

We will promote sustainable management rooted in the capabilities of each and every Group employee and advanced technology, and thus realize increased corporate value.



Akira Watanabe
President, Representative Director

Efforts to be a sustainable and attractive corporate group

Aiming to enhance corporate value through practicing sustainability management

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

In 2021, we formulated our “Sustainability Policy,” to enable us to continue contributing to the realization of a sustainable society through manufacturing in the future. Going forward, we will be working to ensure the penetration of sustainability management that aims to increase corporate value across the Group as a whole, by repeatedly communicating our approach to sustainability to employees. At the same time, we have also identified key challenges that we must address as priorities to achieve a sustainable increase in corporate value as “five material issues.” We are working to ensure the penetration of sustainability management by incorporating initiatives for material issues in the business plan for each fiscal year and setting key performance indicators (KPIs), to ensure that each and every employee is able to think and act in ways that connect their day-to-day work with increases in corporate value.

On the other hand, the Group is aware of the necessity of analyzing and evaluating the current status of management, including capital costs and the stock price, and working to improve these factors. We will continue promoting policies aimed at increasing corporate value, and striving for management that enables us to enhance our reputation as a sustainable and attractive corporate group among various stakeholders.

Five material issues (key challenges)

Generally making strong progress on initiatives targeting material issues as a whole

The core focuses of the five material issues that we identified in fiscal 2024 are “People, Technology, Quality, Environment, and Governance,” which the Group has been valuing, as described in detailed information included in this “Toyo Denki Seizo Report.” The Group has valued “people” above all else. Each and every one of our human resources, which are our most important management resource, actively participates while sufficiently exercising their capabilities. As a result, we have provided products and services that boast advanced “technology” and high “quality” to customers, contributed to railways and other social and industrial infrastructure through “environmentally friendly” manufacturing, and contributed to the realization of a sustainable society. In order to increase corporate value and enhance public trust, it is also essential that we supervise these corporate activities with firm “governance.”

First, we are earnestly promoting two broad initiatives for the “empowerment of diverse talent,” based on our view that human resources are the root of all activities and corporate value. One of these initiatives is reforms to our human resource system targeting compensation and workstyle improvements. The other initiative is enhancements to employee engagement through workstyles that achieve harmony between work and personal life (work-life balance), improvements to working environments, and other efforts. We will focus on the introduction of systems and improvements to the workplace environment to ensure that all employees with a diverse range of backgrounds can continue to work with energy and vitality.

For the “creation of innovation leveraging our technologies,” 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 the Industry Business, since 2021, we have been promoting the development of the In-Tyre-House Dynamo® (ITHD®) (see p. 32-34), our

proprietary technology. In 2022, we supplied the first testing system for automobiles that used the ITHD to a major automaker, and in 2025, we enhanced our line-up by increasing the capacity of these systems in response to requests from automakers. Going forward, we will endeavor to develop testing systems for next-generation automobiles, including targeting their utilization in advanced driver-assistance systems, etc.

In terms of “stable procurement and high-quality manufacturing,” in the Indonesian railway market, we completed shipments of electrical equipment for new commuter railway vehicles in the Jakarta Metropolitan Area without issue, and made steady progress on local training under a technology transfer agreement. We were able to leverage our entire value chain and supply chain to complete production and shipments for this project without delay, which was a major achievement that substantially boosted our confidence.

For our “contribution to a low-carbon society,” railway operators have been actively investing in energy-saving vehicles and equipment under the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)’s Basic Policy on GX in the Railway Transport Sector, and the Company has supplied energy-saving, low-maintenance electrical equipment to railway operators among our customers. In March 2025, the Toyo Denki Group also formulated the “Sustainable Procurement Guidelines” and the “Green Procurement Guidelines.” We will promote activities based on these guidelines in partnership with stakeholders, as we aim to ensure sustainable and environmentally friendly procurement across the supply chain as a whole.

