)



Parallel cardan drive device with hollow shaft



Japan National Railway 151 series limited express train "Kodama"



Electric towing locomotive for the Panama Canal



Japan National Railway Series 0 Shinkansen

From foundation to postwar

1950–1989

1950 ● Development of ST-type three-phase AC commutator motor (200-horsepower) (patented)

1952 ● Development of Parallel cardan drive device with hollow shaft, first in Japan

1958 ● Completion of traction motor and controller for the Japanese National Railways “Kodama” limited express

1959 ● Completion of Automatic Train Stop (ATS)

1960 ● Completion of traction motor and drive for Shinkansen testing car

● Order received for electric towing locomotive for the Panama Canal

● Development of constant-speed operation controller for vehicle, first in Japan

● Development of hydraulic winch for ship, first in Japan

1963 ● Delivery of pantograph for Shinkansen to Japanese National Railways

1965 ● Development of thyristor static Leonard equipment series, first in Japan

1969 ● Completion of automotive brake test equipment

1972 ● Development of brushless motor generator (BLMG), first in the world
● Development of 150 kVA 440 Hz static CVCF, first in Japan

1973 ● Completion of commuter pass issuing system

1977 ● Completion of large high-speed automatic drafting machine

1978 ● Developed our proprietary AFE chopper device

1983 ● Completion of in-train ticket issuing system

1985 ● The current Yokohama Plant was completed

● Delivery of world-first superimposed field excitation equipment for 205 series electric train of Japanese National Railways

1988 ● Completion of world-first heat-pipe-type 8-unit motor batch control VVVF inverter and delivery to Tokyu Electric Railway Co.

1989 ● Development of small VVVF inverter using reverse conductive GTO thyristor, first in Japan

1990–2023

1990 ● Development of stroke-switching-type door closing machine, first in Japan
● Development of intelligent door system, first in Japan

1991 ● Development of lightweight VVVF inverter using 1,500 V mass-production-type reverse conductive GTO thyristor, first in Japan

1997 ● Completion of in-train ticket issuing machine with support for automatic ticket checker

1998 ● Delivery of electric equipment for Propulsion controller for Beijing Subway's East-West Line train

2000 ● Completion of permanent-magnet synchronous motor (ED motor)

2004 ● Development of electrical equipment for the world's first micro gas turbine hybrid vehicle

● Joint development of the first full-flat, super-low floor light rail vehicle (LRV) produced in Japan

● Succeeded in development and running of in-wheel motor for car

2007 ● The new public transport smart card Pismo goes into service (delivery of automatic Commuter pass issuing machine with support for smart card passes and smart card charge machines to station facilities)

2008 ● Start of sales of the VF66 inverter

2012 ● Order receipt of handsets for conductors for JR West

2014 ● Delivery of electrical machinery for Joetsu and Hokuriku Shinkansen E7

2018 ● May, Shiga-Ryuo Plant completed

● June, Toyo Denki Seizo K.K. 100th anniversary

● Order received for consigned research and development of superconducting flywheel power storage system for railways

2022 ● Delivery of automobile testing system using in-wheel-well dynamo

● First remote monitoring system installed in VVVF equipment for Aichi Rapid Transit Co.

● Transitioned to Standard Market of the Tokyo Stock Exchange

2023 ● Received order for electrical equipment for newly built railway vehicles for Indonesian commuter railways



Beijing subway east-west line train



Los Angeles County Metropolitan Transportation Bureau P3010 LRV



In-wheel-well dynamo

Global expansion and to the next 100 years

From postwar reconstruction

to high economic growth

Consolidated Financial Highlights

Highlights of Toyo Denki Seizo K.K. and Consolidated Subsidiaries for the Consolidated Fiscal Year Ended May 31 or as of May 31

		159th fiscal term	160th fiscal term	161st fiscal term	162nd fiscal term	163rd fiscal term
		FYE May 2020	FYE May 2021	FYE May 2022	FYE May 2023	FYE May 2024
Financial Data						
Fiscal Year						
Orders Received	(million yen)	38,527	30,055	30,447	33,246	44,019
Net Sales	(million yen)	39,071	33,143	30,158	31,025	32,140
Gross profit	(million yen)	8,242	7,338	6,815	7,197	8,171
Operating income	(million yen)	1,068	423	171	517	927
Net income attributable to owners of the parent	(million yen)	1,081	977	(930)	824	935
Comprehensive income	(million yen)	(351)	94	(1,727)	2,373	1,580
Capital investment	(million yen)	545	632	315	310	642
Research and development costs	(million yen)	792	819	712	755	972
Fiscal Year-End						
Net assets	(million yen)	24,183	24,008	22,012	24,582	26,070
Total assets	(million yen)	55,165	51,967	46,916	49,682	51,652
Per share information						
Net assets	(yen)	2,704.61	2,685.28	2,462.17	2,605.99	2,794.72
Net income	(yen)	120.98	109.38	(104.02)	91.85	99.53
Dividend	(yen)	30	30	30	30	30
Major Management Indices						
Shareholders' equity ratio	(%)	43.8	46.2	46.9	49.5	50.5
ROE	(%)	4.4	4.1	(4.0)	3.5	3.7
Operating income ratio	(%)	2.7	1.3	0.6	1.7	2.9
Overseas net sales ratio	(%)	20.7	15.9	14.5	19.7	22.4
Dividend payout ratio	(%)	24.8	27.4	—	32.7	30.1
Non-financial Data						
Number of officers (non-consolidated)		10	10	11	10	11
Number of employees on a consolidated basis		1,227	1,217	1,193	1,149	1,147
Number of employees at subsidiaries in Japan		386	370	363	357	356
CO ₂ emissions on a non-consolidated basis	(t)*	4,274	4,251	3,836	3,767	3,432
Electricity consumption on a non-consolidated basis	(10,000 kWh)*	767.6	772.2	749.8	674.0	594.3

*Aggregate amount of production bases and head office/branches per fiscal year beginning in April and ending in March of the following year.

We value people and technology, and will promote sustainability management that realizes sustainable growth and increased corporate value.



Akira Watanabe
President, Representative Director

► Pursuing our vision for Toyo Denki Seizo

Sustainability management that we aim to get fully embraced throughout the Group

The Group has been committed to growing its business, earning the confidence of shareholders and stakeholders, and sharing joy with our employees, by practicing its business principles of “prioritizing ethics and contributing to the prosperity of customers and society as a whole,” “encouraging creativity and an enterprising spirit to meet the challenges of the future,” and “building trust by focusing on quality first.”

To achieve these goals, we have consistently been supplying high-quality products and services globally, leveraging our technologies while responding to the changing needs of the times, since our founding. We believe that we have successfully carved out a history of more than 100 years by continuing to refine our technologies and quality and contributing to the realization of a sustainable society through manufacturing.

The Sustainability Policy established in 2021 reaffirms our past contribution to the realization of a sustainable society and our commitment to continuing to contribute in the future.

We repeatedly communicated such policy of sustainability to the Group’s employees, and worked to get the concept of sustainability management, which aims to increase corporate value while having the entire Group to contribute to the realization of a sustainable society, fully embraced. In the process, we realized the need to reorganize and communicate what we must value in order to continue to achieve sustainable growth and increase corporate value, with an eye to future changes in the environment.

► “People, Technology, Quality, Environment, Governance”

Determined five material issues that the Group focuses on

Five material issues (key challenges) determined this year are the result of many internal discussions based on this policy. Assuming a wide range of changes in the future society and market environment, what are the key challenges that must be addressed in order for the Group to continue to be needed by stakeholders as a company that supports social and industrial infrastructure and to achieve sustainable growth and increased corporate value? What should we value for the future? We had many discussions led by the Sustainability Committee to determine five material issues after the resolution of the Board of Directors in May 2024.

The five material issues, detailed information on which is also included in this Integrated Report, are about “People, Technology, Quality, Environment, and Governance,” which the Group has been valuing.

In order for the Company as an entity that has been contributing to the realization of social and industrial infrastructure, including railways, to achieve sustainable growth and increased corporate value over the medium- to long-term, it is *people* that we should value above everything else. People, who are the important management resources of the Group, are

empowered to provide customers with products and services accompanied with “technology” and “quality,” which will contribute to the realization of an environmentally friendly, sustainable society. Such corporate activities are to be overseen with a solid *governance* system for us to move forward into the future.

We have already started implementing initiatives for the material issues by incorporating them into the measures in the business plan for each fiscal year. We believe that this makes it easier for employees to understand and become familiar with it,

and will help it to be fully embraced throughout the Group. Similarly, we established key performance indicators (KPIs) together with target values to help employees to link their daily work with improvements in corporate value.

We also conduct sustainability training for the entire Group on an ongoing basis. I myself joined the training sessions held this year, where I communicated the significance and purpose of material issues and sustainability management, the meaning of KPIs, as well as my thoughts on the initiatives.

► Human resources are the most important management asset

Aiming for an organization/climate where people across the group can find their job fulfilling and play an active role

As I mentioned earlier, we recognize that human resources are the most important management asset to support our efforts to sustainably enhance corporate value and fulfill our social mission. In order to revitalize the organization and human resources by securing and retaining diverse human resources, fostering and assigning them to the right jobs, we started to work on the reform of our human resource system in the first year of Medium-Term Management Plan 2026.

Specifically, we are reviewing evaluation and compensation, human resource development, and workstyles and support for balancing work and life. In working on these efforts, we conducted an employee engagement survey, believing that it was necessary to first understand the current situation as to what the employees have high expectations for and the degree of satisfaction with respect to those expectations.

I believe that engagement is an indication of the degree of trust between the employee and a company. We are convinced that the Group can grow even further by enabling our employees to feel satisfaction from and pride in and be energized by their work. The engagement survey we conducted this time had the Company’s current state visualized and quantified to provide us with a lot of insights.

Based on the results of the engagement survey, we already started improvement efforts at the organizational level. In the future we plan to expand the scope of the survey to include our

group companies, and regularly conduct semi-annual surveys, in principle, while promoting efforts to improve engagement. Further, we do not rely solely on engagement surveys, but rather practice management by directly listening to the real voices of our employees. I myself listen directly to the opinions of our employees at the roundtable meetings we regularly hold with them. We will also incorporate the feedback we receive there to improve employee engagement.

It is human resources that create and produce the Group’s products and services. I intend to develop an organization and climate in which each employee can make the most of their capabilities and grow every day while taking on new challenges. In terms of human resource development, we have various training programs in place; however, we place particular importance on passing on skills. In principle, regular hires involved in manufacturing and quality assurance undergo a one-year training period before being assigned to their duties.

Our manufacturing is closely related to people’s daily lives. In railways, which are used by many people on a daily basis, product defects can have a serious impact on safety and security. With this awareness, we will continue to manage our business by carefully nurturing people and encouraging them to play an active role, also to supply high-quality products and services.

► Results of the first two years of Medium-Term Management Plan 2026

Steady progress toward achieving the targets

The first two years of Medium-Term Management Plan 2026 were completed in the fiscal year ended May 2024. Having gone through the COVID-19 pandemic, we saw a full-scale recovery in progress in the fiscal year ended May 2024, which is now reflected in the figures, partly thanks to our efforts for the three fundamental policies of Medium-Term Management Plan 2026, “expansion of new businesses and products,” “thorough improvement of the earnings structures of existing businesses,”

and “Improvement in asset efficiency with awareness of capital cost.”

Orders received remained firm both in Japan and overseas, and order backlog reached a record-high level due to the receipt of a large order for electrical equipment for railway vehicles in Indonesia and others.

Sales are also on a recovery trend, and we believe that we can further increase sales in the future by reliably producing and

Message from the President, Representative Director

delivering for the order backlog that we have accumulated. From a profit perspective, operating income, ordinary income, and net income all significantly exceeded initial forecasts. We consider one of the reasons for this is an improvement in profit margins. We made progress in revising to appropriate selling prices in response to rising raw material prices and other factors, mainly in the Industry Business, where the order-to-sales cycle is relatively short. We believe that our efforts for “thorough improvement of the earnings structures of existing businesses,” including those to increase production efficiency aimed at improving factory profitability, are starting to bear fruit.

Next, I will explain the status of each business segment. In the Transportation Business, there were increased activities to newly construct and renew rolling stock among railway operators, especially some private railway companies whose business performance has recovered, including from inbound revenue which stayed strong, resulting in an increase in orders received and sales. For China, orders for maintenance parts for high-speed railways, which were delivered more than a decade ago, are increasing. For overseas markets other than China, there are an

increasing number of inquiries, including the large project for Indonesia that I mentioned earlier.

In the Industry Business, orders for testing machines with space-saving specifications that leverage in-wheel-well dynamo technology, the Company's proprietary automobile testing system, as well as trial and contract testing, increased. In-wheel-well dynamo has been attracting a great deal of attention at trade shows, etc. In addition, orders received and inquiries for Emergency power generators as a BCP response to large-scale disasters are increasing.

The ICT Solution Business mainly handles railway station operating equipment systems used by railway operators at their stations. For example, it develops Commuter pass issuing machine and software associated with services for railway users, such as a cashless service. While there were orders received for IoT terminals for remote monitoring to be installed on trucks and other mobile entities as a business in a new area, both orders received and sales decreased due to a reactionary decline from the previous fiscal year.

► Outlook for the latter two years of Medium-Term Management Plan 2026

Group-wide implementation of three fundamental policies

Medium-Term Management Plan 2026 sets out targets of net sales of 40.0 billion yen, operating income ratio of 5%, and return on equity (ROE) of 8% for its final year, the fiscal year ending May 2026. The target of 40 billion yen in net sales means first returning to the pre-COVID-19 level, which we believe is well within our reach considering our order backlog which is at an all-time high. We consider “thorough improvement of the earnings structures of existing businesses” is the key to achieving an operating income ratio of 5%. What is important in this is revising selling prices to appropriate ones. We will continue to work to gain customers' understanding that our prices are fair, when the Group's technology and quality are taken into consideration, not only in the Industry Business, which has taken the lead, but also in the Transportation Business. Of course, we will strive to improve efficiency throughout production and reduce costs on various fronts through the Group's own efforts.

For the “expansion of new businesses and products,” we will continue our sales activities in Indonesia, where we successfully received a large order, in order to continue to win new orders. We will also promote the development of the in-wheel-well dynamo to make it a more attractive product, by reflecting the feedback received when we received inquiries.

As for the “Improvement in asset efficiency with awareness of capital cost,” we will work to divest cross-shareholdings while monitoring trends in the equity market. We will also strive to improve asset efficiency by promoting the sale of underutilized real estate and other actions.

We will accelerate these efforts to ensure that ROE of 8% will be achieved in the final year of Medium-Term Management Plan 2026.

► Future beyond Medium-Term Management Plan 2026

Development for further growth

While Medium-Term Management Plan 2026 is an important target and we are making every effort to achieve it, we are also looking into the future beyond it.

The Development Center, which is responsible for the development of new products, is working on the development of “on-demand motors” by utilizing the technologies and know-how

cultivated through the development of car-mounted electric components. This involves providing motor components, including inverters, that are customized to meet customer needs, such as built-in types, and they are expected to be used in special-purpose vehicles and others.

We are also paying attention to the trend toward the adoption of cashless services by railway station operating equipment systems and others. As the trend toward cashless operations expands from railways to other businesses including buses, and from cities to rural areas, business related to digital systems and software, such as payment terminals and internal business process applications, is expected to expand. Accordingly, the Development Center and the ICT Solution Business Unit are working together on initiatives.

Regarding overseas development, I would like to draw attention to the Indonesian business, in particular. Although it may seem like a sudden and rapid expansion due to a large order last year, the Indonesian business has been accumulating track records for quite some time and expanding steadily. There are more than 1,000 Japanese used vehicles running locally. Since the Group's electrical products are installed in those vehicles, we have been receiving orders for maintenance and other services. As traffic congestion became a social issue due to population growth accompanying Indonesia's economic development, and amid efforts by the Indonesian government to improve the country's railway systems, we were awarded the order in recognition of the Group's technical capabilities. The order was received from a vehicle manufacturer under the state-owned

railway company this time. The subway Jakarta MRT, which started operation in 2019, also runs vehicles equipped with the Group's electrical equipment for railway vehicles, including Propulsion systems. I understand that our track records to date have led to the latest order.

Meanwhile, in China, we have been in business for more than 20 years and have acquired brand strength as well. Although the economy in China is currently somewhat stagnant and geopolitical risks are also persisting, it has a large market and the extension, etc. of railways and subways has been steadily progressing. Maintenance demand for many of the products that the Group has delivered to date is also expected. We believe it is important to take a long-term view in developing business in China.

All of the Group's businesses only become possible with the work of our employees. We will continue to emphasize investments in human capital that will lead to improved employee engagement. We intend to make capital investment from the perspective of introducing production equipment to increase orders received and improve production efficiency, rather than simply renewing aging equipment.

► Message to our stakeholders

To enhance shareholder returns through growth and increased profits

Lastly, we have been promoting initiatives to ensure that ROE of 8% will be achieved in the remaining two years of Medium-Term Management Plan 2026, and I will explain our policy on how to return profits secured through such effort to shareholders.

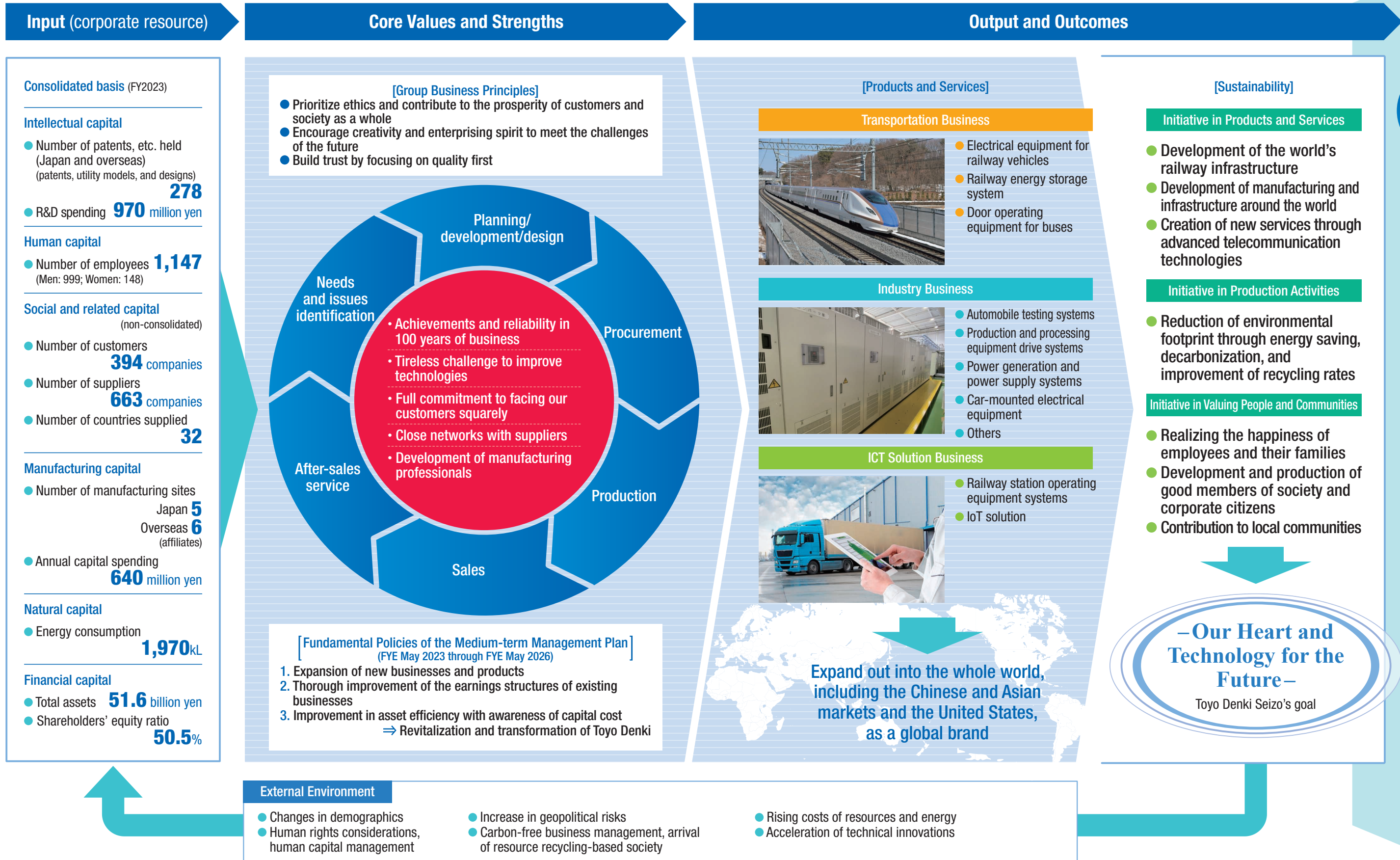
The Group's basic policy is to pay dividends in a continuing and stable manner with a payout ratio of 30% or higher. To respond to the trust placed in us by shareholders, we are working to strengthen the earning capacity needed to ensure the source funds for dividends. Under such basic policy for dividend returns to shareholders, we paid a year-end dividend of 30 yen per share in the fiscal year ended May 2024. For the fiscal year ending May 31, 2025, we have increased the dividend forecast by 10 yen to 40 yen per share, taking into consideration the earnings forecast and the basic policy. In accordance with the basic policy, we will continue to aim to increase dividends through profit growth and further enhance shareholder returns. Retained earnings will be effectively injected into growth investments, including capital and R&D investments as well as investments in human capital.

At the Group, we have sent out into the world numerous pieces of electrical equipment for railway vehicles and general industry, based on the motor drive technologies that we have cultivated since our establishment. We believe that it is the result of our efforts to create value that is unique to the Company, centered on people and technology.

In order to further increase corporate value, we re-examined and reorganized what we should value for the future, and have established the five material issues. We will continue practicing sustainability management with the aim of achieving sustainable growth and continuing to contribute to society.

We hope that our stakeholders will look forward to further development and expansion of the Group's business and request continuing support.





Long-term Vision

Help build social and industrial infrastructure that is considerate of the global environment, with a focus on exceptional motor drive technologies

Material Issues (Key Challenges)

The Group's basic policy to sustainability is to contribute to the realization of a sustainable society and achieve increased corporate value. To this end, we determined the five material issues as key challenges that should be addressed on a priority basis out of many challenges facing the Group and society. In addition, we established KPIs in order to promote initiatives aimed at sustainable growth and improvements in corporate value in a more concrete manner.

Going forward, we will further promote sustainability management by implementing initiatives with an awareness of material issues and checking the status of the relevant KPIs.

Please also see the Company's website.
https://www.toyodenki.co.jp/esg_csr/materiality.php

Material issues	What we envisage to be
1 Empowerment of diverse talent	A corporate group where a diverse range of talented people can continue to achieve self-fulfillment by developing an organization and climate that enable each individual to make the most of their capabilities and grow every day while taking on new challenges
2 Creation of innovation leveraging our technologies	A corporate group that continues to contribute to creating an enriched society by relentlessly striving for technological improvements and creating new innovations based on the spirit (heart) of master craftsmen which has been passed down over the long history
3 Stable procurement and high-quality manufacturing	A corporate group that continues to supply high-quality products and services by building a strong supply chain that enables harmonious mutual prosperity with suppliers, and through sincere manufacturing while thoroughly listening to customers
4 Contribution to a low-carbon society	A corporate group that continues to contribute to realizing a sustainable society through the development and sale of products and services that address climate change based on our outstanding motor drive technology
5 Responsible corporate activities toward society and stakeholders	A corporate group that remains indispensable for society and stakeholders, while continuing transparent management that prioritize ethics and increasing corporate value

Special Report

Medium-Term Management Plan

1 Expansion of new businesses and products

Strengthen and expedite development of new business areas across the Company, and respond to electrification, DX, and decarbonization

2 Three Fundamental Policies

Thorough improvement of the earnings structures of existing businesses

Drastically strengthen profitability of both factories and sales from the viewpoint of improving production efficiency and securing appropriate selling price

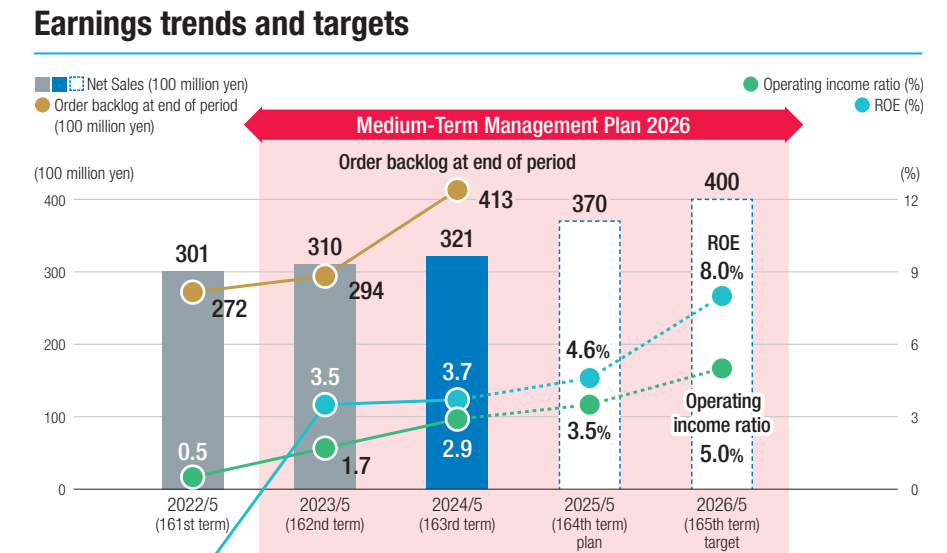
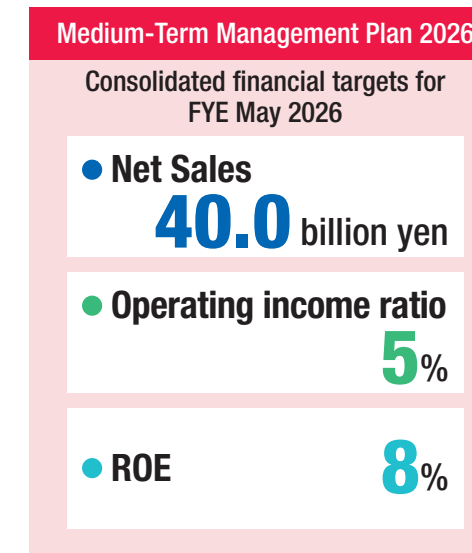
Improvement in asset efficiency with awareness of capital cost

Continue to reduce cross-shareholdings, review capital efficiency of each business and consider reallocation of corporate resources

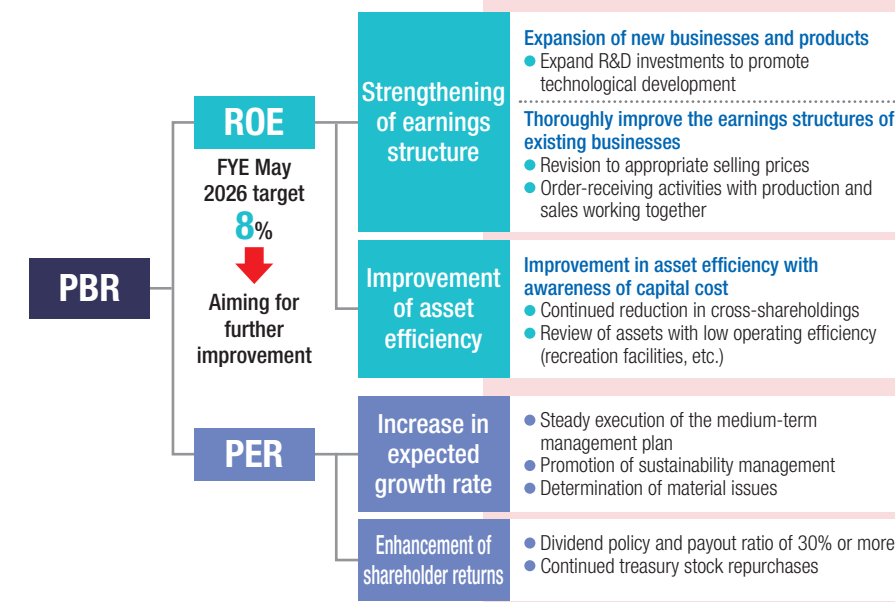
The first two years of Medium-Term Management Plan 2026, which had been launched in the fiscal year ended May 2023, were completed.

