Message from the Executive Responsible for Management Planning

Kenji Tanimoto

Director, Senior Executive Officer

Toyo Denki Group is carrying out Medium-Term Management Plan 2026, the final year of which is the fiscal year ending May 2026. As mentioned earlier in the Message from the President, the plan involves implementing actions under three fundamental policies (1. growth strategy, 2. improvement in earnings structure, 3. improvement in asset efficiency) to achieve net sales of 40.0 billion yen, operating income ratio of 5%, and ROE (return on equity) of 8%, with the aim of restoring and improving our corporate value.

A key focus in the preparation of this integrated report, Toyo Denki Seizo Report 2023, was to clearly communicate the initiatives of Medium-Term Management Plan 2026 in the context of our business principles, long-term vision, and the values we cherish. In particular, this report highlights how we are laying the foundation for our future growth by leveraging our technologies to expand and enhance specific products and services. We have also added new sustainability-related content to further enrich the report, including information on our declaration of support for the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations as part of our commitment to addressing climate change, and on various personnel system reforms for tackling human capital challenges such women's empowerment.

In order to carry out these new actions for achieving growth in the future, we will also expand our investments. During the long COVID-19 pandemic we limited capital investment to around 300 million yen (consolidated) for each of the past two fiscal years. For this fiscal year (FYE May 2024), however, we plan to invest over 900 million yen in development in new business areas, improvement of productivity in existing businesses, strengthening IT infrastructure, advancing our DX, and other targets. As for investment in people, we raised basic salaries by the largest margin to date this fiscal year, and we will expand our investments in talent, including for recruitment and training.

With our financial foundation in sound condition (as of FYE May 2023, shareholder's equity ratio was 49.5% and debt-to-equity ratio was 0.45), the funds for these investments will be procured by the right means at the right time, using a proper balance of debt and equity. We will also continue to invest in growth areas using funds sourced by reducing our cross-shareholdings and selling off underperforming assets.

As for shareholder returns, our basic course of action is implementing the Medium-Term Management Plan 2026 initiatives for raising ROE to 8%, with the aim of restoring and improving our corporate value. In terms of dividends, as we follow our basic policy of continually and stably paying dividends with a target payout ratio of at least 30%, we will utilize effective means to provide returns to our shareholders, including achieving larger profits to fund larger dividends.

▶ Capital investment (consolidated)