Finally, with regard to “responsible corporate activities toward society and stakeholders,” in 2024, we changed to a structure in which all Outside Directors are members of the Nomination and Compensation Advisory Committee, reflecting the views expressed in the survey to evaluate the effectiveness of the Board of Directors. We will continue endeavoring to strengthen governance.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Update on policy on measures to increase corporate value

The Company’s price-to-book ratio (PBR) has been below 1x for some time, and we consider the improvement of this situation to be a major management issue. Accordingly, in July 14, 2025, we announced the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update).”

The Group continues to consider efforts to fundamentally strengthen our earnings structure and improve asset efficiency to achieve sustainable growth an important management issue, and we will continue endeavoring to maintain and enhance return on equity (ROE) while also increasing the expected growth rate and enhancing shareholder returns, thus improving the PBR. As part of these efforts, in addition to purchases of treasury stock, we also introduced a restricted stock compensation plan for full-time Directors and Operating Officers (RS) and an Employee Shareholding Incentive Plan (E-Ship®), as systems that provide

incentives for medium- to long-term increases in corporate value. We will continue endeavoring to realize management that meets stakeholders’ expectations by enhancing returns to shareholders and employees.

Main results in the third year of “Medium-Term Management Plan 2026”

Successfully achieved targets for the final year of the medium-term management plan one year ahead of schedule

In consolidated earnings results for fiscal year ended May31,2025, we achieved all targets for fiscal 2025 (the final fiscal year) set forth in “Medium-Term Management Plan 2026” one year ahead of schedule (consolidated net sales of 40.0 billion yen, operating income of 2.0 billion yen, operating income ratio of 5%, ordinary income of 2.4 billion yen, net income attributable to owners of the parent of 1.6 billion yen, and ROE of 8%), with a significant year-on-year increase in segment income in each segment thanks to the effect of higher sales, as well as improved gross profit margins.

I will explain our results in fiscal year ended May31,2025, for each of the three fundamental policies in “Medium-Term Management Plan 2026.” With regard to “expansion of new businesses and products,” in the Transportation Business, we made good progress on the supply of electrical equipment for new domestically produced railway vehicles in Indonesia, and in the Industry Business, we worked to enhance our line-up by increasing the capacity of ITHDs used in testing systems for automobiles. In terms of “thorough improvement of the earnings structures of existing businesses,” we have been working to gain the understanding of customers as we passed on cost increases to prices, to ensure that we can appropriately reflect factors such as rising raw materials prices and investment in human capital in sales prices. At the same time, we are working to optimize cost management to improve factory profitability. Regarding “improvement of asset efficiency with an awareness of capital costs,” we continuously reduced cross-shareholdings and reviewed real estate holdings.

For fiscal year ending May31,2026, the final fiscal year of the medium-term management plan, we have kept our net sales and ROE targets unchanged, while increasing our operating income ratio target to 6%. With this revision, we aim to further augment the Group’s corporate structure in the future, by thoroughly focusing on the “quality” of our businesses.

Message from the President, Representative Director

Wrapping up “Medium-Term Management Plan 2026”

Aiming to restore our top line to pre-COVID-19 levels and boost earnings power through the two-pronged approach of the Transportation Business centered on railways, and the Industry Business in which we are actively rolling out ITHDs

We sometimes face questions about the impact of the reactionary decline from the recent major project in Indonesia, but the Transportation Business is performing well. There has been active investment in railcars among domestic railway operators in response to an increase in passenger numbers attributable to the recovery in inbound travel demand and other factors, and orders for products for newly built railcars and equipment upgrades have been increasing. Overseas, there has been a continuous stream of inquiries related to components for high-speed railways in China, and inquiries related to newly built railcars have been increasing, driven by robust investment in railway infrastructure in multiple countries. Under these circumstances, we have been continuing efforts to secure orders for subsequent projects in the Indonesian railway market. Partly in response to MLIT’s announcement of the promotion of investment in GX in the railway transport sector, railway operators have been replacing railcars with newly built railcars and promoting upgrades to electrical equipment aimed at GX, under previously existing medium- to long-term capital investment plans. The Group will continue working to expand orders of environmentally friendly products.