We have been making steady progress in our efforts to strengthen our earnings structure and improve asset efficiency.

We, the entire group, will continue to work together in the latter two years to achieve the targets for the final year.



Management with an awareness of capital costs

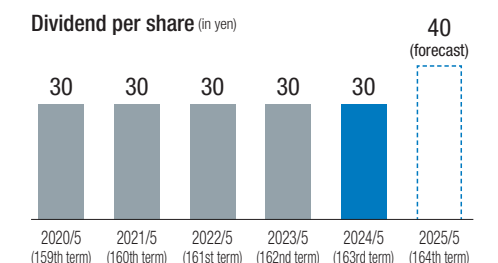


Enhancement of shareholder returns

The Company's policy is to pay dividends in a continuing and stable manner with a payout ratio of 30% or higher.

The dividend forecast for the fiscal year ending May 31, 2025, is 40 yen per share, up 10 yen, taking into consideration the earnings forecast and this basic policy.

We will continue to further enhance shareholder returns by increasing dividends through profit growth in accordance with our basic policy.



Message from the Operating Officer Responsible for Management Planning



Progress of Medium-Term Management Plan 2026

The Group considers four years from June 2022 as a period for restoring and improving corporate value, and is working on Medium-Term Management Plan 2026 which involves implementing actions under three fundamental policies (1. growth strategy, 2. improvement in earnings structure, 3. improvement in asset efficiency) to achieve its targets for management indices which are net sales of 40.0 billion yen, operating income ratio of 5%, and ROE of 8%.

In the last fiscal year when the first two years ended, we had an order backlog at the end of the period that reached a record-high level thanks to the order received for a large project in Indonesia and others. Earnings came in well above the plan due to an improvement in profitability and increases in income from subsidiaries.

In order to improve capital efficiency, we are also reviewing our business portfolio, including the withdrawal and restructuring of operating companies in China whose profitability has deteriorated.

We also recognize that practicing sustainability management is becoming increasingly important in society, and that responding to such demand will lead to sustainable corporate growth and increased corporate value. In the previous fiscal year, we had many discussions at the Sustainability Committee and other forums as to what issues the Company should address on a priority basis in order to realize it, and determined five material issues to clarify what the Company should do.

We have also begun to set KPIs for specific actions. Although we believe it will still take time for the concepts of material issues and KPIs to be fully embraced by each and every employee, we will aim to get the entire company, from the management to the front lines, to contribute to the realization of a sustainable society, which is the company-wide goal, and to take optimal actions aimed at increasing corporate value.

In fiscal 2025, the third year of the plan and midpoint, we will make company-wide efforts to improve profitability and strengthen earnings structure by quickly converting the order backlog into sales and steadily implementing price revisions and other measures while pursuing value-added.

Regarding management with an awareness of capital costs

The Company's ROE levels continue to be below the capital costs expected by the market. As a result, PBR has been around 0.4x currently, remaining below 1x. This indicates the evaluation by the market that we are continuing to destroy corporate value, and we recognize that this is an important management issue for the Company. The Company will focus on "raising the profit level to improve ROE" in accordance with Medium-Term Management Plan 2026 and strive to achieve the target without fail.

Regarding shareholder returns

We will enhance shareholder returns and improve capital efficiency by restoring and increasing corporate value over the medium to long term and realizing sustainable growth through efforts to achieve an ROE of 8%, which we are pursuing in Medium-Term Management Plan 2026.

The Company's basic policy for dividends is to maintain a payout ratio of 30% or more and provide shareholder returns in a continuing and stable manner, and we plan to increase dividends by 10 yen for the fiscal year ending May 31, 2025. We also conducted a share buyback in the previous fiscal year, for the first time in six years, and are working on it on an ongoing basis.

In addition, in growth areas we will invest the proceeds from continuing efforts to reduce cross-shareholdings and the sale of underutilized assets.

Message from the Operating Officer Responsible for Human Resources



Making "empowerment of diverse talent" the cornerstone of management

At the start of the latter two years of Medium-Term Management Plan 2026 (started in June 2024), we established five material issues (key challenges) that should be addressed on a priority basis in order to achieve "sustainable growth and increased corporate value." Their significance and details are as explained in Message from the President, Representative Director at the beginning of the report.

We have first and foremost listed "empowerment of diverse talent" among our material issues to take on challenges for a new future while respecting the values that we have emphasized for more than 100 years since our founding.

We started working to reform our human resource system two years ago as a key measure under Medium-Term Management Plan 2026, and we have reaffirmed two points on the occasion of determining our material issues. The first point is to revise the perception of investments in human resources from conventional "personnel expenses" to "investments in capital for enhancing the company's value to achieve growth." And the second is to transform the relationship between employees and the Company from "employees being something to be managed and utilized by the company" to "the Company should be what employees can feel proud of and a place where they can find job satisfaction, self-fulfillment and pride."

Initiative on investments in human resources

Since detailed information on such specific actions are provided in this report as "Initiative in Valuing People and Communities" based on the Sustainability Policy, here I will add a few words on the policy on investments in talent and the initiative to review the relationship between employees and the Company.

Regarding investments in human capital, in addition to expanding basic investments such as raising salary and bonus levels, we are also strengthening measures and investments to encourage employee motivation and growth. These include more promptly promoting young employees to higher positions, activating senior employees, promoting female empowerment, and expanding education and training programs. We are also working to increase/strengthen human resources in areas responsible for "expansion of new businesses and products" in order to achieve corporate growth.

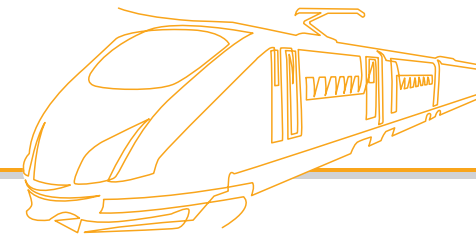
Regarding engagement initiatives

Regarding the relationship between the Company and its employees, we conducted our first full-scale engagement survey with the help of an outside expert organization in March 2024, and shared with all executives and employees our challenges based on comparisons with other companies.

Similar to the current share price and PBR representing the evaluation of the Company from the perspective of the equity market, we consider the result of this survey as the current evaluation of the Company from the perspective of the employees. And we have begun to work on improvement measures, such as enhancing dialogue between the employees and the Company, and sharing the direction the Company aims to head in.

A company is, after all, an aggregate of people, and engagement initiatives that increase empathy and trust in the company can be said to be efforts to enhance the "human ability of the company as a whole." We are promoting those initiatives along with those aimed at "increasing corporate value."

Transportation Business



We support railway transportation that connects people and cities with safety and trust through the technologies we have cultivated since our founding and through our environmentally friendly manufacturing.



Naoki Okuyama
Executive Officer, General Manager
of Transportation Business Unit

Business environment and strategy

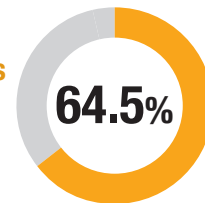
Socioeconomic activities regained momentum as corporate capital investment began to recover following the easing of behavioral restrictions as a result of the Japanese government shifting COVID-19 to a Category V disease. Railway operators are also enjoying this tailwind with their investment in rolling stock returning to pre-COVID-19 levels, and demand for the Company's products is on a recovery trend as well.

The Company's Transportation Business will seize this opportunity to take on the challenge of attracting new customers and expanding the market share of our products.

In the domestic market, investments to address sustainability are increasing, and the introduction of new rolling stock and the replacement of equipment is expected to reduce environmental impact. In overseas markets, starting with the order for electrical equipment for newly built railway vehicles for Indonesian commuter railways, which we received last year, there has been a continuing stream of inquiries for equipment renewal in the region, and we aim to win repeat orders. We will also keep a close eye on developments in China, Southeast Asian countries, and the North America region. Our factories and sales staff work closely to respond to the developments. Furthermore, as part of our efforts aimed at increasing corporate value, we have set out improvement in profitability of this business segment as a key issue, and will strive to thoroughly improve the earnings structures of existing businesses and earn appropriate profits.

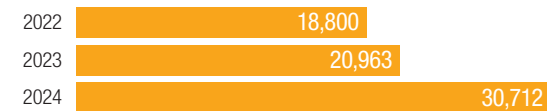
Results for FYE May 2024

Percentage of total consolidated net sales



Orders Received

30,712 million yen (up 46.5% year on year)



Net Sales

20,737 million yen (up 4.4% year on year)



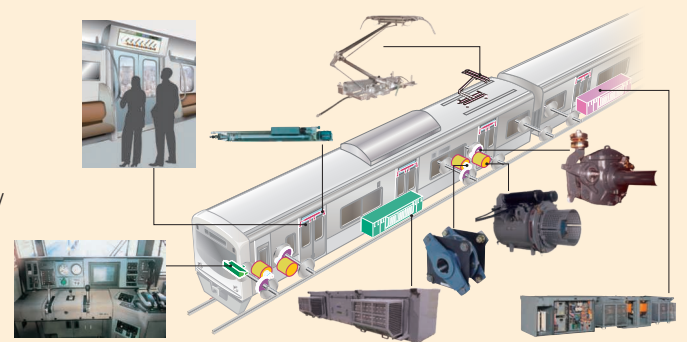
Segment Income

2,387 million yen (up 5.7% year on year)



Main products

- Electrical equipment for railway vehicles
Propulsion controller / auxiliary power supplies / traction motor / driving gear units / pantographs / train control and management systems / passenger information display systems / twin disk couplings / door operating equipment / high-speed circuit breakers, etc.
- Railway energy storage system
- Door operating equipment for buses



Main actions

Supply superior technologies as well as environmentally friendly products and services

We delivered electrical components for Hankyu Corporation's new rolling stock the Series 2300 and 2000, and the Series 2300 new limited express vehicles for the Kyoto Line have been in commercial operation since July 2024. The Propulsion controller adopted in the vehicles uses a low-loss semiconductor device to achieve a more compact size and reduce weight compared with conventional equipment. In addition, it is expected to reduce power consumption by approximately 60% compared with the existing vehicles, resulting in further energy-saving compared with conventional Si-IGBT devices used in the Kyoto Line Series 1300.

Through these efforts, we will work to lower environmental impact by reducing power consumption and the use of worn parts while also extending the replacement cycle, thus contributing to the realization of a sustainable society.



Exterior of Hankyu Series 2300



Exterior of the Propulsion controller (WVF inverter)
(photo provided by Hankyu Corporation)

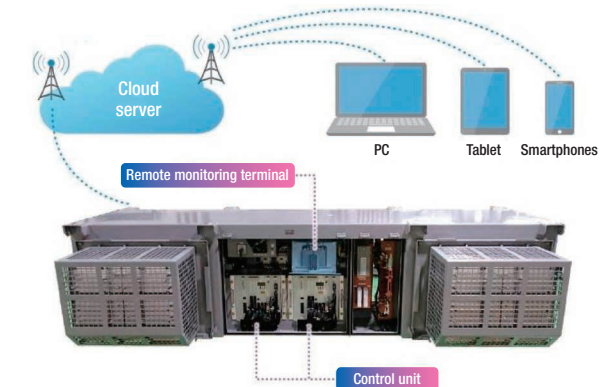
Real-time vehicle condition monitoring system for railways

We have built a system that enables real-time monitoring of operational status and behavior via a public cloud, by adding communication devices to the Propulsion controller of a railway vehicle. This system enables the IoT for equipment mounted on railway vehicles with simple modifications.

We will proactively leverage digital technology in order to expand the range of equipment that can be monitored and enable maintenance to be performed more efficiently and thus accommodate the labor shortages that are expected to occur from a shrinking population, thereby contributing to safe transportation.



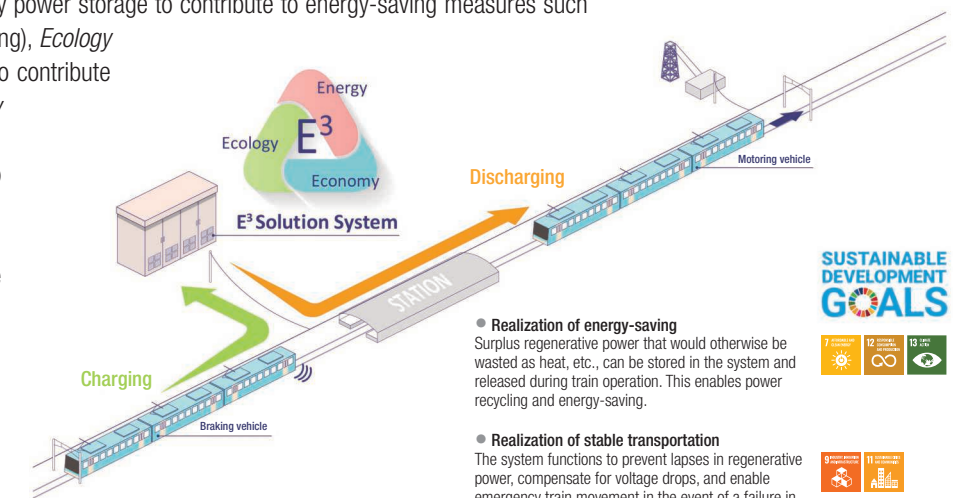
Example of the browser screen



E³ Solution System

The E³ Solution System is a Railway energy storage system developed for a low-carbon society and recycling-based society.

E³ stands for *Energy* (large-capacity power storage to contribute to energy-saving measures such as disaster prevention and peak shaving), *Ecology* (effective use of regenerative power to contribute to CO₂ reduction), and *Economy* (contributing to suppressing additional investment in substation facilities to respond to increasing power demand). It helps to save energy and realize stable transportation through the effective use of electric power, contributing to the realization of stable transportation.



● **Realization of energy-saving**
Surplus regenerative power that would otherwise be wasted as heat, etc., can be stored in the system and released during train operation. This enables power recycling and energy-saving.

● **Realization of stable transportation**
The system functions to prevent lapses in regenerative power, compensate for voltage drops, and enable emergency train movement in the event of a failure in feeder lines and thus it helps ensure stable transportation.



Industry Business

We deliver social and industrial infrastructure equipment that contributes to a sustainable society with our advanced power electronics technology.



Toshihito Nakanishi
Executive Officer, General Manager
of Industry Business Unit

Business environment and strategy

Demand for automotive testing systems that respond to the electrification of automobiles is on the rise. Vehicle testing systems that leverage the Company's proprietary in-wheel-well dynamo, and space-saving drive testing systems that apply the dynamo have attracted attention, and we are receiving an increasing number of orders and inquiries, including those for additional power supply units to simulate batteries installed in electric vehicles.

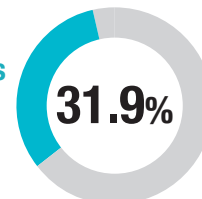
There is a growing need for energy saving, reduced maintenance requirements, and improvement of the working environment at production sites in the manufacturing industry, and we will propose the renewal of equipment using our motors, which are highly efficient, low-noise, and have excellent maintainability.

With an increasing emphasis on being prepared for disasters and other emergencies, there are growing expectations for our Emergency power generators and distributed power supply systems, such as the addition of emergency power generation equipment, and small hydroelectric power generation systems, which can be used as an emergency power source even in times of disaster.

In this business environment, we will continue to supply environmentally friendly social and industrial infrastructure equipment that contributes to the realization of a sustainable society.

Results for FYE May 2024

Percentage of total consolidated net sales



● Orders Received

12,083 million yen (up 11.3% year on year)



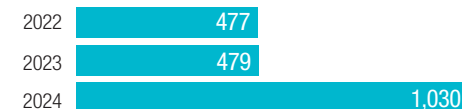
● Net Sales

10,257 million yen (up 3.6% year on year)



● Segment Income

1,030 million yen (up 115.2% year on year)



Main products

- **Automobile testing systems**
Various testing devices (durability, vibration, noise, etc.) for automobile components (engine, transmission, differential gear, etc.)
- **Vehicle testing systems (efficiency, driver-assistance systems, etc.)**
- **Production and processing equipment drive systems**
For printing machinery / tire and rubber processing machinery / paper manufacturing machinery / films processing machinery, etc.

● Power generation and power supply systems

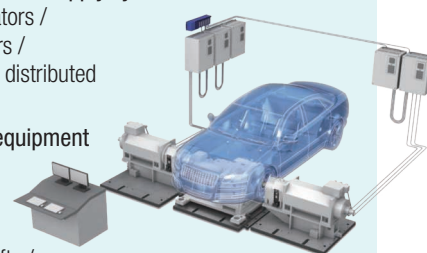
Emergency power generators / continuous-use generators / generating equipment for distributed power sources, etc.

● Car-mounted electrical equipment

For automobile / construction machinery

● Others

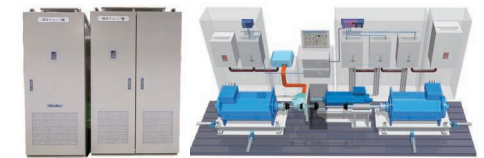
Electrical equipment for lifts / water supply and sewage equipment systems, etc.



Main actions

■ Adaptation of automotive testing systems for electric vehicle drive components

With the shift to electrification of automobiles, testing systems for drive components that are assumed to be driven by an engine are being adapted for electric vehicle drive components. To adapt to electric vehicle drive components, it is necessary to modify the testing system and add power supply equipment for the simulation of a battery that replaces a car-mounted battery. Car-mounted batteries are becoming increasingly high-capacity and high-voltage ones due to challenges such as vehicle cruising range and charging. We have responded to these requirements by developing and commercializing a battery simulator model whose direct current power source supports a high output and voltage of up to 300 kW/1,000 V. Through these efforts, we supply automobile testing systems that can also be used for testing e-Axles and other electric vehicle drive components.



■ Vehicle testing system using in-wheel-well dynamo (ITHD)

As the development of electric vehicles accelerates, there is a need for additional test benches to perform an evaluation test for those vehicles, and the vehicle testing system using our proprietary ITHD is attracting attention. ITHD is directly connected to the hub at the tire house of a vehicle and applies load directly to the vehicle, which saves space and minimizes installation costs compared with a conventional chassis dynamometer, which requires a pit, etc. on the building side. In addition, it can be used in driving conditions that are difficult for a chassis dynamometer, such as sudden starts and braking. In addition, as the increase in vehicle weight resulting from the installation of batteries increases the required driving power, we are developing a product with a higher output of 160 kW in addition to the conventional 94 kW. Further, ITHD's steering capability has the potential for use in advanced driver-assistance system (ADAS) testing and others, and we are cooperating with the Development Center on the development.

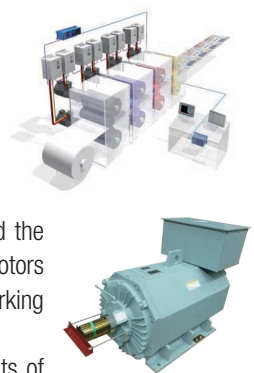


■ Expanding the line-up of production equipment drive systems that help save energy and reduce maintenance

We supply production equipment drive systems that leverage our high-efficiency Eco-Drive (ED) Motors that incorporate permanent magnets and our high-precision controllable inverters, in response to the need for energy saving and lower maintenance requirements at production sites in the manufacturing industry.

ED motors can now be applied to a broader range of equipment through conformity with EU directives and the expansion of the series to include large-capacity water- and dust-proof models. Moreover, the cooling of the motors can be changed from air to water cooling, which reduces the noise of cooling fans and thus can help improve working environments.

We will continue to supply products that contribute to energy saving and reduced maintenance requirements of production equipment, with the aim of realizing a sustainable society through manufacturing.



■ Approaches to power generation systems using renewable energy

We supply a distributed power supply system for small hydroelectric power generation as a power generation system that uses renewable energy. We are also exploring new ways to utilize renewable power, including biomass and marine energy power generation.

Further, our distributed power supply system is powered by our standard ED motor that incorporates a permanent magnet, and this feature is leveraged to support a variety of applications, such as generation and sale of electricity to commercial power grids, and, with the addition of stand-alone functionality enabling operation during grid outages, service as an emergency power source.



ICT Solution Business



We combine advanced telecommunication technologies with mechatronics to enhance customers' operational efficiency, convenience, and added value.



Katsuya Nakashima
General Manager of ICT Solution Business Unit

Business environment and strategy

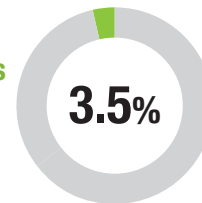
With the Japanese government reclassifying COVID-19 to a Category V disease resulting in a recovery in human traffic and an increase in inbound demand, capital investment in railway station operating equipment systems is also showing signs of rebounding. As transportation service operators seek to improve user convenience with contactless payment, and cashless and ticketless operations, and other solutions, we are proactively developing systems that support such needs so that we can propose solutions that meet customer expectations.

In the IoT market, increased operational efficiency and sophistication of services through the introduction of IoT are expected, especially in logistics, manufacturing and government offices. This is the result of the dramatic development of the cloud, communication, data analysis, AI and other technologies and the increasing shortage of labor due to a shortfall in the working population and stricter labor regulations. We will leverage cloud services and systems/services utilizing IoT terminals and mobile communication to develop solutions that enable customers to monitor and control mobile entities and remote equipment so that they can improve operational efficiency, optimize maintenance, and carry out preventive and condition-based maintenance.

We will expand our business range as we strive to provide our customers with solutions that help to add value.

Results for FYE May 2024

Percentage of total consolidated net sales



Orders Received

1,217 million yen (down 14.3% year on year)



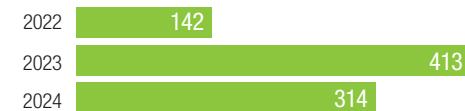
Net Sales

1,139 million yen (down 9.3% year on year)



Segment Income

314 million yen (down 23.9% year on year)



Main products

- Railway station operating equipment systems
Commuter pass issuing machine / IC card issuing machines / handsets for conductors / compact ticket issuing machines / judgement engines for ticket checkers, etc.
- IoT solution (cloud-based remote monitoring and control systems)

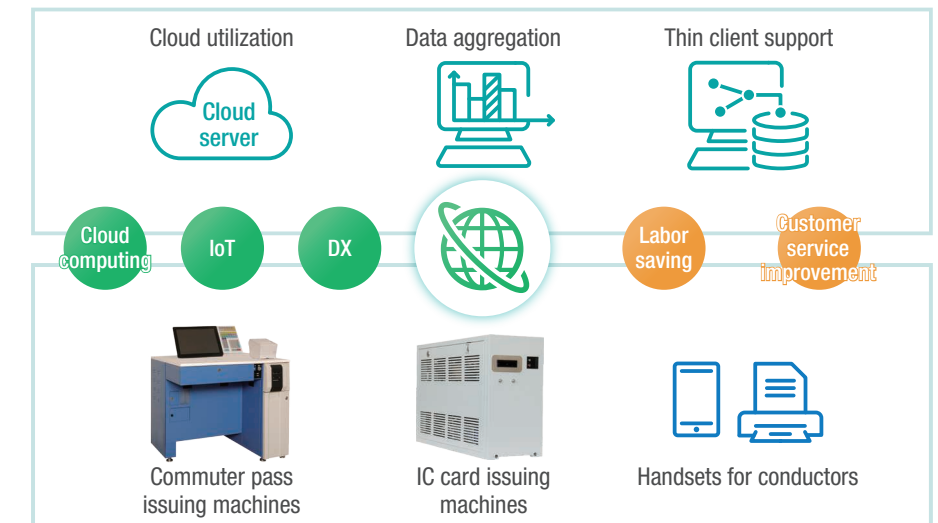


Main actions

Railway station operating equipment systems

We combine our deep insights, reliable technologies, and extensive experience in the rail transport sector with advanced ICT to provide railway station operating equipment systems that improve passenger convenience and reduce the workload of railway operators.

Leveraging cutting-edge cloud computing and IoT technologies to respond to needs ranging from diverse station equipment to host systems and applications that run on smartphones already in use, we will continue supplying transport service operators with systems that help them to build their foundation for DX, improve operational efficiency, reduce workloads, and improve customer satisfaction.



