

Establishment of Sustainability Policy

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



Basic policy

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

Corporate principles

Business Principles

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

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

Environmental Philosophy

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

<Action Guidelines>

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

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

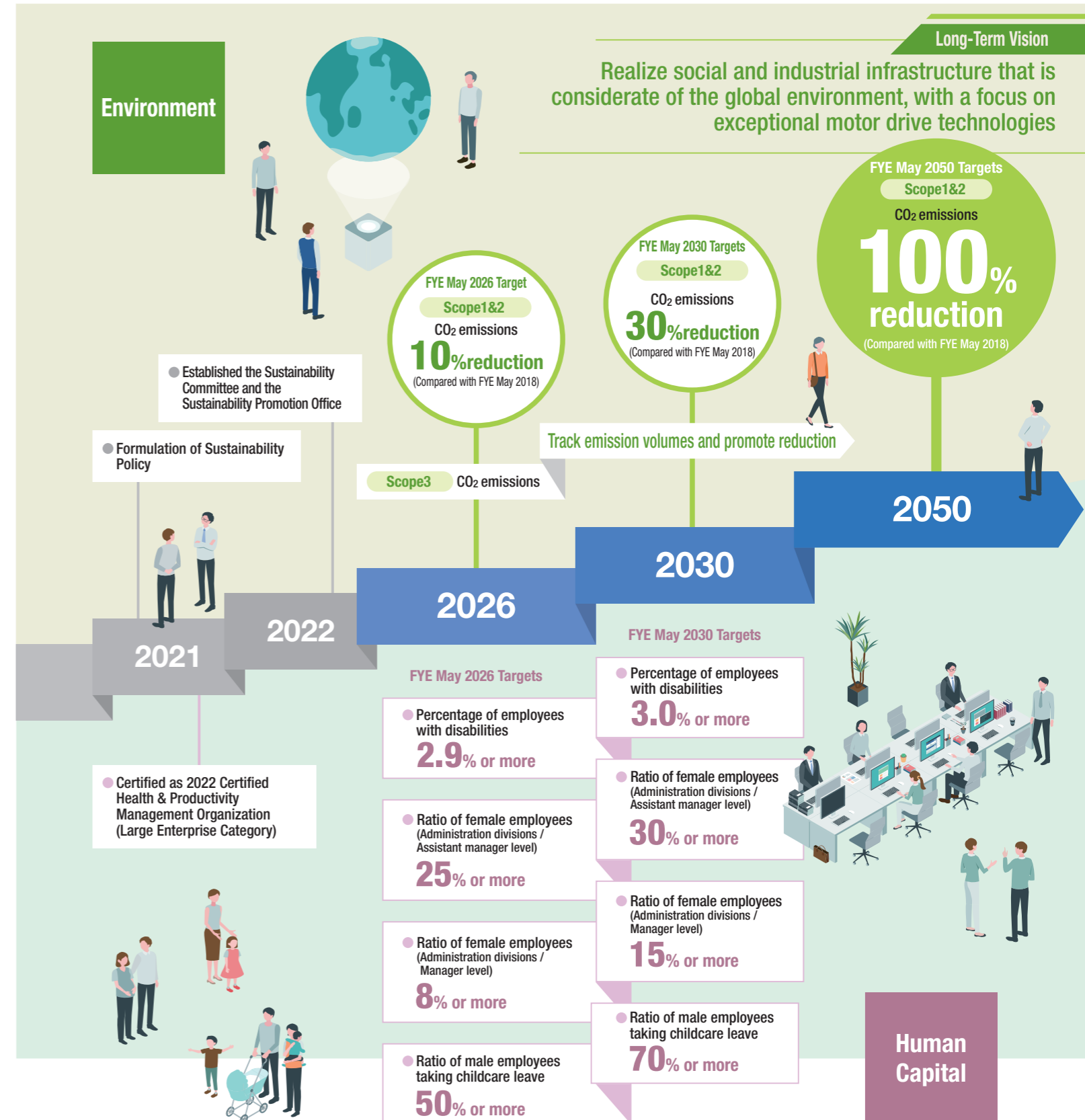
Company Slogan of the Toyo Denki Group

Our Heart and Technology for the Future

Sustainability Policy

















Three perspectives	Initiative in Products and Services	Initiative in Production Activities	Initiative in Valuing People and Communities
Policy	We will use the Group's exceptional technologies to provide products and services that contribute to the realization of a sustainable society.	We will strive to minimize environmental burden in production activities and continue to protect regional environments.	We will value our employees and the local communities and carry our aspirations into the future.
Specific actions	<ul style="list-style-type: none"> • Supply of decarbonized energy, such as small hydroelectric power generation • Popularization of energy-efficient transportation, such as railroads and electric vehicles • Efficiency improvement of electrical equipment and the spread of power storage systems • Improvement of safety through a shift to barrier-free transportation systems etc. 	<ul style="list-style-type: none"> • Reduction of energy consumption in production • Study of solar power generation and decarbonization of energy currently used • Reduction of energy consumption during transportation of materials and products • Recycling activities at production sites and offices etc. 	<ul style="list-style-type: none"> • Support for education through university endowment courses and offering factory tours for school students • Promotion of diversity and inclusion • Promotion of health and productivity management and well-being • Protection of regional environments and contributions to nature conservation, etc.

Sustainability Roadmap



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 highly efficient semi-conductors and smaller, lighter propulsion systems (drive systems such as VVVF inverters and low-noise motors) ● Establishment of condition-based maintenance (CBM) with real-time monitoring of product operation status and analysis of accumulated data to prevent product failure and save manpower and labor ● Shift to barrier-free transportation with various electrical equipment optimally designed for light rail vehicles (LRV), and ramp and door-step devices for railway vehicles <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 power storage systems	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 reduce energy usage by introducing systems that are combined with solar power in railway track facilities ● Build new storage systems, such as a superconducting flywheel railway power storage system
