

July 14, 2022

To Whom It May Concern,

Company Name	Toyo Denki Seizo K.K.
Representative	Akira Watanabe, President (Stock Code: 6505 TSE Standard Market)
Inquiries	Toshihito Nakanishi, Operating Officer, General Manager, Management Planning Division (TEL 03-5202-8122)

New Medium-Term Management Plan

Toyo Denki Group (hereinafter the “Group”) hereby announces its new medium-term management plan (fiscal year ending May 2023 to fiscal year ending May 2026) as follows.

1. Basic Policy of the new medium-term management plan

Following the ending of the medium-term management plan “Revitalize 2020/2022” (fiscal year ended May 2018 to fiscal year ended May 2022) that was implemented until the fiscal year ended May 2022, the Group had decided to work on a new four-year medium-term management plan based on the achievements obtained along with remaining issues. Meanwhile, the Group was not able to secure sufficient profitability to respond to major changes in the business environment, including the decrease in number of railway passengers due to the COVID-19 pandemic and a review of testing equipment for electrification of automobiles. As a consequence, results were substantially below what was planned.

Taking into account the issues the Company itself is facing which also became clear from the results, under the new medium-term management plan (fiscal year ending May 2023 to fiscal year ending May 2026), further initiatives will be taken to achieve “revitalization and transformation of Toyo Denki” so as to recover and improve corporate value.

To do so, the management foundation will be radically strengthened with the aim of achieving an ROE of 8% or more at an early stage. This will be done by (1) expanding new businesses and products and (2) thoroughly improving the earnings structure of existing businesses, while (3) improving asset efficiency with an awareness of capital cost under the basic policy of the plan.

2. Numerical targets

Under this basic policy, the fiscal year under review, which will be the initial year of the plan, will be positioned as “a year to thoroughly take initiatives in structural reforms to increase profitability,” carrying on from the previous fiscal year when there was impairment treatment of business assets related to the Industrial Systems segment. Initiatives toward revitalizing and transforming Toyo Denki will be strongly promoted.

Numerical targets under the new medium-term management plan lasting until the fiscal year ending May 2026 will be set as management numerical targets that the Group can commit to for all stakeholders, and presented by July 2023. Targets will be based on the progress and achievements made in the past year in regard to the structural reform initiatives mentioned in 3., together with the business environment.

3. Priority initiatives for structural reform in the past year of the fiscal year under review

The following initiatives will be taken with priority. At the same time, we will establish an organizational structure to support such initiatives aimed for under the new medium-term management plan, and work to reform the human resource strategies to strengthen the workforce that is the core of management resources and vitalize organizational culture.

(1) Initiatives to expand new businesses and products

- (i) Enhancement and acceleration of development of company-wide new business areas with a development center newly established in the fiscal year under review as its core

(Creation of technologies and products and discovery of new business fields that contribute to a decarbonized and sustainable society)

- (ii) Expansion of business area from railway station operating equipment to overall ICT through the ICT Solution Business Unit reorganized in the fiscal year under review

(Establishment of the Company's unique ICT business field by merging power electronics with ICT)

- (2) Thorough improvement in earnings structure of existing businesses

- (i) Radical strengthening of profitability with plants and marketing in unison from both aspects of improving production efficiency and securing appropriate sales prices

- (ii) Further strengthening of profit-oriented operation in existing businesses to increase investments in R&D and human resources

- (3) Improvement in asset efficiency with awareness of capital cost

- (i) Continued curtailment of cross-shareholdings and idle assets

- (ii) Verification of capital efficiency by business segment and review of reallocation of management resources

4. Schedule

Numerical targets under the new medium-term management plan are planned to be announced by July 2023.