In-train ticket issuing system using cashless payment terminals

We developed an in-train ticket issuing app that is used on portable general-purpose cashless payment terminals with a built-in printer function, as well as a sales data aggregation system that uses a cloud server, and they have been delivered to multiple railway operators.

This use of general-purpose terminals lowers costs, making it easier for customers to adopt the system, and thus helps to create a cashless society.

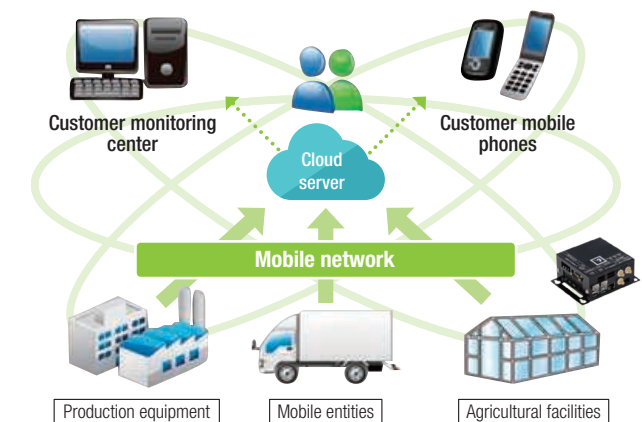
We will develop business processing applications tailored to customer needs so that the terminals can also be used for purposes other than in-train ticket issuing.

Smartphone-compatible, general-purpose ticket issuing system

We worked with the Development Center to develop a ticket issuing system. It helps save labor in issuance and aggregation work for crews and staff, facilitate work, and enhance services for transportation users.

IoT solution

We offer diverse services with systems that utilize IoT terminals, mobile networks, and cloud servers. In doing so, we provide solutions that enable customers to monitor and control mobile entities and remote equipment so that they can improve operational efficiency, optimize maintenance, and carry out preventive and condition-based maintenance.



Development Center

For initiatives aimed at expanding new businesses and products through collaboration with business units

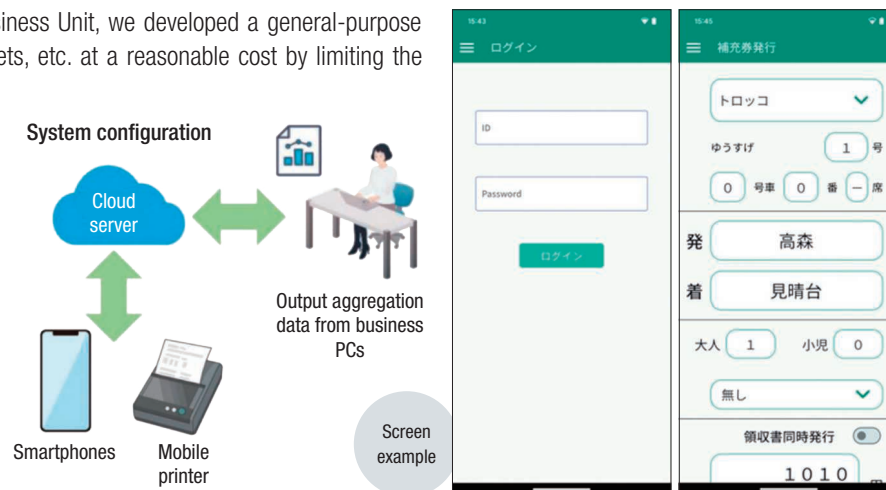
We will proactively explore and propose new business areas and develop new products by making full use of “power electronics” and “motors,” our core technologies, and also utilizing technologies that contribute to the development of monitoring systems that use information equipment and sensors that incorporate sophisticated communication technology as well as AI technology, and autonomous Propulsion systems for vehicles.

Takuya Hatakeyama
Executive Officer, Center Manager of Development Center



Development of smartphone-compatible, general-purpose issuing system for tickets, etc.

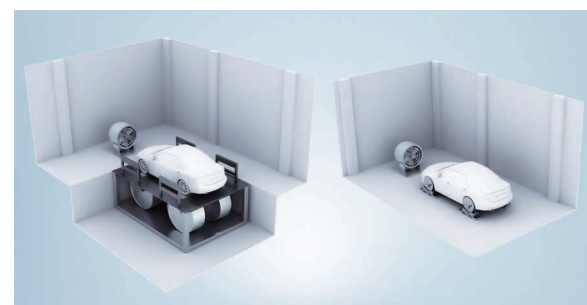
In collaboration with the ICT Solution Business Unit, we developed a general-purpose system that enables the issuance of tickets, etc. at a reasonable cost by limiting the system to contain general-purpose hardware and simple ticketing and aggregation functions, and delivered it to Minami-aso Railway Co., Ltd. The system consists of a business application for smartphones, a mobile printer and a cloud server-based system, and enables issuing and aggregation of tickets, etc. with simple operations.



Development of vehicle testing devices that leverage an in-wheel-well dynamo adapted to advanced driver-assistance systems (ADAS)

Validation of cognition, judgment and operation is required in the development of ADAS. Validating the operation is currently done through on-road driving using actual vehicles; however, this gives rise to a reproducibility issue and the risk of a major accident resulting from errors in the judgment system.

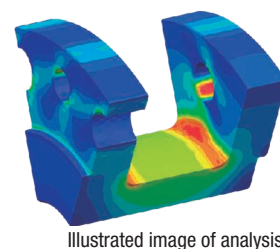
We are working on the development by fusing *physical* (actual vehicles) and *virtual* (tires and road surface) with an in-wheel-well dynamo, with the aim of realizing ADAS testing that does not involve on-road driving.



Support for product development making full use of analytical technology

The Center inherits company-wide fundamental technologies that have been cultivated over the years and functions as a “company-wide technical support division.”

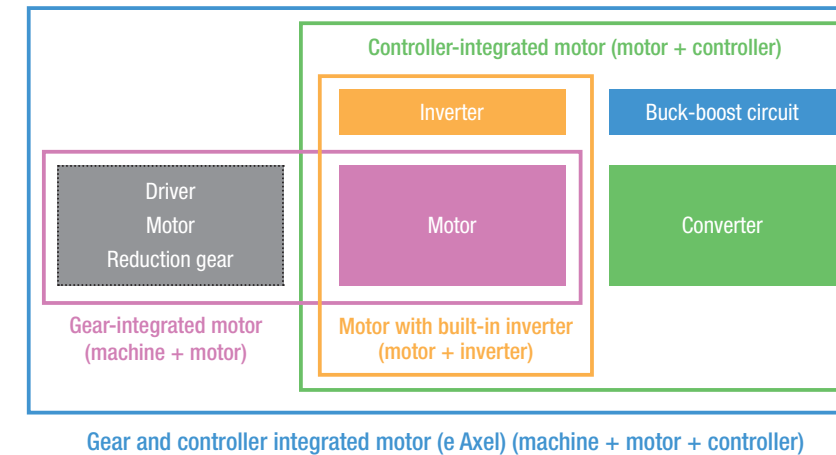
We conduct preliminary studies, evaluations, and validations for development, design, and manufacturing through fluid analysis and electromagnetic field analysis using the finite element method (FEM) and other computer-based methods.



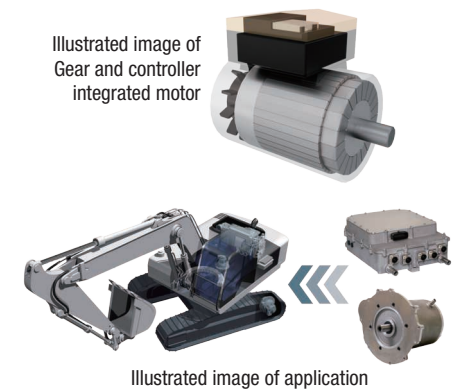
On-demand motors/inverters

Capitalizing on our fundamental technologies in power electronics and manufacturing, we supply motors and inverters optimally tailored to the customer’s needs (on-demand products).

We have provided flat large-torque motors to replace engines in electrification efforts and compact high-speed motors, but we will now develop on-demand products such as built-in electricals for motors (a key technology going forward) and motors with built-in inverters.



Example of system development



Through collaboration between the Development Center and the Industry Business Unit, we were contracted to manufacture motors and develop new motors/inverters (built-in type).

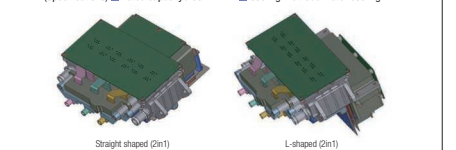
In May 2024, we exhibited a mock-up of a caseless inverter at Automotive Engineering Exposition 2024 held at PACIFICO Yokohama to conduct market research. (The figure on the right is an excerpt from the exhibition panel.)

We are working on dedicated development projects and customization projects for motors and inverters with the aim of winning more orders in the 164th fiscal term and beyond.

Development of proprietary car-mounted products

The Company has been working on the development of car-mounted electric products that incorporate the motor drive technology cultivated over many years, are compact in size and space-saving, and can be adapted flexibly to a variety of uses.

- Introduction of the conceptual model
 - 2in1 water-cooling-type car-mounted inverter that is compatible with DC300V
 - Freedom in shape / It enables components to be arranged according to a space to be mounted in, such as straight or L-shaped.
 - Caseless / Caseless structure enables it to be arranged within a customer's unit.
 - Compact size and space-saving / Two inverters per unit are installed in a compact manner.

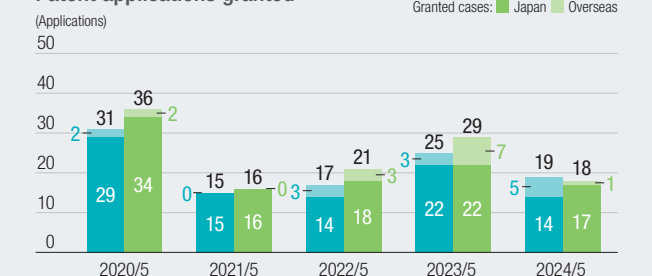


Intellectual Property

Our intellectual property is placed as a key corporate resource. Our intellectual property department is responsible for the management of intellectual property and the development divisions in each business unit and the Development Center actively apply for patents and utility models.

In overseas markets where we aim to further expand our business in the future, we are stepping up our efforts to protect our technologies and brands.

Patent applications granted



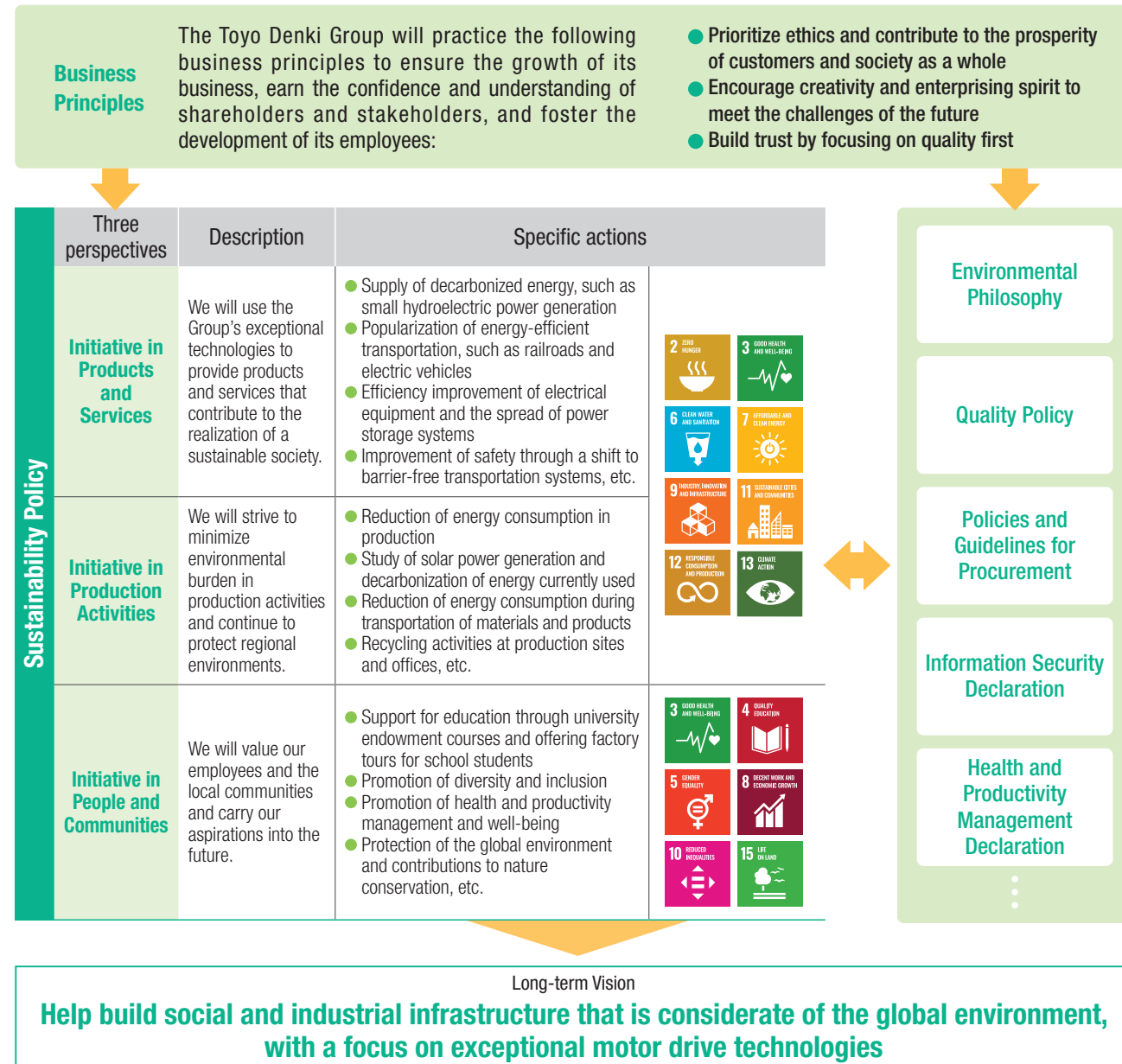
Sustainability Policy

Basic policy on sustainability

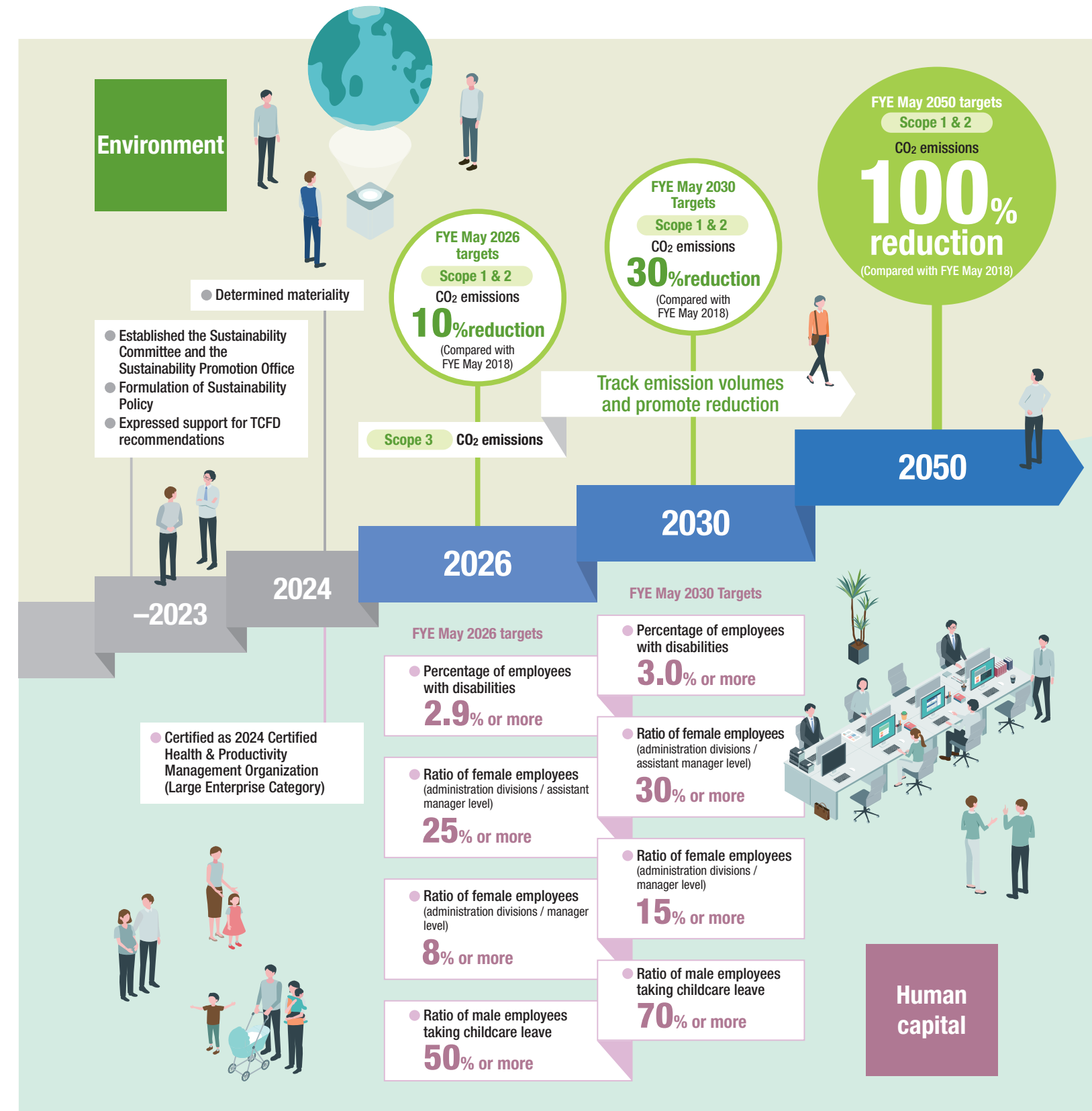
The Toyo Denki Group values contributing to society, customers and shareholders, meeting the challenges of the future, and building trust. To achieve these goals, we have consistently been supplying high-quality products and services globally, leveraging our technologies while responding to the changing needs of the times, over more than 100 years since our founding. While the environment surrounding society will keep changing in the future, we will continue to strive to refine our technologies and quality, contribute to the realization of a sustainable society through manufacturing, and increase corporate value.

Sustainability Policy

We have formulated the Sustainability Policy that organizes the Toyo Denki Group's business activities from three perspectives, with the aim of linking our basic policy to sustainability to specific actions.



Sustainability Roadmap



Disclosure based on the TCFD recommendations

Recognizing that responding to climate change is an important management issue, we expressed our support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations in June 2023. We will strive to further implement climate change initiatives and appropriately disclose information as part of our commitment to helping realize a sustainable society.

Governance

In order to promote sustainability management across the Group, we established a Sustainability Committee under the Board of Directors and carry out company-wide initiatives based on our Sustainability Policy. The committee, which generally meets once every quarter, is chaired by the President, Representative Director, and its members comprise mainly Operating Officers. We recognize climate change as a very important challenge and have set numerical targets for the reduction of greenhouse gases. Progress towards these targets is monitored by the committee,

and the content of committee discussions is reported to the Board of Directors for incorporation in the Group's management strategy.

Examples of matters deliberated/reported at Board of Directors meetings

- Revision of the policy on sustainability
- Determination of material issues
- Revision of our environmental philosophy
- Expression of support for the TCFD recommendations and related disclosures
- Formulation of a sustainability roadmap

Anticipated risks and opportunities

Transition Risks						
Anticipated Risks	Impact	Impact				Actions
		1.5°C / below 2°C		4°C		
		2030	2050	2030	2050	
Transition Risks	Policy & regulation	M	L	S	S	<ul style="list-style-type: none"> ● Avoid carbon tax and lower production costs by reducing GHG emissions through renewable energy use and switching to energy-efficient equipment ● Consider adopting ICP
	Technology	M	L	S	M	<ul style="list-style-type: none"> ● Enhance design/development systems, including production methods, and increase sophistication of our environmental technologies ● Identify needs for existing technologies/products through customer engagement
	Market	L	L	M	M	<ul style="list-style-type: none"> ● Prevent failures through condition-based maintenance and increase value added through personnel cutbacks and labor-saving approaches ● Develop products and systems reflecting the shift to EVs and consider creating alliances with other companies
	Reputation	L	L	M	M	<ul style="list-style-type: none"> ● Enhance disclosure through dialogue with shareholders, investors, suppliers, communities, and other stakeholders
Physical Risks	Acute	S	M	M	L	<ul style="list-style-type: none"> ● Reinforce disaster countermeasures of production bases by strengthening business continuity planning (BCP) ● Increase supply chain resilience by establishing multiple channels, using local suppliers, and taking other actions, and transfer risk by purchasing insurance
	Chronic	S	M	M	L	

Strategies

We have analyzed the future impact of climate change on the Group's business activities under the 1.5°C/below 2°C and 4°C scenarios, identifying the associated risks and opportunities and calculating the degree of impact in each case. The focus time horizon was long-term (to 2050) and analysis was also done for the medium-term (to 2030) as a transitional point. The degree of financial impact on business activities was defined according to three levels: large (L), medium (M), and small (S).

Scenarios

- 1.5°C / below 2°C scenario**
 - **Worldview:** A lower-carbon transition will take place across society and contain the temperature rise to a certain extent. Demand for energy-saving/eco-friendly products will grow. Legal, market, reputational, and other transition risks will increase.
 - **Reference scenarios:** SSP1-1.9, SSP1-2.6 (IPCC AR6) / NZE2050 (IEA)
- 4°C scenario**
 - **Worldview:** With priority placed on economic growth, the temperature rise will not be contained and the impacts of climate change will worsen. A lower-carbon transition will not be realized, and physical risks such as extreme weather events will increase.
 - **Reference scenarios:** SSP5-8.5 (IPCC AR6)

Risk management

A working group made up of working-level employees engages in discussions for advancing a company-wide approach to sustainability challenges. Meanwhile, the Sustainability Committee identifies climate change risks, discusses countermeasures, and monitors progress in implementing those actions. It also tracks the progress of the medium- and long-term sustainability roadmaps formulated by each division.

Indices and targets

















We have set the following targets for reducing CO₂ emissions associated with our business activities to help curb global warming.

Scope 1 & 2 CO ₂ emissions (compared with FYE May 2018)	FYE May 2026 targets	FYE May 2030 Targets	FYE May 2050 targets
	10% reduction	30% reduction	100% reduction

Opportunities						
Anticipated Opportunities	Impact	Impact				Actions
		1.5°C / below 2°C		4°C		
		2030	2050	2030	2050	
Resource Efficiency	<ul style="list-style-type: none"> ● Increase in maintenance opportunities driven by longer use and recycling of products ● Decrease in costs through streamlining of product processes, optimized use of materials, and streamlining of shipping 	L	L	M	M	<ul style="list-style-type: none"> ● Construct advanced production and processing equipment drive systems that capitalize on high-efficiency motors and invertors ● Improve recyclability through environmentally conscious design
Energy Source	<ul style="list-style-type: none"> ● Increase in demand for our products/services with shift to EVs and growth of demand for renewable energy and power storage technologies 	L	L	M	M	<ul style="list-style-type: none"> ● Promote battery storage of regenerative power Build new storage systems, such as a superconducting flywheel Railway energy storage system ● Develop and supply testing equipment that supports the shift to EVs
Products / Services	<ul style="list-style-type: none"> ● Increase in demand for electrical equipment for railway vehicles driven by greater demand for highly environmentally advantageous railway service ● Increase in demand for high-efficiency motors and inverters, distributed power supply, and other energy-saving products/systems ● Increase in demand for new testing systems that support the shift to EVs 	L	L	M	M	<ul style="list-style-type: none"> ● Improve environmental friendliness of electrical equipment for railway vehicles by increasing efficiency and reducing size/weight ● Make improvements to motors and inverters that enhance energy efficiency and maintainability of production equipment ● Develop testing systems that support the shift to EVs ● Increase the sophistication of status monitoring, alarm notification, and remote control of generators using IoT remote monitoring systems
Market	<ul style="list-style-type: none"> ● Potential for opening up new markets by uncovering demand for power storage systems, small hydroelectric power generation, wave power generation, etc. ● Increase in demand for ICT remote monitoring and automatic control systems to avert climate change-related food shortages and impacts on agricultural and livestock industries ● Popularization of EV-related products 	L	L	M	M	<ul style="list-style-type: none"> ● Popularize power storage systems, small hydroelectric power generation systems, and biomass generators ● Participate in the demonstration of wave power generation and consider its commercialization ● Increase the sophistication of status monitoring, alarm notification, and remote control of generators using IoT remote monitoring systems
Resilience	<ul style="list-style-type: none"> ● Increase in demand for solutions that strengthen resilience and BCP in response to increased severity of natural disasters 	L	L	M	M	<ul style="list-style-type: none"> ● Contribute to BCP preparation by supplying Emergency power generators for businesses and government offices ● Promote prediction and early detection of natural disasters using IoT remote monitoring systems
Reputation	<ul style="list-style-type: none"> ● Increased trading, improvement of stock price, and securing of human resources made possible by stronger reputation for environmental consciousness 	L	L	M	M	<ul style="list-style-type: none"> ● Enhance disclosure through dialogue with shareholders, investors, suppliers, communities, and other stakeholders

Initiative in Products and Services

We will provide products and services that help build a sustainable society using the exceptional technologies of the Group.