Industry Business Segment	Automobile testing systems	Support the development of next-generation vehicles 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 driving systems
	Production and processing equipment 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 invertors ● 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-earths-free motors and control systems for them ● Expand RoHS compliant products and promote responses to REACH regulations
	Power generation and social infrastructure 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 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 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 on-board electrical equipment in response to the shift to electrification, such as for construction machinery <p>[Future actions]</p> <ul style="list-style-type: none"> ● Promote recycling of used invertors, motors, and batteries of EVs
ICT Solution Business Segment	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 in convenience of railways by popularizing railway station operating equipment (commuter pass issuing machines and portable terminal devices 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 ● Provide QR code payment systems shared by private railway companies and online booking services for commuter passes
	IoT solutions	Realize monitoring and control of mobile entities and remote facilities with a variety of simple, inexpensive IoT/M2M 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.

Environmental Philosophy

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

Action Guidelines

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2. We will strive to minimize environmental burden through a reduction of energy consumption and other measures at all stages of product lifecycle, namely planning, development, design, production, sales, use and disposal.
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4. We will raise environmental awareness among individuals through enlightenment activities within the Group

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 environment 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

Recycling-based society

Promotion of 3Rs (reduce, reuse, recycle)

- 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

Nature-symbiotic society

Conservation of biodiversity

- Proper management of chemical substances
- Cleanup around offices

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

As described in the sustainability roadmap (page 20), the Company has set a target of reducing CO₂ emissions at the Company's production bases, the Yokohama Plant and the Shiga Ryuo Plant, by 10% in fiscal 2026. CO₂ emissions per unit of production output in fiscal 2021 increased by 3.6% at the Yokohama Plant and 9.5% at the Shiga Ryuo Plant due to lower production output caused by COVID-19, against the target of 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.

