

July 13, 2023

To Whom It May Concern,

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Notice Concerning Management Targets of Medium-Term Management Plan

Toyo Denki Group (hereinafter the “Group”) is pleased to announce that it has revised its Medium-Term Management Plan 2026, which was announced on July 14, 2022, and whose final year is the fiscal year ending May 2026, and has established new management targets for three years from the fiscal year ending May 2024 to the fiscal year ending May 2026.

1. Background of the review

We positioned the fiscal year ended May 2023, the initial year of the Medium-Term Management Plan, as “a year to thoroughly take initiatives in structural reforms to increase profitability,” carrying on from the fiscal year ended May 2022 when there was impairment treatment of business assets related to the Industrial Business segment. And initiatives toward revitalizing and transforming Toyo Denki have been strongly promoted. Also, we announced that the numerical targets of Medium-Term Management Plan 2026 toward the fiscal year ending May 2026 would be presented in July 2023, based on the progress and results of the structural reforms over the past year and the business environment.

2. Basic Policy of Medium-Term Management Plan 2026

The Group had decided to work on a new four-year medium-term management plan based on the achievements obtained along with remaining issues in the medium-term management plan Revitalize 2020/2022 (fiscal year ended May 2019 to fiscal year ended May 2022) that was implemented until the fiscal year ended May 2022. 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, we have positioned Medium-Term Management Plan 2026 (fiscal year ending May 2023 to fiscal year ending May 2026) as a period to achieve revitalization and transformation of Toyo Denki so as to recover and improve corporate value.

To do so, we aim to achieve ROE of 8% or more by promoting three basic policies of the Plan: (1) expansion of new businesses and products, (2) thorough improvement in earnings structure of existing businesses, and (3) improvement in asset efficiency with awareness of capital cost.

Three basic policies	Contents
(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) Thorough improvement in earnings structure of existing businesses	Drastically strengthen profitability of both factories and sales from the viewpoint of improving production efficiency and securing appropriate selling prices
(3) Improvement in asset efficiency with awareness of capital cost	Continue to reduce cross-shareholdings, review capital efficiency of each business and consider reallocation of management resources

3. Target management indicators

(100 million yen)

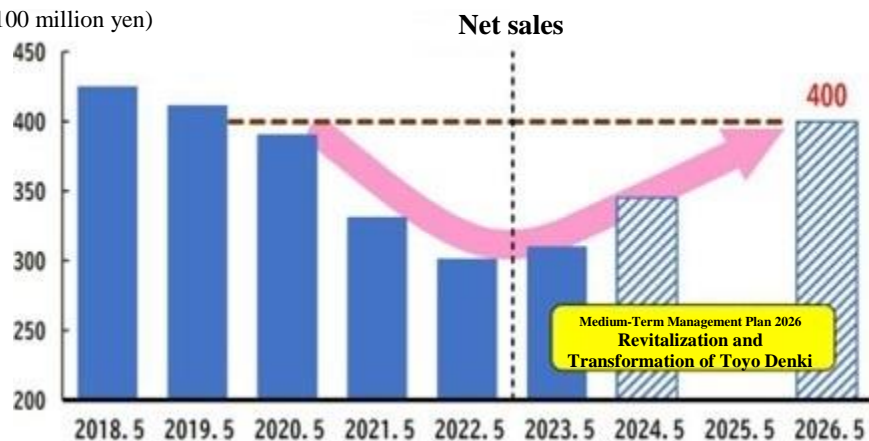
Medium-Term Management Plan 2026

Company-wide (consolidated)	FYE May 2022 results	FYE May 2023 results	FYE May 2024 plan	FYE May 2026 plan
Net sales	301.5	310.2	345.0	400.0
Operating profit	1.7	5.1	6.0	20.0
(Operating margin)	0.5%	1.7%	1.7%	5.0%
Ordinary profit	7.6	9.8	9.5	24.0
Profit	(9.3)	8.2	8.0	16.0
ROE	(4.0)%	3.5%	4.0%	8.0%
Dividend payout ratio	—	32.7%	35.4%	30.0% or more

Consolidated sales by segment

Transportation Business	194.5	198.5	218.0	250.0
Industry Business	99.0	99.0	116.0	130.0
ICT Solution Business	7.9	12.5	11.0	20.0

(100 million yen)



(100 million yen)