Business Category	Business Description	Value We Offer	Focus SDGs	Examples
Transportation Business Segment	Electrical equipment for railway vehicles	Contribute to the world's railway infrastructure through the supply of high-quality electrical equipment for railway vehicles	 	<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Adoption of Propulsion systems (drive systems such as Propulsion controller and traction motor) that are smaller, lighter, and highly efficient ● Establishment of condition-based maintenance (CBM) with real-time monitoring of product operation status and analysis of accumulated data <p>[Future actions]</p> <ul style="list-style-type: none"> ● Promote the development of autonomous driving technology for the realization of driverless driving ● Establish a new maintenance model using digital twin technology ● Improve recyclability and eliminate specified hazardous substances with promotion of environmentally conscious design
	Railway energy storage system	Contribute to energy-saving and stable railway transportation with the effective use of regenerative power	  	<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Battery storage of regenerative power generated by train braking and supply of power to trains in emergencies <p>[Future actions]</p> <ul style="list-style-type: none"> ● Further reduction of energy consumption through adoption of systems combining solar power generation, hydrogen fuel use, etc.
Industry Business	Automobile testing systems	Support the development of next-generation automobile with testing systems that use industry-leading high-performance motors and inverters		<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Popularization of next-generation automobile testing systems using in-wheel-well dynamo, which saves space and is quiet, suitable for various driving test evaluations ● Development and supply of testing equipment in response to the shift to automobile electrification, such as ultra-high-speed dynamos and high-capacity battery simulators <p>[Future actions]</p> <ul style="list-style-type: none"> ● Adapt in-wheel-well dynamo to advanced driver-assistance systems (ADAS) and popularize autonomous Propulsion systems
	Production and processing equipment drive systems	Contribute to manufacturing around the world by providing customers with optimal control systems using a wealth of technologies and products	   	<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Construction of advanced systems that capitalize on high-efficiency motors and inverters ● Improvement of energy-saving performance and maintainability of production facilities with economical and eco-friendly Eco-Drive Motor (ED motor) <p>[Future actions]</p> <ul style="list-style-type: none"> ● Design products with better recyclability and develop rare-earth-free motors and control systems for them ● Compliance with chemical substance regulations in each country and promotion of reduction of environmental impact
	Power generation and power supply systems	Supply power generation systems for continuous/emergency use and generators using natural energy to support public infrastructure	  	<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Establishment of power generation infrastructure by providing continuous-use generators to developing countries ● Popularization of small hydroelectric power generation systems and biomass generators ● Contribution to BCP preparation by supplying Emergency power generators for government offices, financial institutions, etc. <p>[Future actions]</p> <ul style="list-style-type: none"> ● Realize small and highly efficient pumps using Eco-Drive Motor (ED motor) ● Develop Emergency power generators using hydrogen and biofuels ● Popularize distributed power supply systems (mechanism in which power is supplied by small-scale generators distributed near consumption areas) for local production and local consumption of energy ● Participate in the demonstration of wave power generation and consider its commercialization
	Car-mounted electrical equipment	Contribute to the development of electric vehicles (EVs) and hybrid electric vehicles (HEVs) with power electronics technologies		<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Supply of car-mounted electrical equipment in response to the shift to electrification, such as for construction machinery <p>[Future actions]</p> <ul style="list-style-type: none"> ● Expansion of the line-up of car-mounted electrical equipment with on-demand motors/inverters
ICT Solution Business	Railway station operating equipment systems	Achieve greater convenience for railway patrons and labor-saving for railway operators by combining advanced ICT and mechatronics	 	<p>[Ongoing actions]</p> <ul style="list-style-type: none"> ● Improvement of rail service convenience through popularization of railway station operating equipment systems (Commuter pass issuing machine and handsets for conductors) <p>[Future actions]</p> <ul style="list-style-type: none"> ● Provide low-price ticketless systems to areas where IC has not yet been introduced, using QR codes, touch payment credit cards, and facial recognition technology
	IoT solutions	Realize monitoring and control of mobile entities and remote facilities in simple and inexpensive way with a variety of IoT solutions	 	<p>[Ongoing and future actions]</p> <ul style="list-style-type: none"> ● Provide train operation information systems and bus location systems to improve the convenience of transportation systems ● Status monitoring, alarm notification, and remote control of generators using IoT remote monitoring systems ● Prediction and early detection of natural disasters (heavy rains, flooding and inundation, landslides) using IoT remote monitoring systems ● Conduct remote monitoring and control of agricultural greenhouses, poultry farms, pig farms, and onshore aquaculture facilities to support stable agricultural production ● Conduct remote monitoring and control of frozen food trucks and refrigerated containers to support safe and stable distribution of foods

Initiative in Production Activities

We will strive to minimize environmental burden in production activities and continue to protect regional environments.

Aiming for Realization of a Sustainable Society

A sustainable society as envisaged by the Company is the combination of a “low-carbon society,” a “recycling-based society” and a “nature-symbiotic society.”

The environmental technologies of the Company have produced numerous products that contribute to energy conservation, including high-efficiency motors and inverters that capitalize on the amalgamation of our outstanding motor drive technology and other state-of-the-art technologies. In the meantime, the Company has been striving to conserve resources through not only the efficient use of energy but also the reduction of the size and weight of its products.

Decarbonized society

Implementation of measures against global warming

- Energy conservation through the Company's technologies and products
- Energy conservation in production activities
- Use of sustainable energy
- Improvement of logistics efficiency
- Proper treatment of wastes
- Reduction of amount of final disposal of wastes
- Proper management of chemical substances
- Cleanup around offices

Recycling-based society

Promotion of 3Rs (reduce, reuse, recycle)

Nature-symbiotic society

Conservation of biodiversity

Environmental Management System

In order to tackle environmental issues on an independent and continuous basis, the Company has developed and operates an environmental management system and thereby obtained ISO 14001 certification. This certification has been acquired for all offices and the production bases Yokohama Plant and Shiga-Ryuo Plant.

Years of ISO 14001 certification

Yokohama Plant	Shiga-Ryuo Plant*	Extended to all offices
2004	2001	2010

*The Shiga Ryuo Plant was the Shiga Factory (Moriyama) when it obtained the certification.

Initiatives to Prevent Global Warming

◆ Initiatives to reduce greenhouse gas (CO₂) emissions

The Company is promoting energy conservation at each of its production bases and offices to reduce its CO₂ emissions. At the production bases in particular, we are promoting power-saving

and streamlining at production facilities. In addition, the Yokohama Plant uses solar power generation for peak shaving of power demands.

◆ Targeted reduction of CO₂ emissions and progress status

The Company's CO₂ reduction targets are as stated in our Sustainability Roadmap (p. 24). With regard to CO₂ emissions per unit of production output in fiscal 2023 at the Yokohama Plant and the Shiga-Ryuo Plant, our manufacturing sites, the former saw a decrease of 18.1% as a result of emission control efforts; however, the latter had an increase of 9.3%, against the target of a 1% reduction year on year. The Company will continue to make efforts to reduce CO₂ emissions per unit of production output by 1% year on year in the next fiscal year.

◆ Yokohama Plant initiatives

① Installation of a solar power generation system

We installed a solar power generation system (500 kW) on the roof of the Yokohama Plant in 2012. In recent years, the system has generated 600,000 to 650,000 kWh of electricity annually, all of which is consumed internally. This contributes to reducing greenhouse gas emissions (equivalent to approximately 300 tons of CO₂ per year) and curbing global warming. We are considering adding solar panels to further reduce CO₂ emissions.

② Modal shift in logistics

The plant is expanding its shift of some outgoing customer shipments from truck transport to railway container transport, which places a smaller burden on the environment.

◆ Shiga-Ryuo Plant initiatives

① Contribution to a low-carbon society

We promoted effective use of energy by reviewing facility operations. (Crude oil equivalent: down 92.8 kl compared with fiscal 2018)

② Contribution to a recycling-based society

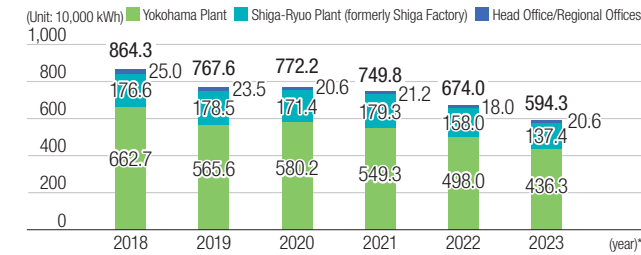
We promoted the sorting of wastes to improve the recycling rate of wastes.

③ Contribution to a nature-symbiotic society

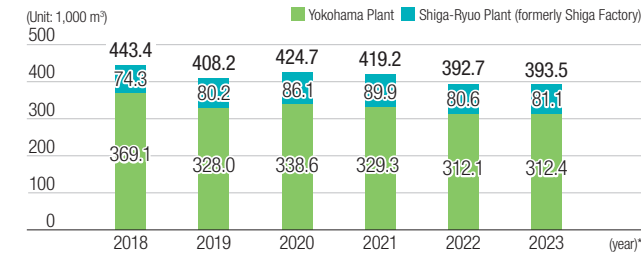
We implemented initiatives to reduce environmental burden through those for the Shiga Biodiversity Initiative Certification System. (Obtained a two-star certification)



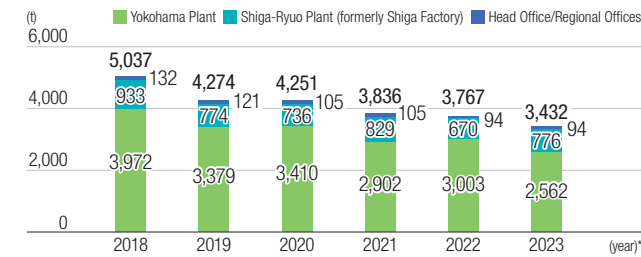
Total energy input (electricity)



Total energy input (gas)



CO₂ emissions

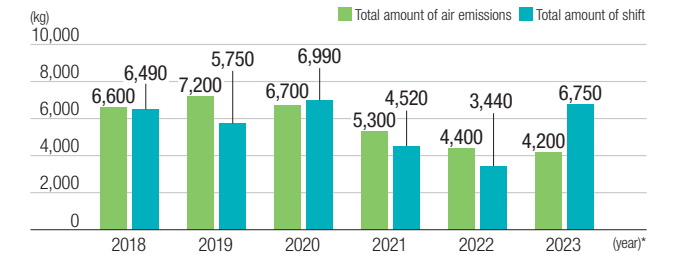


Initiatives for Control over Chemical Substances

Volatile organic compounds (VOCs) emitted as a result of our business activities are adequately controlled and the amount of emission is monitored under the Pollutant Release and Transfer Register (PRTR). We will further engage in the reduction of waste through such measures including using non-VOC materials and implementing recovery and reuse of solvents. PCB waste is also subject to adequate control, storage and disposal in accordance with Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

*The fiscal year is from April to March of the following year *Figures for the Shiga-Ryuo Plant include those of TD. Drive Mfg. Co., Ltd. from fiscal 2018

Notification volume for Pollutant Release and Transfer Register (PRTR) substances

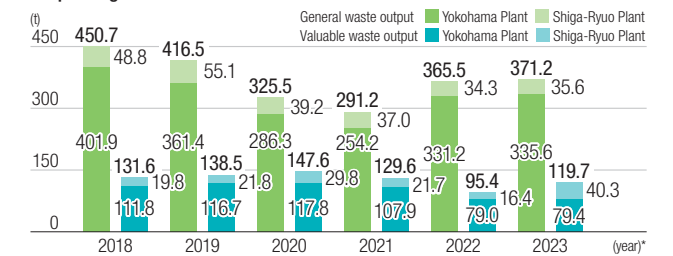


Initiatives for Reducing Disposed Waste as Well as Recycling

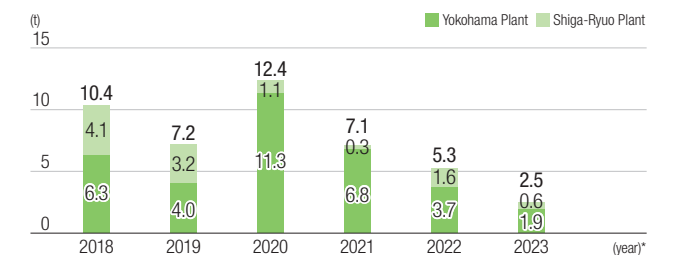
◆ Main actions

The Company has been thoroughly implementing waste processing rules, sorting metal waste, and recycling paper resources. As a result, its landfill waste volume rate in fiscal 2023 was 0.5%, the lowest level ever.

Output of general and valuable waste



Volume of landfill waste



VOICE

The work site for control system assembly and testing at the Yokohama Plant used outdated, low-efficiency lighting fixtures. In addition, it was lit with higher illuminance than required. We conducted a lighting optimization test with the cooperation of the relevant departments, to adopt LED lighting and select and renew to lighting fixtures with optimum illuminance. This resulted in a reduction of 69.8 MWh in annual power consumption. We will continue to promote energy-saving at our work sites.



Akira Yasunaga
Production Engineering Division
Production Engineering Department

Quality Control – Providing Safe and High-Quality Products

◆ Quality Policy

The Company's electrical equipment for railway vehicles is installed in many rail vehicles. These extremely important products play a direct role in ensuring the safety of human life and property during rail transportation. In the Industry Business and ICT Solution Business as well, the Company's products and services are used in customers' production facilities, development sites and in the field of social infrastructure, and they form the foundation supporting the sustainable development of a society that is safe and comfortable to live in.

In order to ensure the high quality of our products and services, the Company has established a quality policy, which is deployed across the Group as we strive to maintain and improve our human resources education, compliance with rules, and our facilities.

Quality Policy (excerpts)

Based on our commitment to making quality our top priority, we will contribute to society by reliably providing safe and high-quality products and services that satisfy our customers.

*For details of the Quality Policy, please see the Company's website. https://www.toyodenki.co.jp/company/quality_policy.php

◆ Promotion framework

With regard to quality control, each fiscal year the Company develops policies and the promotion framework aimed at further maintaining and improving quality in each business unit, along with specific policies pertaining to the reduction of flaws and other issues.

The Company's Corporate Quality Control Division works together with the quality control department or the quality assurance department in each business unit to put together a report on the status of quality control and results in each unit. The report is delivered to top management at the monthly Operating Officer Liaison Meeting where measures are debated and decided.

Furthermore, in the event that a flaw is discovered after a product has been shipped, the necessary steps are swiftly taken, mainly by the quality assurance division in each business unit, while at the same time the causes that led to the flaw and its mechanism are investigated, and this information is put into a database so that the information can be shared in-house in an effort to prevent recurrence.

Quality Management System

The Company has created and operates a quality management system and has obtained ISO 9001 certification, including at its production bases, the Yokohama Plant and the Shiga-Ryuo Plant.

Year ISO 9001 certification obtained

Yokohama Plant	Shiga-Ryuo Plant*	Extended to all offices
1997	2000	2005

*The Shiga Ryuo Plant was the Shiga Factory (Moriyama) when it obtained the certification.

◆ Acquisition of Railway-related Standards

High level of safety is essential for rail vehicles. UNIFE, the Association of European Rail Industry, established the International Railway Industry Standard (IRIS) in 2007 to ensure the quality of railway vehicles. In 2013, we became the first company in Japan to obtain an IRIS certification (current international standard: ISO 22163) for auxiliary power supply.

In 2014, we were also accredited to the China Railway Certification Center's (CRCC) certification for driving gear units. It is necessary to obtain this certification to sell high-speed rail products in China. We will continue to acquire international standards and further expand our business globally.

Towards Just and Fair Procurement

◆ Communication with suppliers

The Company's products possess distinctive characteristics such as being individually built-to-order, manufactured in multi-product small lots, and demanding high reliability. Therefore, the Company can be affected by issues such as delays in supply due to fluctuations in production quantity or delays in processing due to the quality of products procured. In order to reduce these risks, the Company carries out instruction and support related to quality, technology, and skills for our suppliers, as well as guidance for improvement of production sites, in order to ensure stable procurement of even better quality products. In addition, we actively promote information sharing through the "Toyo Denki Seizo Cooperation Association" to which our leading suppliers belong.

Policies and Guidelines for Procurement

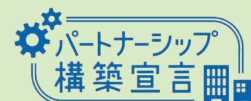
The Toyo Denki Group will, in its procurement of raw materials, services, etc. for the products that it supplies to customers, engage in practices mindful of society's expectations concerning human rights and the environment, and in doing so will advance sustainability initiatives and will work together with suppliers to help realize a sustainable society.

*For details of the Policies and Guidelines for Procurement, please see the Company's website. <https://www.toyodenki.co.jp/procurement/>

Partnership Development Declaration

The Company announced the "Partnership Development Declaration" in order to build new partnerships by promoting collaboration and harmonious mutual prosperity with its supply chain partners and business operators seeking value creation.

*For details of the Partnership Development Declaration, please see the Company's website. <https://www.toyodenki.co.jp/procurement/>



Initiative in Valuing People and Communities

We will value our employees and the local communities and carry our aspirations into the future.

● With Our Employees

Ensuring diversity

◆ Female empowerment

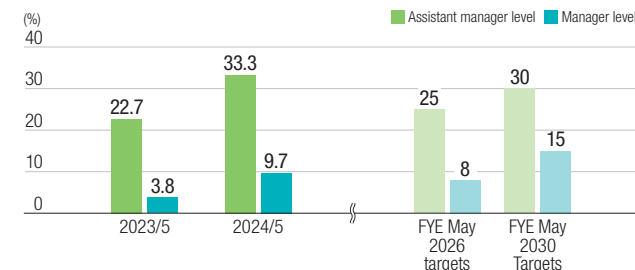
We have 791 employees, and women make up 2.8% of our managers. Further, women make up 8.7% of our permanent employees, and work needs to be done to raise female representation across the board.

As part of our new graduate recruitment activities, we host company briefings for female students that provide the opportunity for them to speak with female employees and gain a better idea of what it is like to work for Toyo Denki. We further strive to recruit diverse talent through mid-career hiring and a program that enables fixed-term employees to switch to permanent employment.

In addition, we implemented a training program for executives and managers to support female empowerment and a career training program for female employees. We will make ongoing efforts to foster awareness and provide support for our female employees to be more positive and active in their own ways than ever before.

◆ Ratio of female employees

Administration divisions



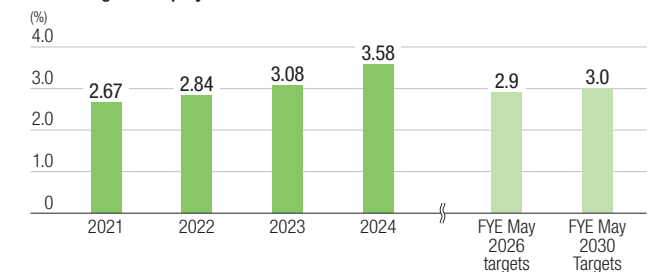
*As noted above, women make up 8.7% of our permanent employees, and work needs to be done to raise female representation across the board. We are initially targeting administration divisions in our efforts to increase the ratio of female managers.

◆ Employment of the disabled

Aiming to be a company where both the disabled and nondisabled work together in a lively way, the Company makes improvements to the workplace environment and carries out workplace training. We have promoted the hiring of people with disability by offering hands-on workplace training opportunities in collaboration with local special-needs schools and support organizations. We will continue pursuing efforts to be a company where everyone can work vibrantly.

◆ Percentage of employees with disabilities

Percentage of employees with disabilities



*Figures are as of June 1

Improvement of working environment

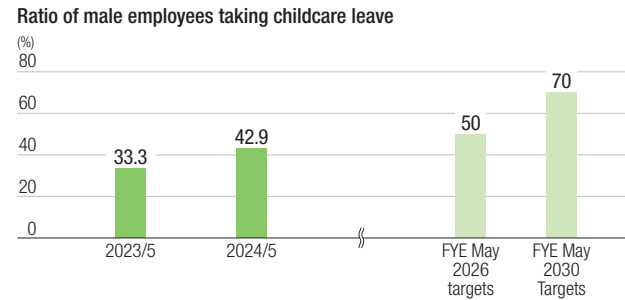
◆ Supporting work-life balance

We are expanding our systems supporting flexible workstyles in order to help employees achieve a good work-life balance. In 2014, we were certified as a "company that supports child-rearing" and received the "Kurumin" certification logo from the Tokyo Labor Bureau. Since then, we have also implemented various support systems, including for rehiring former employees who had to leave their jobs due to reasons such as childbirth, child-rearing, family care, or their spouse's reassignment; limiting the working location of employees caring for children or other family members to a defined region; offering diverse options for reduced working hours for treatment of non-occupational injuries and diseases; and providing annual leave on an hourly basis.



Our efforts to encourage more male employees to take childcare leave include providing information to those who are expecting a child. Specifically, we created and distribute a guidebook on childbirth and childcare, and a collection of employees' personal stories about their experiences in taking childcare leave.

◆ Ratio of male employees taking childcare leave



*The above ratios were calculated for childcare leave, etc. as prescribed in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), pursuant to the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

*The ratio of female employees taking childcare leave is 100%, and we will strive to maintain that level by further working to support the work-life balance of women.

◆ Initiatives on organizational climate reform

Roundtable meetings have been held regularly since December 2022 to share values between the President, Representative Director and employees and to practice management that listens to employees' opinions. The President, Representative Director has visited each of our domestic bases and held the meetings 20 times so far, with a total of 94 employees participating. We will continue to place importance on two-way communication with employees. We also launched an engagement survey in March 2024 and began to work on improving employee engagement.

Health management

◆ Promotion of "health and productivity management"

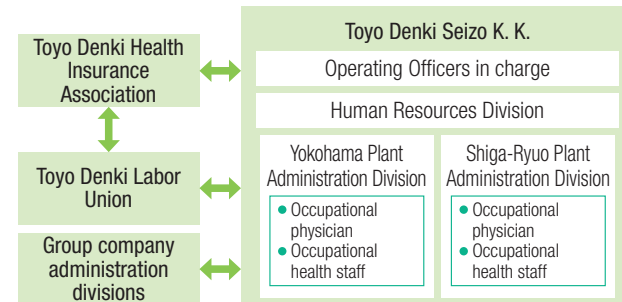
We promote health and productivity management with the health insurance association and labor union, with the aim of being a company where employees can play active roles in good physical and mental health. With the "Health and Productivity Management Declaration" also in place, our efforts focus on the following six priority items.



Health and Productivity Management Declaration

The Toyo Denki Group expresses in its business principles its commitment to "ensuring the growth of its business, earning the confidence and understanding of shareholders and stakeholders, and fostering the development of its employees." Recognizing that the realization of the commitment involves each employee to be physically and mentally healthy and able to play an active role with enthusiasm, the Company will support its employees to achieve good health.

Health and productivity management promotion framework



Promotion framework members meet twice a year

Six priority items

1 Disease prevention, prevention of illness aggravation

We will maintain a 100% participation rate for regular health checkups, improve the take-up rate for specific health guidance aimed at preventing lifestyle diseases, and support the attendance of follow-up examinations.

2 Work-life balance

In order to enable diverse employees to achieve work-life balance and continue to work vibrantly, the Company has established a "no overtime" day, provides annual paid leave more than statutorily required, and sets minimum rest periods between shifts, in addition to the efforts described in the "Supporting work-life balance" section on the previous page. Believing that improved productivity of each and every employee through those efforts will lead to the enhancement of technologies and value we provide to customers, we will continue to work on the development of an environment where employees can work with peace of mind while balancing their jobs with family life, through such means as expanding the scope of application of our flextime program and introducing a remote work program.

3 Promotion of health and safety activities and realization of a comfortable working environment

To secure a safe working environment and achieve zero occupational accidents, we have in place the "Company-Wide Safety and Hygiene Management Policy," and the Safety and Hygiene Committee at each office each month addresses any issues at workplace. Information on the committees' actions is shared at the Company-Wide Safety and Hygiene Committee, which convenes quarterly, in order to raise the level of health and safety activities at each office. Two of the quarterly meetings are also attended by our Group companies to share information on health and safety activities.

4 Improvement of employee health, communication promotion and support

We conduct annual training on self-care and women-specific health issues with the aim of improving employees' health literacy to encourage their voluntary health maintenance and improvement

efforts, as well as holding health events together with the health insurance association and labor union. In addition, we support internal club activities, and social events at each workplace, to promote communication among the employees.

5 Prevention of mental health problems and support for returning to work

We annually carry out employee stress checks and analyze stress-related conditions of each organization to prevent and detect mental health problems at an early stage. In addition, we provide line care training for managers so that they recognize the importance of communication and promptly coordinate with occupational health staff at each office. Also, we have set up in-house and external mental health consultation services to further support mental health care for our employees.

6 Health management of employees at overseas posts

In addition to properly conducting health checkups before and after overseas postings, we manage employee health during those assignments by utilizing external healthcare services to provide access to medical care, including for emergencies.

(3) To provide a variety of educational opportunities in order to promote personal development, with emphasis on a self-directed approach to study and growth.

◆ Education and training system

To help its employees play an active role, the Company provides learning opportunities and support according to the various roles required of each employee. For example, we provide provisional hire training for those who have received provisional job offers, level-specific training that develops the skills needed for each year, individual training according to job types and roles, a support program aimed at helping employees to obtain academic degrees and official qualifications, and division education conducted by each division.

Furthermore, new employees in technical positions receive lectures and practical training at the Technical Training Center for one year to equip them with basic and specialized technical skills before their assignment to a workplace.

◆ Skill transfer

In line with our business principles focusing on quality first, we encourage our employees to acquire official certifications. Employees with exceptional manufacturing skills or expertise are also recognized as "Technical Meister" and assigned to instruct and train younger employees. Three employees of the Company have accepted Contemporary Master Craftsman awards from the Minister of Health, Labour and Welfare, and two have been awarded to the Medal with Yellow Ribbon by the Japanese government. Moreover, a large number of employees have become certified as special-grade skilled workers.

Human resources development

Human resources development policy

Guided by the following policy, we strive to be a company that continuously develops the competencies of its employees so that everyone can make the most of their talents as professionals.

- (1) To develop human resources who understand and practice our business principles and code of conduct and who are of value both as company employees and as members of society.
- (2) To develop human resources who are professionals, each possessing a high degree of specialized expertise, by enhancing the knowledge, techniques, and skills they need to carry out their duties.

Workforce data (at Toyo Denki Seizo K.K.)*

*Number of permanent employees including Operating Officers, and number of special employees, temporary employees, contract employees and staff on loan from other companies, etc.