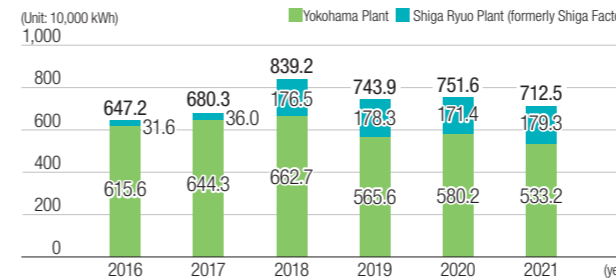
Installation of a solar power generation system at the Yokohama Plant

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. The Company was awarded by Yokohama City in recognition of this accomplishment.

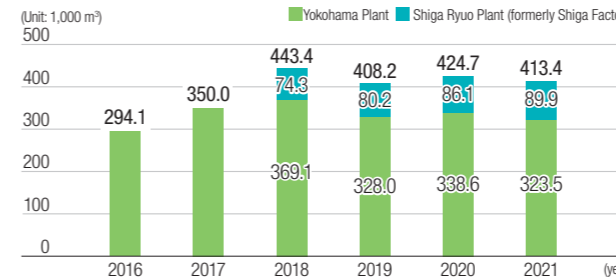


Solar power generation system at the Yokohama Plant

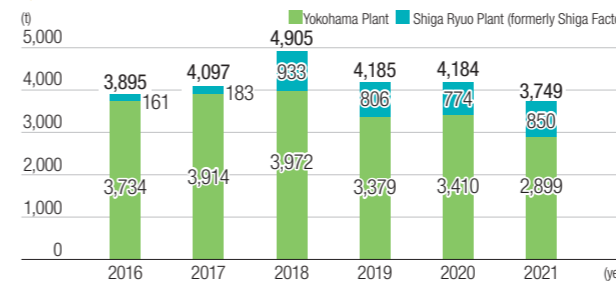
Total energy input (electricity)



Total energy input (gas)



Total CO₂ emissions



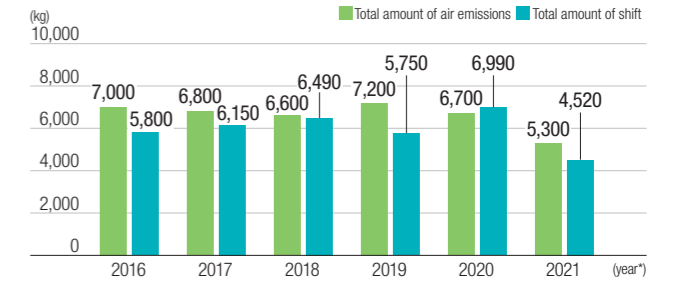
Initiatives for Control over Chemical Substances

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.