Item	Unit	FYE May 2020	FYE May 2021	FYE May 2022	FYE May 2023	FYE May 2024
Number of employees	Total	841	847	830	792	791
	Men	773	766	746	708	701
	Women	68	81	84	84	90
Ratio of female employees	%	8.1	9.6	10.1	10.6	11.4
Number of administrative professionals	Total	136	139	134	133	143
	Men	133	136	132	131	139
	Women	3	3	2	2	4
Ratio of female administrative professionals	%	2.2	2.2	1.5	1.5	2.8
Average age	Overall	41.0	41.7	42.3	42.6	42.9
	Men	40.9	41.6	42.2	42.5	42.9
	Women	41.7	42.8	43.0	43.5	42.8
Average years of employment	Overall	15.4	16.0	16.5	16.9	17.0
	Men	15.5	16.2	16.7	17.2	17.4
	Women	14.1	13.9	14.0	14.2	13.5

● Contributions to Local Communities

To Convey the Mission and Appeal of Toyo Denki

◆ Receiving interns

We are committed to activities that raise awareness and appreciation of our manufacturing expertise by accepting interns from local technical high schools and providing them with hands-on experience at manufacturing sites. This internship system serves as an effective means of recruiting outstanding technical staff on a consistent basis as some students from these schools apply for positions at the Company.

◆ Yokohama Plant internships for people with disabilities

The Yokohama Plant provides internships for students of local special-needs schools as another initiative for promoting the employment of disabled people.

◆ Certification under the Shiga Businesses Supporting Facilities for People with Disabilities program

The Shiga-Ryuo Plant's support for the employment of people with disabilities includes outsourcing site landscaping and other work to an agency that employs disabled people. This and other contributions were recognized in 2023 with the plant's certification under the Shiga Businesses Supporting Facilities for People with Disabilities program.

◆ Factory tours

We conduct "factory tours" that enable the public to gain a deeper understanding about the business operations of the Company. During these tours, we inform the participants of our products as well as our actions for environmental protection.



◆ Participation in university endowment courses and hands-on courses

We conduct lectures leveraging the know-how fostered through operations and our business activities in on-site training courses held by educational institutions including universities. This year, we continued to participate in endowment courses sponsored by the Yokohama Green Purchasing Network so that participants can deepen their knowledge on history of railway and the environment through our business activities.

◆ Conducting cleanup activities

As part of our "initiative in valuing people and communities," employees at the Yokohama Plant and the Shiga-Ryuo Plant conduct community cleanup activities.

The Shiga-Ryuo Plant also expressed its endorsement of Shiga Prefecture's Mother Lake Goals (MLGs) and carries out river cleanup operations near Lake Biwa in cooperation with local communities.



◆ Donation to Yokohama Kyodo no Mori Fund

Our Yokohama Plant cooperates in small woodlands conservation activities led mainly by the city of Yokohama by donating part of the proceeds from its vending machines to the Yokohama Kyodo no Mori Fund.

◆ Donations to Omi Victim Support Center

As part of its activities for giving back to the community, our Shiga-Ryuo Plant donates a portion of the proceeds from charity-purpose vending machines to the Omi Victim Support Center.

VOICE

As part of its sustainability efforts, the Company aims to realize a working environment where everyone, regardless of age or gender, can make the most of their individuality and capabilities.

To drive this effort, we first conducted female empowerment support training that focused on support for female employees, targeting executives and all managers, to raise awareness of the organization.

We have also dispatched female employees to external training programs as an opportunity to foster positive awareness and support career development.

We will continue to strive to realize a working environment in which a diverse range of talented people can play an active role.



Izumi Asai
Human Resources Department,
Human Resources Division

Governance

In an effort to continuously enhance its corporate value, the Company is striving to ensure transparency of management and compliance, along with the maintenance and operation of an adequate governance framework while reinforcing its risk management framework.

Corporate Governance

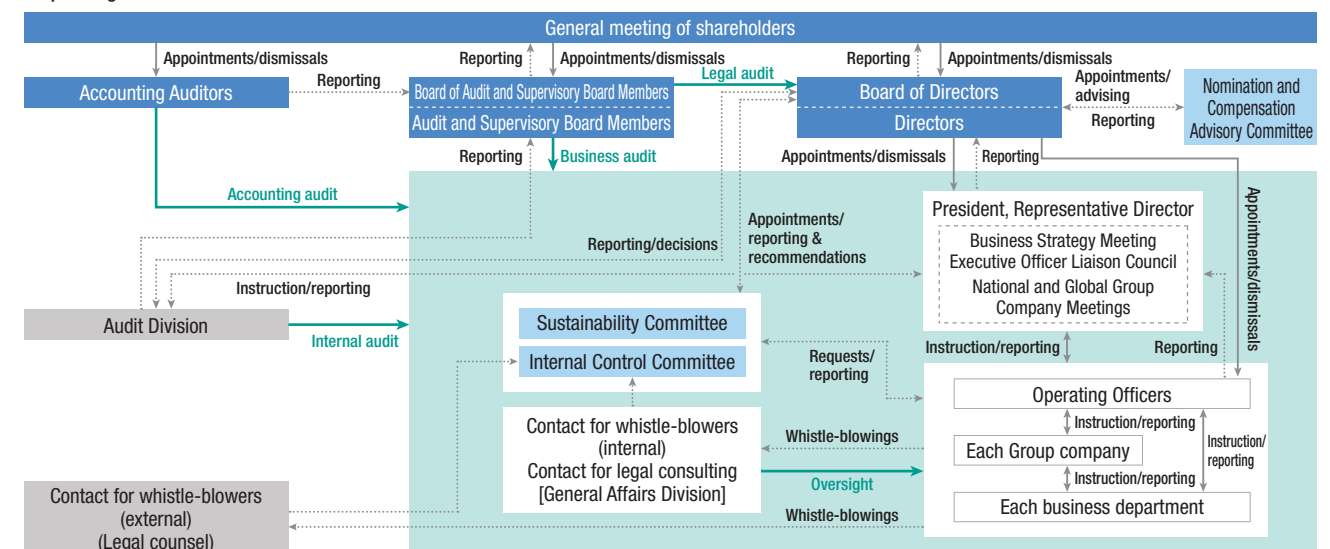
◆ Our basic policy on corporate governance

The Group's business activities are based on the business principles that "prioritize ethics and contribute to the prosperity of customers and society as a whole." We therefore strive to attain sound corporate management through strengthening and reinforcing corporate governance, while fully appreciating the significance of compliance based on corporate ethics. At the same time, we review as appropriate our management monitoring system to ensure its conformity to the changes in the business environment including social environment and relevant legislation.

◆ Overview of corporate governance structure and reasons for its adoption

We have corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, including the General Meeting of Shareholders, Directors and the Board of Directors, Audit and Supervisory Board Members and the Board of Audit and Supervisory Board Members, and Accounting Auditors. To strengthen corporate governance, the supervision and execution functions of the Board of Directors are separated, through the adoption of a structure where the Board of Directors is mainly in charge of governance, and Operating Officers are primarily in charge of business execution. The Company strives to ensure that both the supervision function of the Board of Directors and the audit function of (the Board of) Audit and Supervisory Board Members work effectively and believes that the current system is sufficiently running.

Corporate governance framework



Specifically, each of the following bodies and meeting bodies is in place to function effectively.

1 Directors and the Board of Directors

At its regular monthly meetings as well as extraordinary meetings held when appropriate, the Board of Directors, which is composed of seven Directors including three Outside Directors, discusses and decides on important management matters such as reports on Operating Officers' business execution and matters to be decided solely at the discretion of the Board of Directors, while supervising the execution of duties by Directors and Operating Officers.

2 Business Strategy Meeting and Executive Officer Liaison Council, etc.

The Company has meeting bodies including the Business Strategy Meeting and Executive Officer Liaison Council. Through these bodies, specific matters related to their execution of duties and critical management matters including those subject to the deliberation of the Board of Directors are reported to the President, Representative Director by Operating Officers and the general managers of business execution departments, deliberated and discussed preliminarily. In addition, Outside Directors and Audit and Supervisory Board Members attend these meeting bodies, as necessary. As for the matters discussed at meetings, matters subject to the deliberation of the Board of Directors are decided by the Board of Directors and other matters are decided by employees with business execution authority through means such as circulars based on the Management Authority Rules.

3 Audit and Supervisory Board Members and the Board of Audit and Supervisory Board Members

The Board of Audit and Supervisory Board Members is made up of four members including three External Audit and Supervisory Board Members. Audit and Supervisory Board Members oversee management by attending the Board of Directors' meetings, etc. and expressing appropriate opinions in the process of deliberating business execution reports from Operating Officers and matters to be decided solely at the discretion of the Board of Directors. In addition, Audit and Supervisory Board Members examine the business activities and assets of the Company and Group companies in accordance with audit policies and division of duties set by the Board of Audit and Supervisory Board Members.

4 Voluntary committees

a. Nomination and Compensation Advisory Committee

Under the Board of Directors, the Company has in place the Nomination and Compensation Advisory Committee, which is composed of three Outside Directors and three internal Directors. Its purpose is to list candidates for Directors and Audit and Supervisory Board Members and nominate Operating Officers, and to ensure transparency and objectivity regarding decisions on compensation for Directors and Operating Officers.

b. Internal Control Committee

The Internal Control Committee is in place under the Board of Directors to develop a system stipulated in the basic policy of internal control systems, check the operation status, and conduct constant reviews. In principle, the Committee meets quarterly, and the contents of deliberation are reported to the Board of Directors each time.

c. Sustainability Committee

The Group has stipulated the Sustainability Policy and has a Sustainability Committee in place under the Board of Directors for tracking the progress of specific initiatives and continually reviewing them. In principle, the Committee meets quarterly, and the contents of deliberation are reported to the Board of Directors each time.

Internal audit and Audit and Supervisory Board Members's audit

Internal audit

Internal audits of the Company are carried out by the Audit Division based on internal audit plans decided by the Board of Directors. The Audit Division has staff with qualifications such as the Certified Information Systems Auditor (CISA). It reports its action plans and internal audit results to the Board of Directors and the Board of Audit and Supervisory Board Members.

Audit and Supervisory Board Members' audit

Audit and Supervisory Board Members work with the Audit Division and Accounting Auditors and exchange information on audit plans and contents of accounting audits to perform appropriate auditing tasks. Audit and Supervisory Board Members

receive the results of quarterly reviews from Accounting Auditors both verbally and in writing, and confirm their action plans to be taken at a fiscal year-end audit. Audit and Supervisory Board Members also receive the results of fiscal year-end audits from Accounting Auditors in statutory documents along with verbal reviews. Furthermore, Audit and Supervisory Board Members are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

Outside Directors and External Audit and Supervisory Board Members

The Company's Outside Executives currently include three Outside Directors and three External Audit and Supervisory Board Members as shown below. Each Outside Executive has excellent insight in each expertise and satisfies the independence guidelines for Outside Executives defined by the Company.

Mr. Koji Mizumoto, Director (Outside Executive, Member of the Nomination and Compensation Advisory Committee)

Mr. Koji Mizumoto provides useful advice on management in general, drawing on his wealth of corporate management experience at a predecessor firm to NIPPON STEEL CORPORATION and his knowledge of financial accounting as CFO.

Mr. Taizo Makari, Director (Outside Executive, Member of the Nomination and Compensation Advisory Committee)

Mr. Taizo Makari provides useful advice on the Company's management in general, drawing on his extensive insight and global perspectives developed throughout his career at Teijin Group.

Ms. Yukiko Machida, Director (Outside Executive, Member of the Nomination and Compensation Advisory Committee)

Ms. Yuko Machida is a qualified lawyer, and leverages her deep understanding of labor law, in particular, to provide her advice and suggestions on how to ensure the legality and appropriateness of decision-making of the Company's Board of Directors and on the Company's HR and labor challenges.

Mr. Hitoshi Kobayashi, Audit and Supervisory Board Members

Mr. Hitoshi Kobayashi provides useful advice, drawing on his wealth of experience and knowledge as a Audit and Supervisory Board Members to contribute to auditing activities.

Mr. Koichi Abe, Audit and Supervisory Board Members

Mr. Koichi Abe provides useful advice, drawing on his wealth of experience at financial institutions and extensive knowledge regarding corporate management to contribute to auditing activities.

Mr. Keiichi Hasegawa, Audit and Supervisory Board Members (Outside Executive)

While concurrently serving as Professor for Waseda University's Faculty of Commerce, Mr. Keiichi Hasegawa utilizes his extensive knowledge in corporate finance and accounting to provide helpful advice on maintaining the soundness of financial and accounting practices and on business management in general.

Executive Remuneration

Directors

Remuneration for the Company's Directors is determined within the maximum remuneration amount resolved at the Annual General Meeting of Shareholders held in August 2006, with reference to the policy for determining remuneration for Directors resolved by the Board of Directors. To ensure the independence of Outside Directors, the Company provides no bonuses to them. Decisions on remuneration for Directors are made at the Nomination and Compensation Advisory Committee set up under

the Board of Directors, with the participation of Outside Directors, in order to enhance objectivity and transparency of the decision process for executive remuneration.

Audit and Supervisory Board Members

Remuneration for the Company's Audit and Supervisory Board Members is determined through discussion among Audit and Supervisory Board Members within the maximum total remuneration, which was fixed at the Annual General Meeting of Shareholders held in August 2006.

Executive Profiles (as of August 28, 2024)

Directors

						
President, Representative Director Akira Watanabe	Chairman, Director Kenzo Terashima	Director, Senior Executive Officer Kenji Tanimoto	Director, Executive Officer Jun Nukina	Director (Outside) Koji Mizumoto	Director (Outside) Taizo Makari	Director (Outside) Yukiko Machida

Audit and Supervisory Board Members

			
Full-time Audit and Supervisory Board Member (Outside) Hitoshi Kobayashi	Full-time Audit and Supervisory Board Member Toshiharu Takaki	Audit and Supervisory Board Member (Outside) Koichi Abe	Audit and Supervisory Board Member (Outside) Keiichi Hasegawa

Operating Officers

Director, Senior Executive Officer **Kenji Tanimoto**
 Director, Executive Officer **Jun Nukina**
 Executive Officers
Shuji Horie **Naoki Okuyama**
Toshihito Nakanishi **Takuya Hatakeyama**
 Operating Officers
Chiaki Nakano **Hiroyuki Imaizumi**
Takatoshi Otsuka **Toshinori Yamai**
Akihiro Otsuka **Eiji Okawa**
Seiichiro Yabui **Tadashi Kakinuma**
Toshiaki Asakura

Director Skill Matrix

Name	Outside Directors	Areas of expertise and experience								
		Corporate management	Sales/Marketing	Research and development/Technology	Manufacturing/Quality control	Global business	Personnel/Labor	Accounting/Finance	Legal affairs	
Akira Watanabe		●	●	●	●	●				
Kenzo Terashima		●	●	●	●	●				
Kenji Tanimoto		●	●				●	●	●	
Jun Nukina		●	●			●		●		
Koji Mizumoto	●	●	●			●	●	●		
Taizo Makari	●	●		●	●	●				
Yukiko Machida	●						●		●	

Messages from Outside Executives

Taizo Makari
Director (Outside)



I have been serving as Outside Director of the Company for three terms since the 161st term (fiscal year ended May 2022). During this period, the Company gradually recovered from weak performance due to the COVID-19 pandemic and other factors, and is currently working on various challenges to achieve Medium-Term Management Plan 2026. The Company has long earned the trust of customers in *manufacturing* and *quality*, and I myself have experience mainly in production technology, facilities technology and engineering. Therefore, I intend to play an independent role of Outside Director from the perspective of design, production, technology, quality and commercialization. The Company's Medium-Term Management Plan 2026 sets out increasing corporate value and improving profitability to underpin it as a top priority, with result indicators being increases in ROE and PBR. Behind our success in supplying electrical equipment for railway vehicles and others, which require a high level of reliability and quality, for more than 100 years, we have assets that form our strength and should be inherited. Starting with such assets, it is necessary for us to improve profitability by maintaining customers' trust through further improvement in quality, providing products and services that respond to changing social/customer needs and technology, highlighting product value, and increasing productivity. Achieving such goals may require "innovation," which does not necessarily come solely from cutting-edge technologies. It could be from new ideas of matching technologies and needs, or possibly from expansion into "creation of experience." I already feel that shoots are appearing, and I will continue to provide support from these perspectives to contribute to increasing corporate value in any way I can.

Keiichi Hasegawa
Audit and Supervisory Board Member (Outside)



It has been a year since I was appointed External Audit and Supervisory Board Members of the Company. There is something that I find in the atmosphere of the Group's organization on a daily basis. That is, the entire Group maintains an honest and steadfast attitude toward its business.

Given that the Group primarily engages in manufacturing of products, and its products require a high degree of safety and immense sense of security, shareholders and customers may well point out that it is obvious. However, as you know, implementing "what is obvious" routinely entails overcoming difficult challenges.

Here, I'm going to explain the Group's "Quality Policy," which was revised last year. The Quality Policy first states that, "Based on our commitment to making quality our top priority, we will contribute to society by reliably providing safe and high-quality products and services that satisfy our customers," under "1. The Toyo Denki Group's commitment to quality."

The statements in the "Quality Policy" represent our promise to shareholders and customers as the "value" of the Group based on its more than 100 years of history. It also constitutes a *commitment* that is fundamental to business management for the executives and employees of the Group.

As External Audit and Supervisory Board Members, I will perform my duties with a view to realizing business management in accordance with our *commitment* as stated in the "Quality Policy" and increasing *value*.

Internal Control and Compliance

◆ Internal Control

The Company views the development and operation of an internal control system to be an important management issue, and it has developed an efficient, legal and appropriate business execution system pursuant to Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act. The Internal Control Committee established under the Board of Directors reviews the operational status of the internal control system and will revise it as necessary.

◆ Principles of compliance

The Company has set "1. adherence to rules," "2. observance of confidentiality," "3. distinction between private and public matters," "4. strictness with money," "5. prohibition of side jobs," and "6. prohibition of discriminatory and sexually suggestive statements or behavior" as principles of compliance.

◆ Compliance promotion framework

To focus on business principles and fulfill its social responsibility, the Company has provided all officers and employees with a copy of the Compliance Manual (Toyo Denki Seizo Ethical Standards) that stipulates its code of conduct. The move is part of an effort to have the code and the basic rules of work fully known.

The Company has also introduced a whistle-blowing system that allows employees to provide information directly to the management. The system is aimed at ensuring that any illegal or inappropriate conduct within the Company is detected at the earliest possible stage and that adequate measures are taken promptly and as needed so that such conduct is rectified.

◆ Compliance education

We conduct compliance training every year for all employees of the Group in order to enhance knowledge of compliance and foster awareness to respect corporate ethics.

◆ Proper export controls

The Export Control Department at General Affairs Division is responsible for export management as the export management control department. We have created a system for the proper management of exports in order to ensure compliance with the laws and regulations concerning export management in the countries and regions where we engage in business activities as well as to avoid involvement in transactions that could hinder the maintenance of international peace and safety.

The Export Control Department handles cargo and technology parameters used in determining whether or not export permits are required, as well as investigation of transactions. In addition, the Department carries out employee education and guidance and support for Group companies.

◆ Whistle-blowing system

The Group has established a whistle-blowing system that aims to ensure that any illegal, inappropriate, or unethical conduct by an individual or an organization is detected at the earliest possible stage and that risks are minimized, and to promote ethical and legal compliance. In addition, the number of whistle-blowing reports received is disclosed annually in the Business Report.

Risk Management

◆ Risk management framework

The Group's risk management framework is as follows.

Risks pertaining to management strategy challenges such as business strategies and new business development are discussed at the Business Strategy Meeting, which is generally held twice a month.

Risks concerning day-to-day business operations are reported to the President, Representative Director at the Executive Officer Liaison Council, which generally convenes at least three times a month, for three subjects: orders received, sales, inquiries, and other business activities; procurement, manufacturing, shipments, and other production activities; and quality control, R&D and other technical matters, production reforms, and adoption of IT. The progress of business plans and the status of business execution are checked on a monthly basis.

For Group company-related risks, the progress of each company's business plan and the status of business execution are examined at semiannual National and Global Group Company Council.

Of these various risks, matters deemed to be especially important are discussed by the Internal Control Committee under the Board of Directors, with the participation of the legal counsel. Reports and recommendations based on those discussions are made to the Board of Directors. Risks pertaining to climate change, human capital, and other sustainability issues are discussed by the Sustainability Committee under the Board of Directors, and are reported to the Board of Directors.

◆ Risks and countermeasures

This section presents risks that may affect the Group's earnings and financial position, and countermeasures for them.

Forward-looking statements below are based on the judgment of the Group as of the end of the consolidated fiscal year ended May 2024.

<p>1</p> <p>Risks related to quality and stable supply</p>	<p>Risks & scenarios: Fatal/life-threatening accidents and large-scale failures in railways or other social/public infrastructure that stem from the Group's products could have a very serious impact on the Group's operation. Also, defects in quality and production delays that prevent the Group from fulfilling its responsibility and mission of stably supplying products could cause a loss of trust and adversely affect our earnings.</p> <p>Countermeasures: The Group's business principles include a commitment to building trust by focusing on quality first. The Company's production bases, the Yokohama Plant and Shiga-Ryuo Plant, have constructed and operate quality management systems, and have acquired ISO 9001 certification. As part of the monthly sessions of the Executive Officer Liaison Council, information on quality control and production management is shared with upper management, risks are identified, and countermeasures are discussed and promptly implemented, so as to ensure quality standards and stably supply products. In preparation for the potential occurrence of product liability issues or recalls, the necessary insurance policies are in place so that the impact of quality issues on earnings can be minimized.</p>
<p>2</p> <p>Risks related to human resources</p>	<p>Risks & scenarios: We consider human resources to be the most important management asset supporting the Group's growth. If retirement by experienced technicians, exodus of talent, slowdowns in human resource development, or other such issues make it impossible to secure and develop the human resources needed, quality could decline due to the resulting difficulty in transferring technical expertise, and the creation of new business areas and development of new products could be hindered. This could make it impossible to maintain our competitiveness in the industry, and thus adversely affect our earnings.</p> <p>Countermeasures: In line with the rules on human resource development, we pursue human resource development approaches aimed at continually increasing our corporate value. To support efforts for maintaining, improving, and transferring our unique technologies, we have established a Technical Staff Development Committee and implement measures for transferring advanced technical expertise for each high-priority specialized field. In addition, as a specific initiative of Medium-Term Management Plan 2026 we have begun to review the design and operation of our human resource systems to promote employee and organizational vitality. To further improve employee engagement, we have clearly defined our expectations for human resources and have started to re-examine our systems for fair evaluation and treatment and to implement various measures, including for talent/organizational development.</p>
<p>3</p> <p>Risks related to compliance and human rights</p>	<p>Risks & scenarios: Violations of domestic/international laws and regulations in the Group's conduct of business could result in a loss of public trust and lead to suspension of trading and other serious impacts on our business activities. Also, failure to properly prevent or deal with harassment of employees could reduce employee motivation, prompt employees to quit, cause a loss of trust, and reduce our competitiveness. In addition, failure to appropriately deal with issues surrounding conflict minerals and forced labor could result in a loss of trust and thus lead to reduced trade and exclusion from supply chains.</p> <p>Countermeasures: The Group has included in its business principles a commitment to prioritizing ethics and contributing to the prosperity of customers and society as a whole, and recognizes the importance of compliance aligned with the business principles. As a concrete action for this, the Group provides every executive and employee with training and a copy of the business principles and the Compliance Manual (Toyo Denki Seizo Ethical Standards), which lays out our code of conduct and basic rules on business operations, in order to ensure that everyone is familiar with what constitutes compliant conduct. We have also established contacts for whistle-blowers and consultation on harassment and implemented other measures to construct the framework needed to detect and take action on issues at an early stage. With regard to issues of conflict minerals and forced labor in supply chains, we will continue to assess the state of compliance through supplier surveys, and carry out appropriate measures for ensuring respect for human rights.</p>

<p>4</p> <p>Risks related to changes in business environment</p>	<p>Risks & scenarios: The Group provides products and services that broadly support social/industrial infrastructure in Japan and abroad in all of our business segments—transportation, industry, and ICT solutions. The business environment surrounding the Group is undergoing a drastic transformation, as seen in the decline in railway ridership due to a shrinking population and the spread of new lifestyle changes such as teleworking; the CASE* transformation in the automobile industry; the advancement of DX in products, services, and production equipment; and the transition to a low-carbon society. If we fall behind in our efforts to adapt to these changes, we could experience a decline in our competitiveness, orders received, sales, and profitability. *CASE: A concept expressing the mobility transformation in terms of four features, Connected, Automated/Autonomous, Shared & Service, and Electrification</p> <p>Countermeasures: Guided by the basic policies of Medium-Term Management Plan 2026 to expand new businesses and products and thoroughly improve the earnings structures of existing businesses, the Group is endeavoring to maintain and further strengthen its competitiveness through efforts such as cultivating new business areas, developing new products and improving existing products and services. Key actions include exploring alliance and M&A opportunities, developing technologies and products that contribute to decarbonization and the realization of a sustainable society, incorporating automation and renewable energy use in automobiles, and leveraging ICT. We opened the Development Center in June 2022 to strengthen company-wide development of new business fields. With regard to trends among our competition, we are working to maintain and further strengthen our competitiveness by gathering information on tenders and markets, and by utilizing the Group's extensive supplier network to collect client information.</p>
<p>5</p> <p>Risks related to technology/product development</p>	<p>Risks & scenarios: If we are unable to launch products incorporating advanced technologies with the right timing or are slow to respond to the decarbonization movement, our product competitiveness could decline. Also, slowdowns in our adoption of new technologies for manufacturing processes could impair efforts to improve productivity and reduce costs, and thereby lead to a deterioration in our competitiveness.</p> <p>Countermeasures: We are working to supply customers with products that appeal to them by identifying their needs and incorporating new technologies into the products we develop. In addition to enhancing existing products and services, to expand new business and products, we are seeking to strengthen and accelerate company-wide development of new business domains, particularly by utilizing the Development Center that we opened in June 2022. To address the technical challenges standing in the way of new business development, we have formed project teams at the Development Center and are focusing our internal resources on these efforts. In addition, we are taking action to maintain and further strengthen our technical expertise and product development capabilities, including by pursuing R&D in collaboration with other businesses and academia and by exploring M&A opportunities.</p>
<p>6</p> <p>Risks related to procurement of raw materials, etc.</p>	<p>Risks & scenarios: The Group's products and services use many different types of raw materials. If supply of those materials is delayed or interrupted by shifts in the global economy, market trends, or natural disasters, or if suppliers of raw materials that are hard to substitute go bankrupt or suspend operation, we could experience slowdowns in our production and shipment, among other issues. Also, increases in our manufacturing costs due to raw material price hikes driven by soaring energy prices and rising personnel expenses could adversely affect the Group's earnings.</p> <p>Countermeasures: The Group is striving to ensure stable access to raw materials through approaches such as bulk purchasing and multivendor procurement. In preparation for the possibility that there occur global shortages, price hikes, and longer delivery times for certain raw materials and products such as semiconductors which had significant impact at one point, the Group continues to have measures in place, such as using our closely connected network of suppliers to establish multiple supply chains, and by switching the raw materials used to other alternatives. We also endeavor to regularly collect information on the risk for suppliers to fail or stop operating, and pursue permanent measures such as securing access to alternative suppliers. To address the risk of manufacturing costs being driven up as a result of rising raw material prices, the Group is seeking to lower cost prices by improving the operational efficiency of its manufacturing equipment, together with measures for reducing energy costs and energy-saving through the use of solar energy and others.</p>
<p>7</p> <p>Risks related to intellectual property</p>	<p>Risks & scenarios: The possibility of violation of the Group's intellectual property rights by other parties is growing with the acceleration of technological innovation and business globalization. Conversely, if the Group is found to have violated the intellectual property rights of other parties, it could be subjected to expensive damage claims or other responses that adversely affect its earnings.</p> <p>Countermeasures: The Group recognizes the importance of intellectual property rights and carefully strives to protect those rights. Our R&D units are collaborating to acquire rights on our intellectual property through strategic patent applications and other means. The Group is committed to swiftly taking appropriate action in response to violations of our intellectual property, and taking appropriate measures to avoid violating the intellectual property rights of other parties.</p>

<p>8 Risks related to environmental and climate change</p>	<p>Risks & scenarios: Any violation of environmental laws and regulations or noncompliance with environmental regulations could lead to a loss of trust among our suppliers, local communities, and society as a whole. Also, our failure to make progress in climate change actions, such as decarbonization of our products and measures for reducing our environmental impact, could reduce our competitiveness and thus cause orders received and sales to fall, and could harm our reputation among stakeholders as a whole.</p> <p>Countermeasures: The Group properly manages this area of risk by constantly monitoring our business operations' compliance with environmental laws and regulations and conformity with environmental regulations. In addition, we regularly discuss climate change actions at the meetings of the Sustainability Committee which is under the Board of Directors, and set targets, develop and implement measures, and monitor progress for our initiatives in products and services, in production activities, and in valuing people and communities in accordance with the Group's Sustainability Policy.</p>
<p>9 Risks related to natural disasters and infectious diseases</p>	<p>Risks & scenarios: The great majority of the Group's production bases for the Transportation Business are located in the Kanto area and those for the Industry Business are in the Kansai area. Production capacity may be severely affected by large-scale disasters and the outbreak of infectious diseases in either of these areas. Furthermore, large-scale disasters and the outbreak of infectious diseases may hinder the entire supply chain and impact order trends, thus affecting the Group's production and earnings.</p> <p>Countermeasures: The Board of Directors discusses and makes decisions on the policies and courses of action for developing preventive measures against large-scale disasters and building the emergency response formation for disasters that occur. We implement disaster countermeasures and training at each production base, and will work to further strengthen company-wide business continuity planning through ongoing review and aim to increase resilience across our supply chains. Further, in the event that a large-scale infectious disease outbreak occurs in the future, we will apply the lessons learned from our response to the COVID-19 pandemic, which began in January 2020, and take action to prevent the spread of infection with an approach that prioritizes employee safety and health with measures such as staggered commuting and working from home, while aggressively minimizing hindrances to production.</p>
<p>10 Risks related to work-related disasters and accidents</p>	<p>Risks & scenarios: Occupational accidents (including those stemming from excessive working hours), fires, or equipment failures that lead to employee injuries/fatalities or production stoppages at the Group could harm its public trust and a deterioration of business performance.</p> <p>Countermeasures: In order to ensure a safe working environment and completely eliminate occupational accidents, the Group has instituted a Company-Wide Safety and Hygiene Management Policy, and the local Safety and Hygiene Committee of each office establishes and implements concrete measures. Information on these initiatives is shared at the quarterly meetings of the Company-Wide Safety and Hygiene Committee, with the aim of further raising the level of health and safety across the entire organization. Also, each workplace has a Time Management Optimization Committee that monitors the overtime work situation, compliance with rules for rest periods between shifts, and other such matters.</p>
<p>11 Risks related to information security</p>	<p>Risks & scenarios: In the event of a leakage of customers' personal information or corporate secrets related to business partners, it could not only harm the public's trust in us, but also lead to damage claims, termination of trading relationships, and other impacts that could adversely affect our earnings. Moreover, destruction/alteration of important data and system stoppages caused by external cyberattacks or computer viruses could have serious impacts on our production and sales activities.</p> <p>Countermeasures: The Group has included information security among its key management challenges and has formulated an Information Security Declaration as a guideline. We recognize the safeguarding of information to be a major social responsibility, comply with related laws and regulations, and implement measures to protect the information assets we possess from destruction, tampering, leaks, and other threats. In order to increase the level of information security and strengthen the system of management, we have formed an Information Security Committee that is tasked with studying measures, providing training, auditing, and other responsibilities. The Information Security Committee regularly reports to the Internal Control Committee on matters such as the state of information security maintenance/management, and the occurrence of accidents and problems.</p>

<p>12 Risks related to overseas businesses</p>	<p>Risks & scenarios: The Group operates production bases and sales offices in China, Thailand, and the United States, and country risks such as political or economic changes and the outbreak of disasters could adversely affect our business activities and employee safety. Also, unforeseeable changes in laws or tax systems could negatively impact our overseas affiliates' business operations and by extension our earnings and assets.</p> <p>Countermeasures: The Group has established a formation for communication and cooperation between the head office and the overseas affiliates, and we strive to constantly remain aware of the situation in each location. We properly manage country risk in order to minimize the impact of risks that emerge, and when necessary, we seek the counsel of lawyers and other experts who are well-versed in the local legal system and business practices.</p>
<p>13 Risks related to finance and accounting</p>	<p>Risks & scenarios: Given that the Group is proactively expanding its business in overseas markets, we are exposed to the foreign exchange risk that comes with the increase in foreign currency-based transactions. Also, since we secure financing for our business operations through bank loans and other such sources, we face the possibility that interest rate hikes will drive up the amount of interest we need to pay. There is also the possibility that finance market instability or a decline in the Group's creditworthiness will make it difficult to acquire financing at the levels we seek. The fixed assets we own, such as shares, land, buildings, production equipment, etc., are subject to the risk of impairment due to a decline in their market value or the profitability of our businesses. Trade notes and accounts receivable entail the possibility of becoming difficult to collect if the trading partner's credit situation significantly falters.</p> <p>Countermeasures: With regard to foreign exchange risks, we monitor foreign exchange sensitivity and impacts on our earnings, and implement risk management measures such as downsizing of our foreign currency-based assets. To manage interest rate and liquidity risks, we are working to optimize our methods of financing and to shrink our working capital by reviewing the turnover period of trade notes and accounts receivable, inventories, and trade notes and accounts payable. At the same time, we are striving to maintain an optimum level of liquidity on hand through monthly management of cash flows. The purpose and benefits of our share holdings are examined annually at the Business Strategy Meeting, the result of which are reported to the Board of Directors, and we are in the process of reducing our holdings based on those reviews. As for business-related fixed assets, we regularly monitor the progress of business plans and endeavor to detect early warning signs of impairment. We manage the collection risk of trade notes and accounts receivable through efforts that strengthen credit management, including surveying of long-term debt and monitoring of trading partners' performance.</p>

Information Security

◆ **Basic policy**

The Company holds a vast amount of information assets including information presented by customers related to its business execution and confidential information concerning the Group's proprietary technologies and its trade. Each Group company is taking various measures in this respect based on an awareness of shared security under the Group's Information Security Guidelines, which have been established to adequately manage

and use these information assets. We also have the Information Security Committee in place to deliberate on relevant matters and take appropriate measures as needed.

◆ **Information security training**

The Company is conducting educational activities to develop information security awareness among all employees including various training sessions, some involving the use of educational DVDs.

Financial Review

Consolidated Operating Results, Consolidated Financial Position, and Consolidated Cash Flow for FYE May 2024 (from June 1, 2023, to May 31, 2024) are as follows:

Results of Operation

<p>Orders Received 44,019 million yen (YoY +32.4%)</p>	<p>Net Sales 32,140 million yen (YoY +3.6%)</p>	<p>Profit/Loss Net income attributable to owners of the parent 935 million yen (YoY +13.4%)</p>
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Orders received increased 32.4% compared with the previous fiscal year to 44,019 million yen, buoyed by increases in the Transportation Business and Industry Business segments, despite a decrease in the ICT Solution Business.

Net sales increased 3.6% compared with the previous fiscal year to 32,140 million yen, driven by increases in the Transportation Business and Industry Business, despite a decrease in the ICT Solution Business.

From a profit perspective, operating income increased 79.2% compared with the previous fiscal year to 927 million yen. Ordinary income grew 50.7% year on year to 1,487 million yen. Net income attributable to owners of the parent was up 13.4% compared with the previous fiscal year to 935 million yen.

Financial Position

<p>Assets Total assets 51,652 million yen</p>	<p>Liabilities Total liabilities 25,582 million yen</p>	<p>Net assets Total net assets 26,070 million yen</p>
--	--	--

Total assets as of May 31, 2024, stood at 51,652 million yen, an increase of 1,970 million yen compared with the end of the previous fiscal year. The increase in total assets was largely attributable to increases of 903 million yen in cash on hand and in banks and 720 million yen in investment securities, despite a decrease of 1,480 million yen in trade notes, accounts receivable and contract assets.

Total liabilities as of May 31, 2024, stood at 25,582 million yen, an increase of 482 million yen compared with the end of the previous fiscal year. This increase was largely attributable to the recording of deferred tax liabilities of 164 million yen and an increase of 232 million yen in trade notes and accounts payable, despite a decrease in reserve for losses on order acknowledgements of 212 million yen.

Net assets as of May 31, 2024, stood at 26,070 million yen, an increase of 1,487 million yen compared with the end of the previous fiscal year. This increase was largely attributable to an increase in retained earnings due to the recording of net income attributable to owners of the parent of 935 million yen and other factors.

Cash Flows

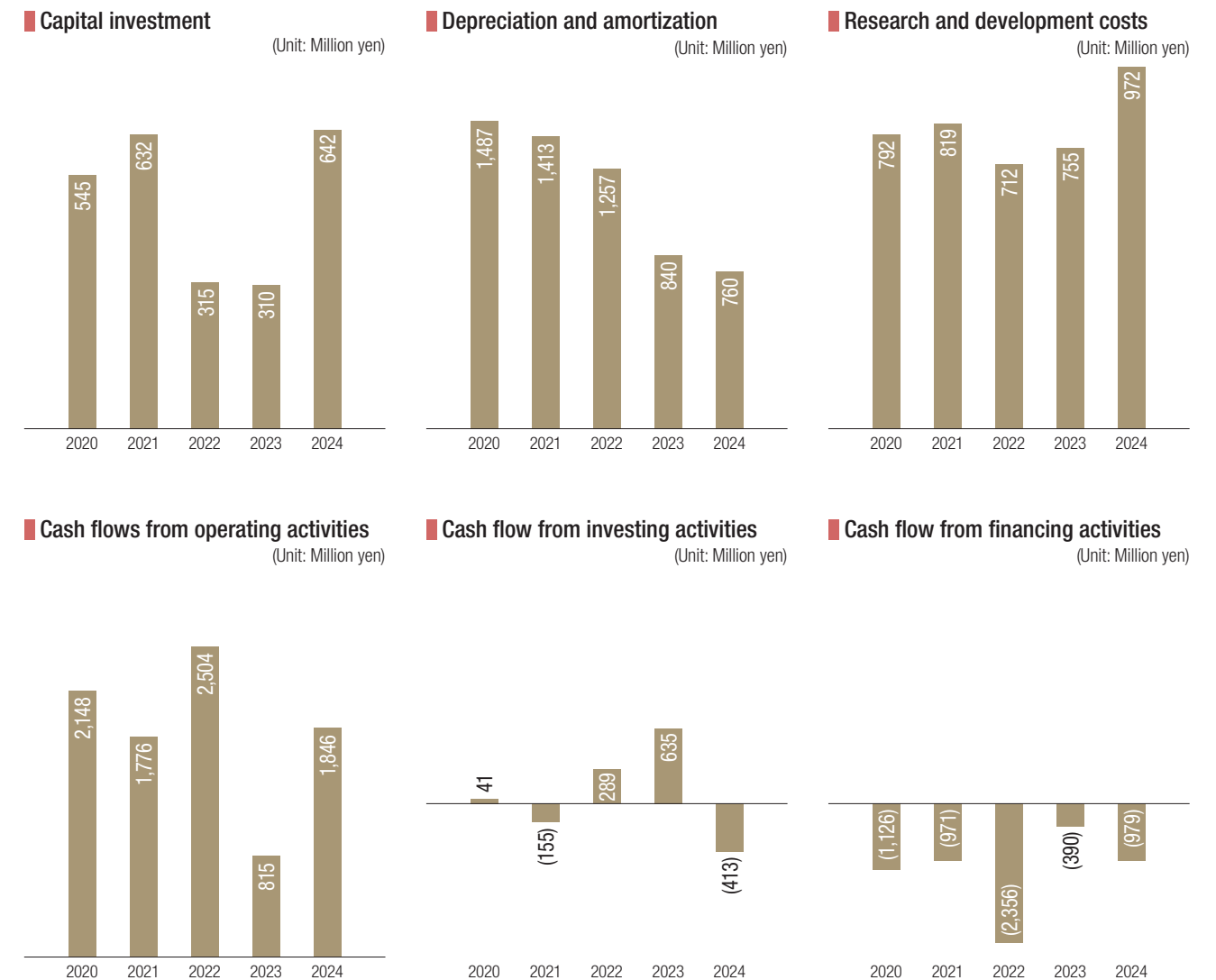
<p>Operating activities Net cash provided by operating activities 1,846 million yen</p>	<p>Cash flow from investing activities Net cash used in investing activities 413 million yen</p>	<p>Cash flow from financing activities Net cash used in financing activities 979 million yen</p>
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Net cash provided by operating activities amounted to 1,846 million yen (net cash of 815 million yen provided in the previous fiscal year), principally due to the recording of Income (loss) before income taxes and a decrease in trade notes and accounts receivable.

Net cash used in investing activities totaled 413 million yen (net cash of 635 million yen provided in the previous fiscal year), principally due to purchases of property, plant and equipment and intangible assets.

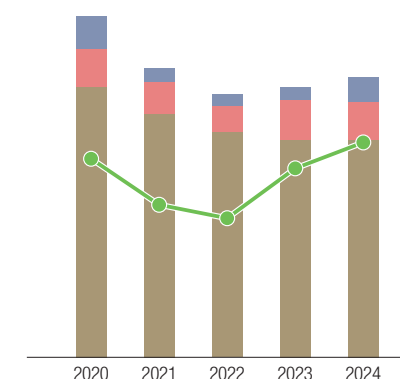
Net cash used in financing activities was 979 million yen (net cash of 390 million yen used in the previous fiscal year), primarily owing to repayment of debt.

Reference Data for Management Indices (For the Years Ended May 31 or As of May 31)



Net sales by region

■ Japan ■ China ■ Others
● Overseas net sales ratio



	2020	2021	2022	2023	2024
Japan	30,997	27,876	25,779	24,915	24,936
China	4,282	3,628	3,015	4,536	4,274
Others	3,791	1,638	1,363	1,574	2,929
Total	39,071	33,143	30,158	31,025	32,140
Overseas net sales ratio	20.7%	15.9%	14.5%	19.7%	22.4%

TOYO DENKI SEIZO K.K.
Consolidated Balance Sheets

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash on hand and in banks (Notes 15 and 17)	¥ 6,423	¥ 5,520	\$ 40,981
Trade notes, accounts receivable and contract assets (Notes 2, 15 and 19)	11,756	13,236	75,005
Electronically recorded receivables (Note 15)	1,849	1,116	11,799
Inventories (Note 3)	7,546	6,319	48,144
Other current assets	410	555	2,620
Allowance for doubtful accounts	(25)	(10)	(162)
Total current assets	27,960	26,738	178,388
Property, plant and equipment (Notes 4 and 6):			
Buildings and structures	3,372	3,611	21,518
Machinery and vehicles	303	348	1,933
Land	1,269	1,269	8,102
Construction in progress	135	11	864
Other	474	459	3,024
Total property, plant and equipment	5,555	5,701	35,443
Investments and other assets:			
Investment securities (Notes 15 and 16)	15,009	14,288	95,761
Deferred tax assets (Note 11)	—	108	—
Intangible assets	127	77	813
Other (Note 5)	3,001	2,775	19,152
Allowance for doubtful accounts	(2)	(7)	(17)
Total investments and other assets	18,136	17,242	115,709
Total assets (Note 20)	¥51,652	¥49,682	\$329,541

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Liabilities and Net Assets			
Current liabilities:			
Trade notes and accounts payable	¥ 2,292	¥ 2,060	\$ 14,628
Electronically recorded payables	4,684	4,768	29,889
Short-term borrowings and current portion of long-term debt (Notes 6 and 15)	4,585	885	29,254
Income taxes payable (Note 11)	309	128	1,971
Contract liabilities (Note 19)	129	84	829
Accrued expenses	809	589	5,163
Accrued directors' bonuses	54	39	344
Accrued employees' bonuses	737	673	4,702
Reserve for losses on order acknowledgements (Note 3)	777	989	4,957
Provision for product warranties	156	70	996
Other	704	411	4,497
Total current liabilities	15,240	10,699	97,234
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	6,003	10,288	38,300
Deferred tax liabilities (Note 11)	164	—	1,050
Liability for retirement benefits (Note 7)	4,151	4,075	26,485
Long-term payables	11	30	71
Other	11	4	72
Total long-term liabilities	10,341	14,399	65,980
Commitments and contingencies			
Net assets (Note 8):			
Shareholders' equity:			
Common stock	¥ 4,998	¥ 4,998	\$ 31,889
Capital surplus	3,177	3,177	20,272
Retained earnings	12,299	11,347	78,470
Treasury stock	(596)	(486)	(3,807)
Total shareholders' equity	19,878	19,036	126,825
Accumulated other comprehensive income:			
Unrealized holding gain on securities	5,696	5,370	36,341
Translation adjustments	485	202	3,098
Retirement benefits liability adjustments (Note 7)	9	(26)	61
Total accumulated other comprehensive income	6,191	5,546	39,501
Total net assets	26,070	24,582	166,327
Total liabilities and net assets	¥51,652	¥49,682	\$329,541

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Income

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net sales (Notes 19 and 20)	¥32,140	¥31,025	\$205,054
Cost of sales (Note 3)	23,968	23,828	152,920
Gross profit	8,171	7,197	52,133
Selling, general and administrative expenses (Note 9)	7,243	6,679	46,214
Operating income (Note 20)	927	517	5,919
Non-operating income (expenses):			
Interest and dividend income	210	191	1,341
Interest expense	(48)	(52)	(309)
Equity in earnings of affiliates accounted for by the equity method	263	221	1,683
Foreign exchange gain	125	104	800
Other income, net	8	4	56
	559	469	3,571
Ordinary income	1,487	987	9,491
Special (losses) gains, net (Note 10)	(91)	167	(585)
Income before income taxes	1,395	1,155	8,905
Income taxes (Note 11):			
Current	396	205	2,532
Deferred	63	124	404
	460	330	2,937
Net income	935	824	5,968
Net income attributable to owners of the parent	¥ 935	¥ 824	\$ 5,968

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Comprehensive Income

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net income	¥ 935	¥ 824	\$ 5,968
Other comprehensive income (Note 12):			
Unrealized holding gain on securities	325	1,456	2,079
Translation adjustments	212	—	1,358
Retirement benefits liability adjustments	35	35	228
Share of other comprehensive income of affiliates accounted for by the equity method	70	57	451
Total other comprehensive income	645	1,549	4,117
Comprehensive income	¥1,580	¥2,373	\$10,085
Comprehensive income attributable to:			
Owners of the parent	¥1,580	¥2,373	\$10,085
Non-controlling interests	—	—	—

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Changes in Net Assets

	(Millions of yen)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance as of June 1, 2022	¥4,998	¥3,177	¥11,122	¥(1,282)	¥18,016	¥3,913	¥144	¥(61)	¥3,996	¥22,012
Changes during the year										
Cash dividends paid	—	—	(268)	—	(268)	—	—	—	—	(268)
Net income attributable to owners of the parent	—	—	824	—	824	—	—	—	—	824
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Disposal of treasury stock	—	(331)	—	796	464	—	—	—	—	464
Transfer of loss on disposal of treasury stock	—	331	(331)	—	—	—	—	—	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—	1,456	57	35	1,549	1,549
Total changes during the year	—	—	225	795	1,020	1,456	57	35	1,549	2,569
Balance as of May 31, 2023	¥4,998	¥3,177	¥11,347	¥ (486)	¥19,036	¥5,370	¥202	¥(26)	¥5,546	¥24,582
Balance as of June 1, 2023	¥4,998	¥3,177	¥11,347	¥ (486)	¥19,036	¥5,370	¥202	¥(26)	¥5,546	¥24,582
Changes during the year										
Cash dividends paid	—	—	(282)	—	(282)	—	—	—	—	(282)
Net income attributable to owners of the parent	—	—	935	—	935	—	—	—	—	935
Purchases of treasury stock	—	—	—	(110)	(110)	—	—	—	—	(110)
Change in scope of consolidation	—	—	299	—	299	—	—	—	—	299
Net changes in items other than those in shareholders' equity	—	—	—	—	—	325	283	35	645	645
Total changes during the year	—	—	952	(110)	842	325	283	35	645	1,487
Balance as of May 31, 2024	¥4,998	¥3,177	¥12,299	¥ (596)	¥19,878	¥5,696	¥485	¥ 9	¥6,191	¥26,070

	(Thousands of U.S. dollars) (Note 1)									
	Shareholders' equity					Accumulated other comprehensive income				
	Common stock	Capital surplus	Capital surplus	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
Balance as of June 1, 2023	\$31,889	\$20,272	\$72,396	\$(3,105)	\$121,453	\$34,262	\$1,289	\$(167)	\$35,383	\$156,837
Changes during the year										
Cash dividends paid	—	—	(1,805)	—	(1,805)	—	—	—	—	(1,805)
Net income attributable to owners of the parent	—	—	5,968	—	5,968	—	—	—	—	5,968
Purchases of treasury stock	—	—	—	(701)	(701)	—	—	—	—	(701)
Change in scope of consolidation	—	—	1,911	—	1,911	—	—	—	—	1,911
Net changes in items other than those in shareholders' equity	—	—	—	—	—	2,079	1,809	228	4,117	4,117
Total changes during the year	—	—	6,073	(701)	5,371	2,079	1,809	228	4,117	9,489
Balance as of May 31, 2024	\$31,889	\$20,272	\$78,470	\$(3,807)	\$126,825	\$36,341	\$3,098	\$ 61	\$39,501	\$166,327

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Consolidated Statements of Cash Flows

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating activities			
Income before income taxes	¥ 1,395	¥ 1,155	\$ 8,905
Depreciation and amortization	760	840	4,852
Provision for allowance for doubtful accounts	10	9	65
Provision for (reversal of) accrued employees' bonuses	63	(26)	407
Increase (decrease) in liability for retirement benefits	94	(22)	601
Interest and dividend income	(210)	(191)	(1,341)
Interest expense	48	52	309
Equity in earnings of affiliates accounted for by the equity method	(263)	(221)	(1,683)
Gain on sales of property, plant and equipment	—	(150)	—
Gain on sales of investment securities	(337)	(530)	(2,156)
Business restructuring expenses	346	513	2,211
Loss on compensation for damage	83	—	530
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	921	(1,125)	5,882
Inventories	(1,022)	(51)	(6,525)
Trade notes and accounts payable	25	1,012	162
Reserve for losses on order acknowledgements	(212)	25	(1,353)
Provision for product warranties	85	63	546
Contract liabilities	30	36	193
Accrued expenses	219	(98)	1,402
Other, net	(205)	(193)	(1,310)
Subtotal	1,833	1,097	11,699
Interest and dividend income received	260	201	1,662
Interest expense paid	(55)	(53)	(354)
Income taxes paid	(192)	(429)	(1,229)
Net cash provided by operating activities	1,846	815	11,777
Investing activities			
Purchases of property, plant and equipment	(312)	(324)	(1,991)
Proceeds from sales of property, plant and equipment	0	266	1
Purchases of intangible assets	(82)	(17)	(527)
Purchases of investment securities	(480)	(14)	(3,066)
Proceeds from sales of investment securities	530	818	3,387
Payments for investments in capital of subsidiaries and affiliates	(12)	—	(77)
Other, net	(56)	(92)	(360)
Net cash (used in) provided by investing activities	(413)	635	(2,635)
Financing activities			
Proceeds from long-term debt	300	—	1,913
Repayment of long-term debt	(885)	(585)	(5,648)
Purchases of treasury stock	(110)	(0)	(701)
Proceeds from disposal of treasury stock	—	464	—
Cash dividends paid	(281)	(267)	(1,793)
Other, net	(3)	(2)	(20)
Net cash used in financing activities	(979)	(390)	(6,249)
Effect of exchange rate change on cash and cash equivalents	38	10	243
Net increase in cash and cash equivalents	491	1,070	3,135
Cash and cash equivalents at beginning of period	5,520	4,449	35,217
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	411	—	2,627
Cash and cash equivalents at end of period (Note 17)	¥ 6,423	¥ 5,520	\$40,981

See notes to consolidated financial statements.

TOYO DENKI SEIZO K.K.
Notes to Consolidated Financial Statements
1. Summary of Significant Accounting Policies*(a) Basis of presentation*

The accompanying consolidated financial statements of TOYO DENKI SEIZO K.K. (the "Company") and consolidated subsidiaries (collectively the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements included the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The Company applies the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24). In accordance with these PITFs, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries and affiliates prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including goodwill, actuarial gain (loss) and capitalized development costs.