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

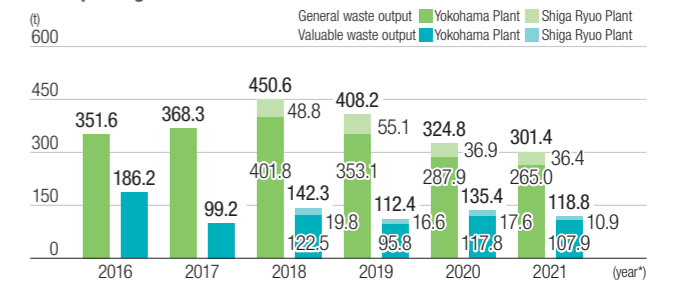


Initiatives for Reducing Disposed Waste as Well as Recycling

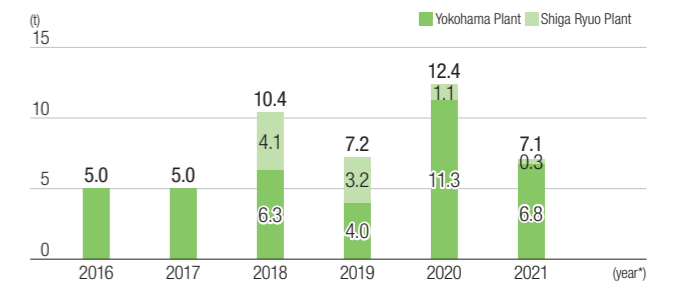
Main actions

The Company has been thoroughly implementing waste processing rules, sorting metal waste, and recycling paper resources. As a result, its landfill waste rate was 1.7% in fiscal 2021. The volume of landfill waste at the Yokohama Plant has been reduced to the previous level due to the completion of large-scale maintenance.

Output of general and valuable waste



Volume of landfill waste



Quality Control – Providing Safe and High-Quality Products

Basic policy on quality control

The Company's electrical equipment for rail vehicles is installed in many rail vehicles. These extremely important products play a direct role in ensuring the safety of human life and property

*The fiscal year is from April to March of the following year *Figures for the Shiga Ryuo Plant include those of TD Drive Co., Ltd. from fiscal 2018.
*Prior to fiscal 2017, total energy input (gas) data is available only for the Yokohama Plant due to zero input of the Shiga Plant.
*Prior to fiscal 2017, data on output of general and valuable waste and volume of landfill waste is presented only for the Yokohama Plant.

during rail transportation. In the Industrial Systems and Information Equipment Systems segments 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 at all production bases as we strive to maintain and improve our human resources education, compliance with rules, and our facilities.

Quality Policy

- ① Quality assurance to satisfy our customers.
- ② Challenge to achieve "zero" complaints.

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 department 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 at its production bases, the Yokohama Plant and the Shiga Ryuo Plant, and has obtained ISO 9001 certification.

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 International 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 rail vehicles.

In 2013, we became the first company in Japan to obtain an IRIS certification for auxiliary power supply (SIV).

In 2014, we were also accredited to the China Railway Certification Center's (CRCC) certification for driving gear units. CRCC, a state-owned enterprise set up in April 2003 after obtaining approval of the Certification and Accreditation Administration of the People's Republic of China, is an organization that mainly manages the quality of railway products. 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 various 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 the performance of our suppliers as a result of issues such as delays in supply due to fluctuations in production quantity or delays in processing due to the quality of products received.

In order to reduce these risks as much as possible, the Company carries out instruction and support related to quality, technology, and skills for our suppliers, as well as guidance for improvement of manufacturing 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.

Formulation of "Procurement Action Guidelines" (formulated in February 2016)

Procurement Action Guidelines

These guidelines indicate the codes of conduct that the Toyo Denki Group's executives and employees should observe in the procurement of purchased parts and outsourced parts as required for the manufacturing of products ordered by customers ("procurement transactions").

1. Procurement transactions shall be carried out in observance of the laws of the relevant countries.
2. Information concerning suppliers in procurement transactions shall only be obtained within the scope necessary for conducting procurement activities in accordance with contracts. Furthermore, efforts shall be made to carefully manage and observe the confidentiality of information gained through procurement transactions.
3. Personal interests with suppliers shall be prohibited in procurement transactions, including the lending and borrowing of money.
4. Receiving of support beyond the socially accepted practices or receiving of money or inappropriate gifts or any other forms of personal rewards from suppliers shall be prohibited in personal transactions. In addition, forceful requests for any of the above from suppliers shall be prohibited in procurement transactions.

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

Promotion of "health and productivity management"



Striving to be a company where employees can play active roles in good physical and mental health, the Company promotes "health and productivity management" together with the health insurance association and labor union. With the "Health and Productivity Management Declaration" 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 "ensure the growth of its business, earn the confidence and understanding of shareholders and stakeholders, and foster 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.

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 to prevent adult diseases, and support the attendance of follow-up examinations.

2 Work-life balance

We are expanding systems that support flexible working styles to achieve a balance between work and home. In addition to a

Data concerning personnel and labor (at Toyo Denki Seizo K.K.)