As of May 31, 2024, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 7 and 2 (5 and 2 in 2023), respectively. Toyo Denki (Beijing) Co., Ltd. and Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd., both of which had previously been the Company's unconsolidated subsidiaries, were included in the scope of consolidation in the year ended May 31, 2024, due to an increase in materiality. The fiscal year-end for each of the newly consolidated subsidiaries was December 31. Therefore, these subsidiaries were consolidated using their pro forma financial statements prepared as of March 31, and necessary adjustments were made to their financial statements to reflect any significant transactions that occurred from April 1 to May 31. The fiscal year-end for each of the consolidated subsidiaries other than the above subsidiaries was the same as the consolidated balance sheet date. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates, which are neither consolidated nor accounted for by the equity method, are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

(c) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests, which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

(d) Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, which can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of purchase, which can easily be converted to cash and are subject to little risk of change in value.

(e) Inventories

Inventories are stated principally at the lower of cost or net realizable value, cost being determined principally by the specific identification method for finished products and work in process and by the moving average cost method for raw material and supplies.

(f) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities (available-for-sale securities). Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Available-for-sale securities other than equity securities without market quotation, etc. are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Equity securities without market quotation, etc. are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Property, plant and equipment (except for leased assets) and depreciation

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the declining-balance method based on the estimated useful lives and the residual value, while buildings except for facilities attached to buildings acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated by the straight-line method. The estimated useful lives of these assets are as follows:

Buildings and structures:	8 to 60 years
Machinery and vehicles:	3 to 12 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

(h) Intangible assets (except for leased assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized over the internal available period (5 years) using the straight-line method.

(i) Leases

Leased assets capitalized under finance lease arrangements that do not transfer ownership to the lessee are depreciated over the lease period without any residual value using the straight-line method.

All other lease transactions are accounted for as operating leases, and related payments are charged to income as incurred.

(j) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(k) Accrued directors' bonuses

Accrued directors' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future as performance incentive bonuses.

(l) Accrued employees' bonuses

Accrued employees' bonuses are provided to cover the current fiscal year's portion of the estimated amounts to be paid in future.

(m) Reserve for losses on order acknowledgements

Reserve for losses on order acknowledgements is provided at the amount estimated to cover future losses on order acknowledgements for which losses are projected and reasonably estimable at the end of the current fiscal year. Provision of reserve for losses on order acknowledgements in the amounts of ¥(92) million (\$587 thousand) and ¥78 million is included in cost of sales for the years ended May 31, 2024 and 2023, respectively.

(n) Provision for product warranties

Provision for product warranties is provided at the amount estimated to cover the Company's stand-ready obligation for repair under product warranties for which future costs are projected and reasonably estimable at the end of the current fiscal year.

(o) Retirement benefits

Retirement benefit obligation is attributed to each period by the benefit formula method over the estimated years of service of eligible employees.

Prior service cost is amortized as incurred by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees.

Actuarial gain (loss) is amortized by the straight-line method over a fixed period (10 years) within the average remaining years of service of the employees from the following year when incurred.

(p) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the temporary differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(Application of the group tax sharing system)

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system since the year ended May 31, 2024. Accordingly, accounting treatment of national and municipal income taxes, and tax effect accounting, as well as disclosure, are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

(q) Accounting for significant revenue and costs

The Group engages primarily in the manufacturing and sale of electronic equipment, and in installation works.

Revenue from sales of products is recognized when a product is accepted by the customer as control of the product is transferred to the customer and performance obligations are satisfied upon the customer's acceptance of the product.

However, in the case of domestic sales of products, revenue is recognized upon shipment if the period between the shipment of the product and the transfer of control of the product to the customer is a normal time period.

In addition, with respect to construction contracts for which performance obligations are satisfied over time, revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The percentage of completion is based on the costs incurred relative to the estimated total cost (input method).

(r) Research and development expenses

Research and development expenses are charged to income when incurred.

(s) Derivative financial instruments

The Company's Board of Directors determines the basic policy of derivative transactions, and interest rate swaps are used for hedging fluctuations in interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those that meet the criteria for deferred hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferred hedge accounting is adopted for derivatives that qualify as hedges, under which unrealized gain or loss is deferred. Exceptional accounting treatment is applied to interest rate swaps that meet specific requirements for hedge accounting. Hedging instruments are interest rate swaps and hedged items are primarily interest on debts. Hedge effectiveness is not assessed because the substantial terms and conditions of the hedging instruments and those of the hedged items are the same.

(t) Significant accounting estimates

(Impairment of some fixed assets in the Industrial Systems segment)

(1) The amount recorded in the consolidated financial statements for the years ended May 31, 2024 and 2023

Property, plant and equipment, intangible assets and long-term prepaid expenses belonging to certain groups of assets in the Industrial Systems segment:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Impairment loss	¥ —	¥ —	\$ —
Property, plant and equipment, intangible assets and long-term prepaid expenses	2,917	3,055	18,615

(2) Other information that is useful for the reader of the consolidated financial statements to understand the contents of accounting estimates

a. Calculation method for the amounts recorded in the consolidated financial statements for the year ended May 31, 2024

In preparing the consolidated financial statements, the Group groups its assets so that the estimates on impairment of fixed assets appropriately reflect the Group's actual management condition, and assesses indication of impairment. Assessment of indication of impairment is carried out based on the information available to the Group on the status of profit or loss generated from operating activities using the assets, etc. and whether the business environment has deteriorated significantly in connection with the business using the groups of assets. In the current fiscal year, the Group identified an indication of impairment for some asset groups related to the Industrial Systems segment because the asset groups had recorded an operating loss mainly due to the impact on sales caused by a shortage of materials and supplies. However, the Group did not recognize an impairment loss as the aggregated amount of undiscounted future cash flows exceeded the carrying amount of the asset groups. Future cash flows are estimated based on the business plan approved by the management.

b. Main assumptions used for computing the amount recorded in the consolidated financial statements for the year ended May 31, 2024

In the computation of undiscounted future cash flows, the main assumption is future net sales. Future net sales are computed based on historical performance and projections of order acknowledgements made mainly in consideration of industry trends.

c. Effects on the consolidated financial statements for the following fiscal year

Estimates on undiscounted future cash flows involve uncertainties since they are subject to changes in demand trends of some customers and unforeseeable events such as natural disasters. Accordingly, when the undiscounted future cash flows differ significantly from the assumption made by the Group, the consolidated financial statements for the following year may be significantly affected.

(u) New accounting pronouncements

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The standards prescribe the accounting category of income taxes when other comprehensive income is subject to taxation and the treatment of tax effect accounting for sale of shares of subsidiaries when the group taxation regime is applied.

(2) Scheduled date of application

The Company expects to apply these standards from the beginning of the year ending May 31, 2025.

(3) Impact of application

The Company is currently evaluating the impact of applying these standards on the consolidated financial statements.

2. Other Explanatory Information

Note 1. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥156.74 = U.S.\$1, the approximate rate of exchange prevailing on May 31, 2024. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

Note 2. Receivables and Contract Assets Arising from Contracts with Customers

Trade notes, accounts receivable and contract assets from contracts with customers as of May 31, 2024 and 2023 were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Trade notes receivable	¥ 382	¥ 377	\$ 2,440
Trade accounts receivable	6,785	7,598	43,290
Contract assets	4,588	5,260	29,274

Note 3. Inventories

Inventories as of May 31, 2024 and 2023 were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Goods and finished products	¥ 466	¥ 376	\$ 2,973
Work in process	3,692	3,106	23,555
Raw materials and supplies	3,388	2,836	21,616
	¥7,546	¥6,319	\$48,144

Inventories were stated at the lower of cost or net realizable value, and the Company recognized losses on the write-down of inventories held for ordinary sales purposes due to a decline in profitability in the amounts of ¥12 million (\$77 thousand) and ¥28 million for the years ended May 31, 2024 and 2023, respectively. These amounts were included in "Cost of sales."

Inventories related to construction contracts that are estimated to result in losses were stated after deducting the corresponding reserve for losses on order acknowledgements in the following amounts:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Goods and finished products	¥ 5	¥12	\$ 35
Work in process	114	14	727
	¥119	¥26	\$763

Note 4. Property, Plant and Equipment

The following table sets forth the acquisition costs and related accumulated depreciation:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥ 9,987	¥ 9,952	\$ 63,720
Machinery and vehicles	8,341	8,208	53,221
Other	5,250	5,138	33,499
	23,580	23,299	150,442
Accumulated depreciation	(19,430)	(18,879)	(123,965)
	¥ 4,149	¥ 4,420	\$ 26,476

Depreciation of property, plant and equipment for the years ended May 31, 2024 and 2023 was as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Depreciation and amortization	¥760	¥840	\$4,852

Note 5. Investments and Other Assets

Investments in unconsolidated subsidiaries and affiliates included in "Other" under "Investments and other assets" as of May 31, 2024 and 2023 were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in capital	¥2,127	¥1,967	\$13,570

Note 6. Short-Term Borrowings and Long-Term Debt

As of May 31, 2024 and 2023, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Loans, principally from banks	¥ —	¥ —	\$ —
Current portion of long-term debt	4,585	885	29,254
	¥4,585	¥885	\$29,254

The annual weighted average interest rate applicable to the current portion of long-term debt as of May 31, 2024, was 0.399%.

As of May 31, 2024 and 2023, long-term debt was as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Long-term debt, excluding current portion, serially due from 2025 through 2032	¥6,003	¥10,288	\$38,300

The annual weighted average interest rate applicable to long-term debt as of May 31, 2024, was 0.495%.

The maturities of long-term debt are summarized as follows:

Years ended May 31	(Millions of yen)	(Thousands of U.S. dollars)
2025	¥ 4,585	\$29,254
2026	4,585	29,254
2027	575	3,671
2028	338	2,161
2029 and thereafter	503	3,212
	¥10,588	\$67,554

As of May 31, 2024 and 2023, the assets pledged as collateral for short-term borrowings and long-term debt were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥2,764	¥2,961	\$17,636
Machinery and vehicles	191	255	1,222
Land	1,201	1,201	7,665
Other property, plant and equipment	183	121	1,167
	¥4,340	¥4,538	\$27,692

The following assets included in the above were set by factory foundation fixed collateral security as of May 31, 2024 and 2023:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥1,189	¥1,278	\$7,586
Machinery and vehicles	191	255	1,222
Other property, plant and equipment	183	121	1,167
	¥1,563	¥1,654	\$9,977

Liabilities secured by security interests were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term borrowings	¥ 525	¥ 525	\$ 3,351
Long-term debt	1,763	2,288	11,249
	¥2,288	¥2,813	\$14,600

Note 7. Retirement Benefit Plans

The Company and its consolidated subsidiaries have retirement benefit plans that include a combination of defined contribution plans and lump-sum payment plans.

The Company and its consolidated subsidiaries have introduced a points system for the lump-sum payment plans, under which retirement benefit amounts are computed based on the total number of points granted in accordance with job ranking and performance.

Under the lump-sum payment plans held by certain consolidated subsidiaries, liability and expenses for retirement benefits are calculated using a simplified method.

Defined benefit plans

Changes in retirement benefit obligation during the years ended May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation as of June 1	¥4,075	¥4,113	\$26,003
Service cost	296	311	1,892
Interest cost	14	15	95
Actuarial gain	(18)	(15)	(118)
Retirement benefits paid	(217)	(349)	(1,386)
Retirement benefit obligation as of May 31	¥4,151	¥4,075	\$26,485

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of May 31, 2024 and 2023 for the Company's and the consolidated subsidiaries' defined benefit plans:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unfunded retirement benefit obligation	¥4,151	¥4,075	\$26,485
Net liability for retirement benefits in the consolidated balance sheets	4,151	4,075	26,485
Liability for retirement benefits	¥4,151	¥4,075	\$26,485
Net liability for retirement benefits in the consolidated balance sheets	4,151	4,075	26,485

Note: The plan adopting the simplified method is included.

The components of retirement benefit expenses for the years ended May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥296	¥311	\$1,892
Interest cost	14	15	95
Amortization of actuarial loss	33	35	211
Extraordinary payment of increased retirement benefits	3	7	24
Retirement benefit expenses	¥348	¥368	\$2,223

Retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Actuarial gain	¥51	¥50	\$329
Total	¥51	¥50	\$329

Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of May 31, 2024 and 2023 were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized actuarial gain	¥(13)	¥37	\$(88)
Total	¥(13)	¥37	\$(88)

Major actuarial assumptions (weighted average) used in accounting for the above plans as of May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023
	Discount rate	0.4%

Note: The Company does not use the expected rate of salary increase in computing retirement benefit obligation since the Company has adopted the point system.

Defined contribution plans

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥112 million (\$719 thousand) and ¥113 million for the years ended May 31, 2024 and 2023, respectively.

Note 8. Net Assets

Information regarding changes in net assets for the years ended May 31, 2024 and 2023 was as follows:

a. Shares issued and outstanding / treasury stock

For the year ended May 31, 2024

Type of shares	Number of shares as of June 1, 2023	Increase	Decrease	Number of shares as of May 31, 2024
Shares issued:				
Common stock	9,735,000	—	—	9,735,000
Treasury stock:				
Common stock	301,843	104,828	—	406,671

Details of the increase are as follows:

Increase due to purchase of treasury stock based on the resolution of the Board of Directors held on January 11, 2024	103,800 shares
Increase due to purchase of shares of less than the standard unit	1,028 shares

For the year ended May 31, 2023

Type of shares	Number of shares as of June 1, 2022	Increase	Decrease	Number of shares as of May 31, 2023
Shares issued:				
Common stock	9,735,000	—	—	9,735,000
Treasury stock:				
Common stock	794,608	735	493,500	301,843

Details of the increase are as follows:

Increase due to purchase of shares of less than the standard unit	735 shares
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Details of the decrease are as follows:

Decrease due to disposal of treasury stock through third-party allotment	493,500 shares
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b. Dividends
1) Dividends paid
For the year ended May 31, 2024

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 29, 2023	Common stock	¥282	\$1,805	¥30.00	\$0.19	May 31, 2023	August 30, 2023

For the year ended May 31, 2023

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 25, 2022	Common stock	¥268	¥30.00	May 31, 2022	August 26, 2022

2) Dividends with the cut-off date in the year ended May 31, 2024, and the effective date in the year ending May 31, 2025

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on August 28, 2024	Common stock	¥279	\$1,785	Retained earnings	¥30.00	\$0.19	May 31, 2024	August 29, 2024

Note 9. Selling, General and Administrative Expenses

The main components of "Selling, general and administrative expenses" for the years ended May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and allowances	¥1,943	¥1,811	\$12,398
Provision for accrued directors' bonuses	54	39	344
Provision for accrued employees' bonuses	325	292	2,078
Retirement benefit expenses	192	199	1,228
Provision for allowance for doubtful accounts	8	0	53
Research and development expenses	972	755	6,201

Note 10. Special (Losses) Gains, Net

The components of "Special (losses) gains, net" for the years ended May 31, 2024 and 2023 were as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Special gains:			
Gain on sales of investment securities	¥ 337	¥ 530	\$ 2,156
Gain on sales of property, plant and equipment	—	150	—
Special losses:			
Business restructuring expenses	(346)	(513)	(2,211)
Loss on compensation for damage	(83)	—	(530)
Total	¥ (91)	¥ 167	\$ (585)

Gain on sales of property, plant and equipment

For the year ended May 31, 2023

This item consists of a gain of ¥150 million on the sale of a condominium (buildings and structures, land and other assets) held by the Company.

Business restructuring expenses

For the year ended May 31, 2024

Business restructuring expenses were recorded as part of the Company's restructuring of business development in China, which consisted of bad debt expenses and other costs incurred by Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd. (consolidated subsidiary) of ¥179 million (\$1,147 thousand), and estimated expenses related to business restructuring of Chalco-Toyo Permanent Magnet Motor Co., Ltd. (affiliate not accounted for by the equity method) of ¥166 million (\$1,063 thousand).

For the year ended May 31, 2023

Business restructuring expenses were incurred for a loss on valuation of investments in capital, attorneys' fees and other items as part of the Company's restructuring of business development in China for Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd., the Company's unconsolidated subsidiary, and Chalco-Toyo Permanent Magnet Motor Co., Ltd., the Company's affiliate not accounted for by the equity method.

Note 11. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 30.6% for the years ended May 31, 2024 and 2023. Income taxes of foreign consolidated subsidiaries are generally based on the tax rates applicable in the country of incorporation.

Reconciliation between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rates for the years ended May 31, 2024 and 2023 was as follows:

For the Years Ended	May 31, 2024	May 31, 2023
Effective statutory tax rate	30.6%	30.6%
Effect of:		
Non-deductible expenses for income tax purpose	1.7	1.5
Non-taxable income such as dividends income, etc.	(1.0)	(1.4)
Per capita inhabitant tax	1.9	2.4
Valuation allowance	2.5	(2.8)
Income from affiliates accounted for by the equity method	(5.7)	(5.9)
Difference arising from the rates used by subsidiaries	1.1	0.7
Retained profit of affiliates	2.6	5.2
Research and development tax credit	(3.4)	(1.2)
Other	2.5	(0.6)
Effective tax rate	32.9%	28.6%

The significant components of deferred tax assets and liabilities as of May 31, 2024 and 2023 were as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Write-down of inventories	¥ 354	¥ 353	\$ 2,258
Impairment loss	599	661	3,822
Liability for retirement benefits	1,278	1,255	8,156
Accrued employees' bonuses	266	243	1,702
Reserve for losses on order acknowledgements	143	123	918
Provision for product warranties	27	21	172
The carryforward of unused tax losses (Note 2)	121	121	774
Other	368	387	2,349
Total gross deferred tax assets	3,159	3,168	20,155
Valuation allowance for the carryforward of unused tax losses (Note 2)	(121)	(116)	(774)
Valuation allowance for deductible temporary differences	(474)	(442)	(3,024)
Total valuation allowance (Note 1)	(595)	(559)	(3,799)
Total deferred tax assets	2,563	2,608	16,355
Deferred tax liabilities:			
Unrealized holding gain on securities	(2,501)	(2,371)	(15,956)
Other	(227)	(128)	(1,449)
Total deferred tax liabilities	(2,728)	(2,500)	(17,406)
Net deferred tax (liabilities) assets	¥ (164)	¥ 108	\$ (1,050)

(Note 1) Valuation allowance increased by ¥36 million (\$229 thousand) due primarily to an increase in business restructuring expenses.

(Note 2) The breakdown of the carryforward of unused tax losses and valuation allowance by expiry date is as follows:
As of May 31, 2024

(Millions of yen)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	¥—	¥—	¥ 5	¥ 47	¥ 22	¥ 46	¥ 121
Valuation allowance	—	—	(5)	(47)	(22)	(46)	(121)
Deferred tax assets	—	—	—	—	—	—	—

(Thousands of U.S. dollars)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	\$—	\$—	\$ 37	\$ 300	\$ 143	\$ 294	\$ 774
Valuation allowance	—	—	(37)	(300)	(143)	(294)	(774)
Deferred tax assets	—	—	—	—	—	—	—

(a) The amount is determined by multiplying the corresponding carryforward of unused tax losses by the effective statutory tax rate.

As of May 31, 2023

(Millions of yen)	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	Total
The carryforward of unused tax losses (a)	¥—	¥—	¥—	¥ 5	¥ 47	¥ 68	¥ 121
Valuation allowance	—	—	—	(1)	(47)	(68)	(116)
Deferred tax assets	—	—	—	4	—	0	4(b)

(a) The amount is determined by multiplying the corresponding carryforward of unused tax losses by the effective statutory tax rate.

(b) Deferred tax assets of ¥4 million are recognized for the carryforward of unused tax losses of ¥121 million (amount multiplied by the effective statutory tax rate). The said deferred tax assets of ¥4 million are recognized for the carryforward of unused tax losses of ¥96 million (amount multiplied by the effective statutory tax rate) of TD Drive Manufacturing Co., Ltd., which is a consolidated subsidiary of the Company.

(Accounting under the group tax sharing system)

The Company and its domestic consolidated subsidiaries have applied the group tax sharing system since the year ended May 31, 2024. Accordingly, accounting treatment of national and municipal income taxes, and tax effect accounting, as well as disclosure, are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

Note 12. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended May 31, 2024 and 2023:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gain on securities:			
Amount arising during the year	¥ 793	¥1,560	\$ 5,060
Reclassification adjustments for gains and losses included in net income	(337)	530	(2,156)
Amount before tax effect	455	2,091	2,904
Tax effect	(129)	(635)	(825)
Unrealized holding gain on securities	325	1,456	2,079
Translation adjustments			
Amount arising during the year	212	—	1,358
Retirement benefits liability adjustments			
Amount arising during the year	18	15	118
Reclassification adjustments for gains and losses included in net income	33	35	211
Amount before tax effect	51	50	329
Tax effect	(15)	(15)	(100)
Retirement benefits liability adjustments	35	35	228
Share of other comprehensive income of affiliates accounted for by the equity method			
Amount arising during the year	70	57	451
Total other comprehensive income	¥ 645	¥1,549	\$ 4,117

Note 13. Lease Transactions

Information on finance leases that do not transfer ownership of the leased property to the lessee is omitted since there is no materiality in terms of value.

Note 14. Amounts Per Share

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Yen)		(U.S. dollars)
Net income:			
Basic	¥99.53	¥91.85	\$0.63
As of			
Net assets	¥2,794.72	¥2,605.99	\$17.83

Note: Diluted net income per share is omitted for the years ended May 31, 2024 and 2023 since there is no dilution of equity.

The bases for calculation are as follows:

Basic net income per share

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Net income attributable to owners of the parent	¥935	¥824	\$5,968
Net income not attributable to common shareholders	—	—	—
Net income attributable to owners of the parent related to common stock	935	824	5,968
	(Thousand shares)		
Average number of shares of common stock during the year	9,399	8,977	

Note 15. Financial Instruments
Overview
(1) Policy for financial instruments

The Group raises the necessary funds for capital investment to reinforce and renew production facilities and working capital principally through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. The Group uses derivatives in order to avoid the following risks, and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable and electronically recorded receivables—are exposed to credit risk in relation to customers. Trade receivables denominated in foreign currencies arising from international business are exposed to foreign exchange fluctuation risk, but the Group utilizes forward foreign exchange contracts as hedging instruments to reduce such risk.

Investment securities are mainly composed of the shares of common stock of other companies with which the Group has business relationships and exposed to market risk.

Certain long-term debt raised for the purpose of making capital investments with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding hedging instruments and hedged items in hedge accounting, hedging policy, and assessment of the effectiveness of hedging activities, etc., please see “1. Summary of Significant Accounting Policies (s) Derivative financial instruments.”

(3) Risk management for financial instruments
(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division periodically monitors the credit worthiness of their main customers, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate the risks of bad debts from customers who are having financial difficulties.

Investment securities are mainly composed of the shares of common stock of highly rated companies with which the Group has business relationships. Accordingly, the Group believes that credit risk deriving from such investment securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions that have sound credit profiles.

(b) Monitoring of market risks (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Group utilizes interest rate swap transactions to reduce interest rate fluctuation risk on long-term debt.

For investment securities, the Group periodically reviews the fair value of such financial instruments and the financial positions of the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows internal policies that set forth delegation of authority and position limits. Monthly reports including data on actual transactions are submitted to the Board of Directors for review.

(c) Monitoring of liquidation risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the reports from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidation risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

Since various assumptions and factors are reflected in estimating fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 18., Derivative Transactions, are not necessarily indicative of the actual market risk involved in derivative transactions.

Fair value of financial instruments

The carrying value and fair value of financial instruments in the consolidated balance sheets as of May 31, 2024 and 2023, and differences between the two, are shown in the following table.

As of May 31, 2024	Carrying value	Fair value	Difference
	(Millions of yen)		

Assets			
Investment securities	¥13,946	¥13,946	¥ —
Total assets	¥13,946	¥13,946	¥ —

Liabilities			
Long-term debt (including current portion)	¥10,588	¥10,569	¥(19)
Total liabilities	¥10,588	¥10,569	¥(19)

As of May 31, 2024	Carrying value	Fair value	Difference
	(Thousands of U.S. dollars)		

Assets			
Investment securities	\$88,981	\$88,981	\$ —
Total assets	\$88,981	\$88,981	\$ —

Liabilities			
Long-term debt (including current portion)	\$67,554	\$67,432	\$(122)
Total liabilities	\$67,554	\$67,432	\$(122)

As of May 31, 2023	Carrying value	Fair value	Difference
	(Millions of yen)		

Assets			
Investment securities	¥13,226	¥13,226	¥ —
Total assets	¥13,226	¥13,226	¥ —

Liabilities			
Long-term debt (including current portion)	¥11,173	¥11,178	¥ 4
Total liabilities	¥11,173	¥11,178	¥ 4

Notes:

1. Cash on hand and in banks, trade notes and accounts receivable, electronically recorded receivables, trade notes and accounts payable, electronically recorded payables, short-term borrowings, income taxes payable, etc. are omitted since these items are settled in a short period of time and their carrying value approximates their fair value.

2. Equity securities without market quotation, etc. are not included in the above investment securities. The carrying value of such financial instruments is as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted equity securities	¥1,062	¥1,062	\$6,779

3. The redemption schedule for receivables and securities with maturities on May 31, 2024 and 2023 were as follows:

As of May 31, 2024	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Millions of yen)			
Cash on hand and in banks	¥ 6,423	¥ —	¥ —	¥ —
Trade notes and accounts receivable	7,130	37	—	—
Electronically recorded receivables	1,849	—	—	—
	¥15,403	¥37	¥ —	¥ —

As of May 31, 2024	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Thousands of U.S. dollars)			
Cash on hand and in banks	\$40,981	\$ —	\$ —	\$ —
Trade notes and accounts receivable	45,494	236	—	—
Electronically recorded receivables	11,799	—	—	—
	\$98,274	\$236	\$ —	\$ —

As of May 31, 2023	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
	(Millions of yen)			
Cash on hand and in banks	¥ 5,520	¥ —	¥ —	¥ —
Trade notes and accounts receivable	7,942	33	—	—
Electronically recorded receivables	1,116	—	—	—
	¥14,579	¥33	¥ —	¥ —

4. The redemption schedule for long-term debt is disclosed in Note 6.

Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using significant unobservable inputs.

If multiple inputs significant to fair value measurement are used, the fair value is classified in its entirety into the level of the lowest level input that is significant to the entire measurement.

(1) Financial assets and liabilities measured at fair value

As of May 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities:				
Available-for-sale securities:				
Equity securities	¥13,946	¥—	¥—	¥13,946
Total financial assets	¥13,946	¥—	¥—	¥13,946
Not applicable to financial liabilities				

As of May 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Investment securities:				
Available-for-sale securities:				
Equity securities	\$88,981	\$—	\$—	\$88,981
Total financial assets	\$88,981	\$—	\$—	\$88,981
Not applicable to financial liabilities				

As of May 31, 2023	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Investment securities:				
Available-for-sale securities:				
Equity securities	¥13,226	¥—	¥—	¥13,226
Total financial assets	¥13,226	¥—	¥—	¥13,226
Not applicable to financial liabilities				

(2) Financial assets and liabilities other than those measured at fair value

As of May 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Not applicable to financial assets				
Long-term debt	¥—	¥10,569	¥—	10,569
Total financial liabilities	¥—	¥10,569	¥—	10,569

As of May 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Not applicable to financial assets				
Long-term debt	\$—	\$67,432	\$—	\$67,432
Total financial liabilities	\$—	\$67,432	\$—	\$67,432

As of May 31, 2023	Fair value			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Not applicable to financial assets				
Long-term debt	¥—	¥11,178	¥—	¥11,178
Total financial liabilities	¥—	¥11,178	¥—	¥11,178

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

The fair value of listed equity securities is based on quoted market prices. As listed equity securities are traded in active markets, their fair value is classified as Level 1.

Long-term debt

The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt with variable interest rates, which is hedged by interest rate swaps and to which hedge accounting is applied, is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term debt is classified as Level 2.

The fair value of long-term debt includes the current portion of long-term debt.

Note 16. Securities

Information regarding securities classified as available-for-sale securities:

Available-for-sale securities

As of May 31, 2024	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Millions of yen)		
Securities for which carrying value exceeds acquisition cost:			
Equity securities	¥13,864	¥5,640	¥8,224
Subtotal	¥13,864	¥5,640	¥8,224
Securities for which acquisition cost exceeds carrying value:			
Equity securities	¥ 82	¥ 109	¥ (26)
Subtotal	¥ 82	¥ 109	¥ (26)
Total	¥13,946	¥5,749	¥8,197

As of May 31, 2024	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Thousands of U.S. dollars)		
Securities for which carrying value exceeds acquisition cost:			
Equity securities	\$88,454	\$35,983	\$52,470
Subtotal	\$88,454	\$35,983	\$52,470
Securities for which acquisition cost exceeds carrying value:			
Equity securities	\$ 527	\$ 697	\$ (170)
Subtotal	\$ 527	\$ 697	\$ (170)
Total	\$88,981	\$36,680	\$52,300

Note: Acquisition cost in the above tables represents carrying value reflecting impairment losses. If the fair value of securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the fair value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount in consideration of its recoverability.

As of May 31, 2023	Carrying value	Acquisition cost	Unrealized gain (loss)
	(Millions of yen)		
Securities for which carrying value exceeds acquisition cost:			
Equity securities	¥13,162	¥5,411	¥7,751
Subtotal	¥13,162	¥5,411	¥7,751
Securities for which acquisition cost exceeds carrying value:			
Equity securities	¥ 63	¥ 72	¥ (9)
Subtotal	¥ 63	¥ 72	¥ (9)
Total	¥13,226	¥5,484	¥7,741

Note: Acquisition cost in the above table represents carrying value reflecting impairment losses. If the fair value of securities declines by 50% or more from the acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the fair value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount in consideration of its recoverability.

Information regarding available-for-sale securities sold

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Equity securities:			
Sales proceeds	¥554	¥818	\$3,537
Gain on sales	337	530	2,156
Loss on sales	—	—	—

Note 17. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the years ended May 31, 2024 and 2023 were reconciled to cash on hand and in banks in the consolidated balance sheets as follows:

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Cash on hand and in banks	¥6,423	¥5,520	\$40,981
Cash and cash equivalents	¥6,423	¥5,520	\$40,981

Note 18. Derivative Transactions

Hedging policies

The Company utilizes forward foreign exchange contracts and interest rate swaps for the purpose of hedging exposure to fluctuations in foreign exchange rates and interest rates, respectively. However, based on internal management rules on financial market risk approved by the Company's Board of Directors, Group companies do not enter into transactions involving derivatives for speculative or trading purposes.

Types and purpose of derivative transactions

The Company primarily uses forward foreign exchange contracts to hedge against fluctuations in foreign currency exchange rates on trade receivables denominated in foreign currencies, and interest rate swaps to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

Derivative transactions to which hedge accounting is not applied:

As of May 31, 2024 and 2023, there were no currency-related derivatives.

Derivative transactions to which hedge accounting is applied:

As of May 31, 2024 and 2023, there were no interest-related derivatives.

Note 19 Revenue Recognition

1. Disaggregation of revenue from contracts with customers

Information about disaggregation of revenue arising from contracts with customers is as follows:

For the Years Ended		May 31, 2024	May 31, 2023	May 31, 2024
		(Millions of yen)		(Thousands of U.S. dollars)
Reportable segment:				
Transportation Systems	Domestic railway	¥12,579	¥13,333	\$ 80,255
	Overseas railway	5,086	4,492	32,451
	Other	3,072	2,031	19,599
	Subtotal	¥20,737	¥19,857	\$132,307
Industrial Systems	Production and processing equipment	¥ 3,061	¥ 3,321	\$ 19,532
	Automobile testing machines	2,428	2,341	15,492
	Power generator/power source	1,873	1,561	11,951
	Other	2,894	2,680	18,467
	Subtotal	¥10,257	¥ 9,905	\$ 65,443
ICT Solution Systems	ICT solutions	¥ 1,139	¥ 1,256	\$ 7,268
	Subtotal	¥ 1,139	¥ 1,256	\$ 7,268
Other (Note 1)		¥ 5	¥ 6	\$ 34
Total		¥32,140	¥31,025	\$205,054
Revenue arising from contracts with customers		¥32,140	¥31,025	\$205,054
Sales to third parties		¥32,140	¥31,025	\$205,054

Notes: 1. "Other" represents business units that are not included in reportable segments, and it consists of worker dispatch service-related activities, etc.
2. From the year ended May 31, 2024, the Group has renamed the "Processing machine" segment and the "Testing machine" segment as the "Production and processing equipment" segment and the "Automobile testing machines" segment, respectively. Accordingly, the information about disaggregation of revenue arising from contracts with customers for the year ended May 31, 2023, is presented under the new names. Such changes apply only to the segment names.

2. Useful information in understanding revenue from contracts with customers

This information is as stated in (q) Accounting for significant revenue and costs under “1. Summary of Significant Accounting Policies.”

Consideration for performance obligations is usually received within one year of satisfying the performance obligations and does not include any significant financing component.

3. Balance of contract assets and liabilities and the transaction price allocated to the remaining performance obligations

(1) Balance of contract assets and liabilities

As of	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Receivables from contracts with customers (beginning balance)	¥9,092	¥8,812	\$58,011
Receivables from contracts with customers (ending balance)	9,017	9,092	57,530
Contract assets (beginning balance)	5,260	4,415	33,564
Contract assets (ending balance)	4,588	5,260	29,274
Contract liabilities (beginning balance)	84	47	540
Contract liabilities (ending balance)	129	84	829

Contract assets relate to the right of the Group to consideration for contracts with customers that have been completed but for which an invoice has not yet been issued as of the end of the fiscal period. Once the Group has an unconditional right to consideration, it reclassifies contract assets as receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers based on the contracts with customers before the performance obligation is satisfied. Contract liabilities are reversed as revenue is recognized.

Revenues recognized in the years ended May 31, 2024 and 2023 that were included in the contract liability balance at the beginning of each year were ¥76 million (\$485 thousand) and ¥45 million, respectively.

(2) Transaction price allocated to the remaining performance obligations

Total transaction prices allocated to the remaining performance obligations as of May 31, 2024 and 2023 were ¥41,375 million (\$263,974 thousand) and ¥29,496 million, respectively, and the Group expects to recognize revenue mainly within a period of one to three years as such remaining performance obligations are satisfied.

Note 20. Segment Information

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The Group establishes business units by product, and each business unit designs domestic and overseas comprehensive strategies for its products and develops business activities. Accordingly, the Group consists of the three reportable segments by product based on the business units, which are Transportation Systems, Industrial Systems and ICT Solution Systems.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in “1. Summary of Significant Accounting Policies.” Segment profit is evaluated based on operating income.

Inter-segment sales are recorded at the same prices as those used in transactions with third parties.

	For the year ended May 31, 2024						
	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	ICT Solution Systems	Other (Note)			
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	¥20,737	¥10,257	¥1,139	¥ 5	¥32,140	¥ —	¥32,140
Inter-segment sales and transfers	168	10	—	310	489	(489)	—
	20,906	10,268	1,139	315	32,629	(489)	32,140
Segment profit (loss)	¥ 2,387	¥ 1,030	¥ 314	¥ (2)	¥ 3,729	¥(2,802)	¥ 927
Segment assets	¥16,407	¥11,252	¥1,185	¥426	¥29,271	¥22,380	¥51,652
Other items:							
Depreciation and amortization	¥ 416	¥ 244	¥ 16	¥ 2	¥ 679	¥ 81	¥ 760
Capital expenditures	¥ 234	¥ 132	¥ 8	¥ —	¥ 374	¥ 267	¥ 642

	For the year ended May 31, 2024						
	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	ICT Solution Systems	Other (Note)			
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	\$132,307	\$65,443	\$7,268	\$ 34	\$205,054	\$ —	\$205,054
Inter-segment sales and transfers	1,074	68	—	1,981	3,124	(3,124)	—
	133,382	65,512	7,268	2,015	208,179	(3,124)	205,054
Segment profit (loss)	\$ 15,230	\$ 6,577	\$2,007	\$ (18)	\$ 23,797	\$ (17,878)	\$ 5,919
Segment assets	\$104,676	\$71,789	\$7,564	\$2,722	\$186,753	\$142,787	\$329,541
Other items:							
Depreciation and amortization	\$ 2,657	\$ 1,557	\$ 104	\$ 15	\$ 4,334	\$ 518	\$ 4,852
Capital expenditures	\$ 1,493	\$ 842	\$ 53	\$ —	\$ 2,389	\$ 1,708	\$ 4,097

Note: “Other” represents business units that are not included in reportable segments, and it consists of worker dispatch service-related activities, etc.

For the year ended May 31, 2023

	Reportable segments				Total	Adjustments	Consolidated
	Transportation Systems	Industrial Systems	ICT Solution Systems	Other (Note)			
(Millions of yen)							
Sales, profits or losses and asset by reportable segment							
Net sales:							
Sales to third parties	¥19,857	¥9,905	¥1,256	¥ 6	¥31,025	¥ —	¥31,025
Inter-segment sales and transfers	33	1	—	299	334	(334)	—
	19,890	9,906	1,256	306	31,359	(334)	31,025
Segment profit (loss)	¥ 2,259	¥ 479	¥ 413	¥ (14)	¥ 3,137	¥ (2,619)	¥ 517
Segment assets	¥15,395	¥11,579	¥ 835	¥427	¥28,237	¥21,444	¥49,682
Other items:							
Depreciation and amortization	¥ 416	¥ 337	¥ 18	¥ 2	¥ 775	¥ 64	¥ 840
Capital expenditures	¥ 168	¥ 68	¥ 3	¥ 1	¥ 242	¥ 67	¥ 310

Note: "Other" represents business units that are not included in reportable segments, and it consists of worker dispatch service-related activities, etc.

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended May 31, 2024 and 2023 were summarized as follows:

For the Years Ended	May 31, 2024	May 31, 2023	May 31, 2024
	(Millions of yen)		(Thousands of U.S. dollars)
Japan	¥24,936	¥24,915	\$159,095
China	4,274	4,536	27,270
Other	2,929	1,574	18,687
Consolidated	¥32,140	¥31,025	\$205,054

Note: Net sales information above is based on customer location.

Major customer information

Major customer information for the years ended May 31, 2024 and 2023 was omitted since there was no customer to which sales exceeded 10% of net sales recorded in the accompanying consolidated statements of income.

Note 21. Significant Subsequent Events

There were no significant subsequent events to be noted.

Stock Related Information

Number of shares (as of May 31, 2024)

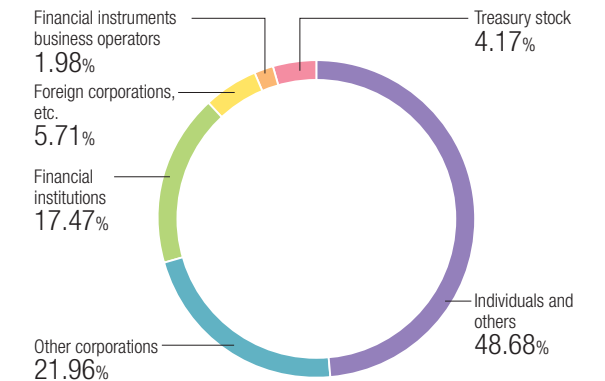
Number of Shares Authorized	36,000,000
Number of shares issued	9,735,000
Number of Shareholders	6,159

Major shareholders

Shareholders	Number of shares held (Thousands)	% of total shares held
East Japan Railway Company	973	10.43
Employees Stock Ownership Plan	508	5.45
The Master Trust Bank of Japan, Ltd. (Trust account)	453	4.86
Toyo Denki Subcontractor Factories Shareholding Association	353	3.79
NIPPON LIFE INSURANCE COMPANY	337	3.62
MUFG Bank, Ltd.	270	2.89
Sanshin Co., Ltd.	270	2.89
The Bank of Yokohama, Ltd.	207	2.22
Ohkuraya jutaku Inc.	206	2.20
Tsuneo Homma	153	1.64

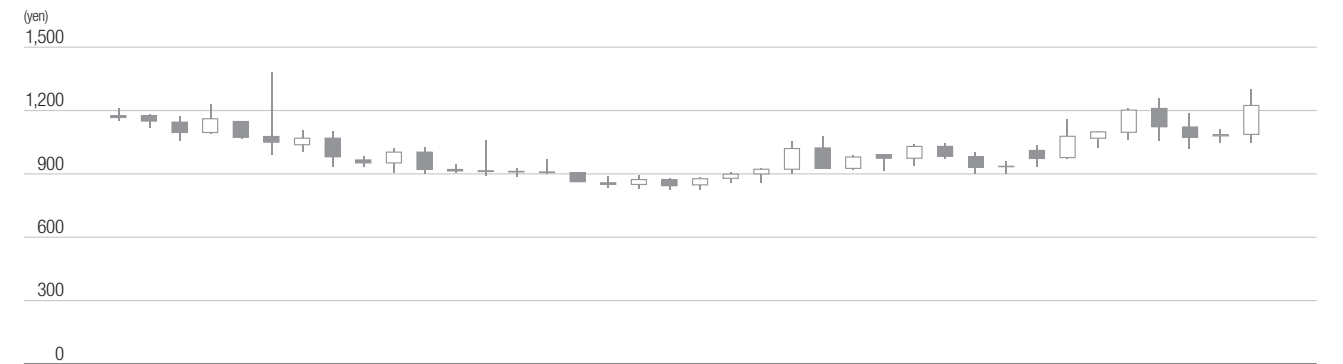
(Note) The percentages of total shares held are calculated excluding 406 treasury stocks.

Distribution of shares by type of shareholder

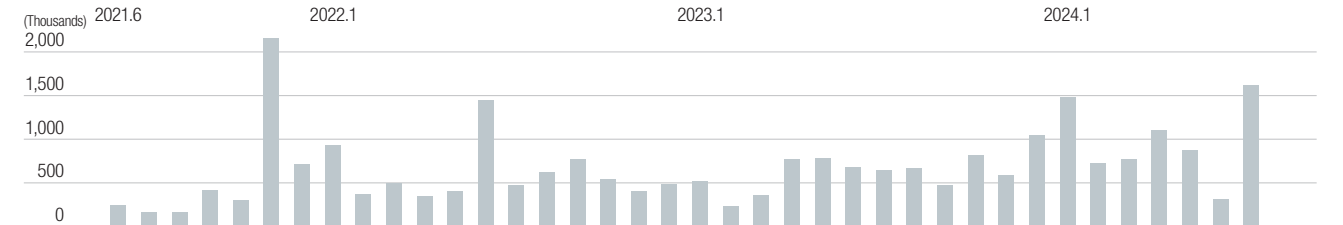


Transition of share price

Share price



Trading volume



Disclaimer on the forward-looking statements

Information in this corporate report contains forward-looking statements. Such statements were developed based on the information available at the time when this report was prepared. These forward-looking statements may be largely revised in the future, and the actual outcome could significantly vary from the stated or implied contents of such statements subject to various factors. This report is not intended to solicit investment. Investors are kindly asked to make your investment decision at your own judgment and responsibility. Numbers presented in 100 million yen or million yen are rounded down to the nearest respective unit.

Company Profile (as of May 31, 2024)

Company Profile

Company Name TOYO DENKI SEIZO K. K. (TOYO ELECTRIC MFG. CO., LTD.)

Established June 20, 1918

Capital 4,998,390,000 yen

Number of Employees 1,147 (consolidated) 791 (TOYO DENKI SEIZO K.K.)

Head office 1-4-16, Yaesu, Chuo-ku, Tokyo, 103-0028, Japan
TEL +81-3-5202-8121
<https://www.toyodenki.co.jp/>

Stock Exchange Listing The Tokyo Stock Exchange, Standard Market

Code Number 6505

Number of Shares Authorized 36,000,000

Number of Shares Issued 9,735,000

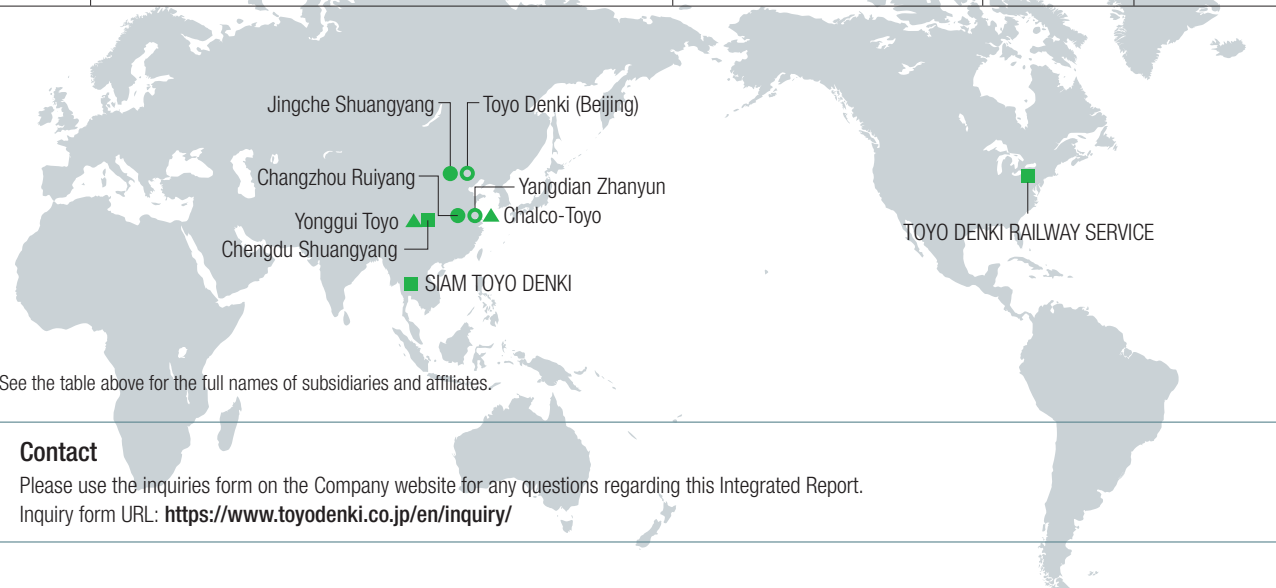
Number of Shareholders 6,159



Subsidiaries and Affiliates

○ Non-consolidated subsidiaries ● Affiliates accounted for by the equity method ■ Non-consolidated subsidiaries ▲ Affiliates not accounted for by the equity method

	Transportation Business	Industry Business	ICT Solution Business	Other, net
Japan	○ Toyokouki Co., Ltd. ○ TAIHEI ELECTRIC Co., Ltd.	○ Toyo Sangyo Co., Ltd. ○ TD. Drive Mfg. Co., Ltd.		○ Toyo Shoji Co., Ltd.
Overseas	○ Toyo Denki (Beijing) Co., Ltd. (China) ○ Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd. (China) ● Changzhou Ruiyang Transmission Technology Co., Ltd. (China) ● Beijing Jingche Shuangyang Traction System Co., Ltd. (China) ■ Chengdu Shuangyang Rail Transit Equipment Co., Ltd. (China) ■ TOYO DENKI RAILWAY SERVICE, LLC (U.S.) ▲ Chengdu Yonggui Toyo Rolling Stock Equipment Co., Ltd. (China)	■ SIAM TOYO DENKI Co., Ltd. (Thailand) ▲ Chalco-Toyo Permanent Magnet Motor Co., Ltd. (China)		

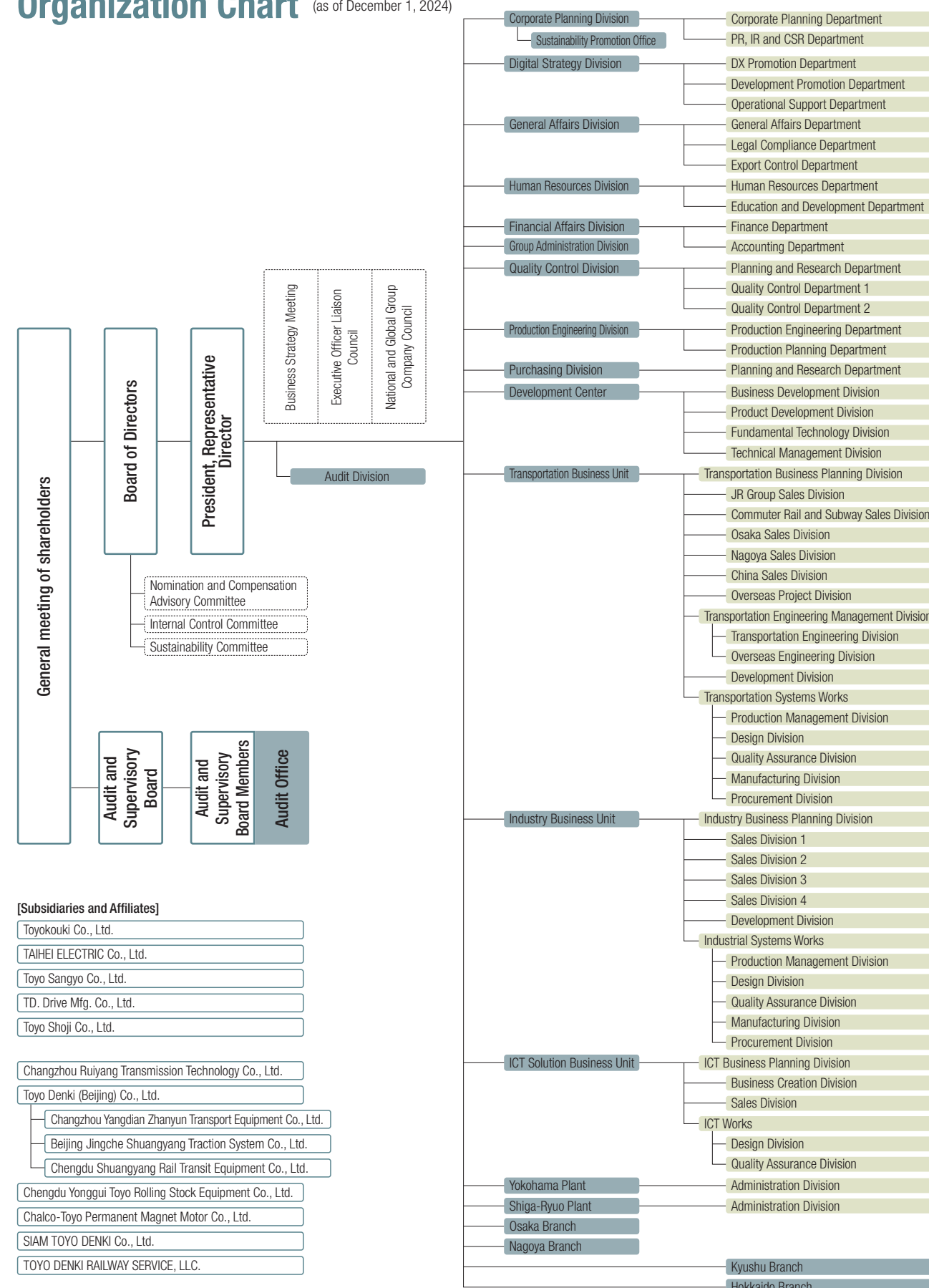


*See the table above for the full names of subsidiaries and affiliates.

Contact

Please use the inquiries form on the Company website for any questions regarding this Integrated Report.
Inquiry form URL: <https://www.toyodenki.co.jp/en/inquiry/>

Organization Chart (as of December 1, 2024)



[Subsidiaries and Affiliates]

- Toyokouki Co., Ltd.
- TAIHEI ELECTRIC Co., Ltd.
- Toyo Sangyo Co., Ltd.
- TD. Drive Mfg. Co., Ltd.
- Toyo Shoji Co., Ltd.
- Changzhou Ruiyang Transmission Technology Co., Ltd.
- Toyo Denki (Beijing) Co., Ltd.
- Changzhou Yangdian Zhanyun Transport Equipment Co., Ltd.
- Beijing Jingche Shuangyang Traction System Co., Ltd.
- Chengdu Shuangyang Rail Transit Equipment Co., Ltd.
- Chengdu Yonggui Toyo Rolling Stock Equipment Co., Ltd.
- Chalco-Toyo Permanent Magnet Motor Co., Ltd.
- SIAM TOYO DENKI Co., Ltd.
- TOYO DENKI RAILWAY SERVICE, LLC.