Item	Unit	FYE May 2018	FYE May 2019	FYE May 2020	FYE May 2021	FYE May 2022
Number of employees	Total	843 *	831 *	841 *	847 *	830 *
	Men	771	762	773	766	746
	Women	72	69	68	81	84
Ratio of female employees	%	8.5	8.3	8.1	9.6	10.1
Number of administrative professionals	Total	140	143	136	139	134
	Men	136	139	133	136	132
	Women	4	4	3	3	2
Ratio of female administrative professionals	%	2.9	2.8	2.2	2.2	1.5
Average age	Overall	40.2	40.8	41.0	41.7	42.3
	Men	40.3	40.8	40.9	41.6	42.2
	Women	39.5	40.9	41.7	42.8	43.0
Average years of employment	Overall	14.9	15.4	15.4	16.0	16.5
	Men	15.1	15.5	15.5	16.2	16.7
	Women	12.7	14.1	14.1	13.9	14.0
Average annual salary	Yen	6,049,512	5,756,046	5,634,571	5,518,761	5,422,507
Turnover rate (within 3 years of joining the Company)	%	2.7	6.5	4.7	2.4	7.6
Number of employees taking childcare leave	Persons	4	6	2	8	4
Number of employees taking family care leave	Persons	0	0	0	0	1
Number of temporary staff (including part-timers)	Persons	130	119	106	86	81
Notes		*Number of regular employees including Operating Officers, and number of special employees, temporary employees, contract employees and staff on loan from other companies, etc.				

flextime system and annual leave on an hourly basis, we have a rehiring system for employees who have to leave their jobs due to childbirth, childcare, family care, spouse's transfer, and other life events. In addition, efforts are underway to establish staggered commuting and remote work that are currently in place to prevent COVID-19 infection as part of a permanent system.

In 2014, we were certified as a "company that supports child-rearing" and received the "Kurumin" certification logo from the Tokyo Labor Bureau, in recognition of our efforts including an extensive childcare-related scheme, educational activities related to work-life balance support, the creation of an environment in which it is easy to obtain childcare leave, and the track record of male employees taking childcare leave. We will continue to improve the child-rearing support 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 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.

4 Improvement of employee health, communication promotion and support

We support employees' voluntary health maintenance and improvement efforts, internal club activities, and social events at each workplace. We also hold health events together with the health insurance association and labor union to improve the health of employees and promote communication.

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

We annually carry out stress checks on our employees 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.

6 Health management of employees at overseas posts

In addition to properly conducting health checkups before overseas postings, we aim to regularly check the health conditions of employees and follow up on the results of health checkups after their postings.

Initiatives for employment of the disabled

Aiming to be a company where both the disabled and nondisabled work together lively, the Company makes improvements to the workplace environment and carries out workplace training. We also offer work experience in collaboration with local support organizations and special-needs schools. The percentage of employees with disabilities at the Company is 2.84% (as of June 2022).

Training and skill development of employees

We aim to grow the capabilities of our employees and be a company where each and every one works as a professional.

Education and training system

The Company's education and training system is divided into level-specific training, 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. They are assigned to each workplace after receiving basic and specialized training for technical staff.

Skill transfer

Employees with exceptional manufacturing skills or expertise are recognized as "Technical My Star" 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.

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.

Participation in university endowment courses and hands-on courses

We participated 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.

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.

Cooperation with Yokohama Kyodo no Mori Fund

The Company cooperates in small woodlands conservation activities led mainly by the city of Yokohama by donating part of the proceeds from vending machines installed at the Engineering Center of the Yokohama Plant to the fund.

Factory tours

We normally conduct "factory tours" to provide opportunities for members of local communities to actually see our manufacturing facilities and products in order to develop 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 and factory facilities, in an effort to build up relationships built on trust with local communities.

Cleaning activities around the plants

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

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