In the Industry Business, another pillar of our businesses, inquiries related to ITHDs have been increasing. ITHDs, which we developed in 2021, have been well received by numerous automakers as a new type of test system that enable road tests with steering and do not require large-scale construction like chassis dynamometers, thanks to the assessment of advanced driver-assistance systems and the addition of features not found in existing chassis dynamometers, as well as their installation on the tire housing of actual vehicles and the addition of steering functions. We increased the capacity of our ITHDs and enhanced our line-up, partly in response to requests by automakers. At present, we are working to secure orders through trial use by automakers and contract testing at newly constructed in-house facilities at the Shiga-Ryuo Plant, with a view to securing the adoption and positive assessment of ITHDs.

We have set a target for consolidated net sales in the final fiscal year of our medium-term management plan of 40.0 billion yen as our commitment to restoring our top line to pre-COVID-19 levels, and we intend to achieve this target without fail in the final fiscal year of the plan. We will work together as a group to exercise our ability to generate earnings and firmly increase profit margins. We will ensure that these efforts contribute to enhancing the market’s assessment of the Group and an increase in corporate value.

Further increasing corporate value by promoting integrated management throughout the Group

Synergies targeted by the TOYO DENKI Group

In our three businesses, the Transportation Business, Industry Business, and ICT Solution Business, the Group operates businesses in the broad common field of social and industrial infrastructure. For this reason, we believe that conditions are in place that make it easy to exercise synergies within the Group. We think that further promoting integrated management throughout the Group will contribute significantly to greater increases in corporate value.

I have long believed that human resources are our most important management resource. The fact that we set the “empowerment of diverse talent” as our first material issue was also based on this belief. I think that our human resources are what has enabled us to continue to operate our businesses for over a century, and our technology and manufacturing are also connected to the foundation of human resources. We intend to build even more solid and resilient integrated management throughout the Group, through various measures to increase employee engagement across the Group as a whole. As one of these efforts, from this year, we expanded the scope of employee engagement surveys begun in March 2024 to Group companies in Japan. In addition to visualizing employee expectations and satisfaction levels, we will also continuously work to solve issues that have become apparent through surveys. We also hold regular roundtable meetings (see p. 40) for Group companies, as an opportunity for direct dialogue between employees and myself, the President. As of the end of May 2025, we have held 23 roundtable meetings, providing an important opportunity for dialogue related to sustainability management and integrated Group management, and the penetration of these ideas.

The synergy that I am most expecting from integrated Group management is the development of new businesses and products. I cannot disclose the details at this moment in time, but we can anticipate rapid progress at a higher level of business hierarchy than today, by combining our strength in hard and soft technology based on new ideas. For example, in testing systems for automobiles, we are working to create a business based on complete testing systems for automobiles created by combining ITHDs, which are a type of component, with vehicle testing systems. We also anticipate results from our “proactive DX,” which is unprecedented for the Group, based on the full-fledged utilization of the new “Digital Strategy Division” established in 2024. In the future, our policy will be to narrow down themes for new business and product development, while also making plans to strengthen systems for this purpose, and aiming to establish these systems as soon as possible.

Basic approach to overseas development

Promoting the overseas development of the Transportation Business in China, a huge market, as a growth strategy that we can continue from a medium- to long-term perspective

The Chinese subway network is among the largest in the world, and the operating track length is more than ten times that of Japan. Additionally, the country’s long-term target is to increase the total operating track length of high-speed railway networks to 70,000 km by 2035, and it plans to develop high-speed railways in all cities with populations of 500,000 or more in China.

The Group has been operating our business in the Chinese railway market for over two decades, and we have developed brand strength through the supply of electrical equipment for subways and driving gear units for high-speed railways in places such as Beijing and Chengdu, Sichuan. In recent years, electrical equipment that we have supplied in the past has reached its time for scheduled maintenance, and in addition to these maintenance operations, we are also currently involved in many businesses, such as the supply of maintenance components. We will continuously develop our business in China from a medium- to long-term perspective, while taking country risks into consideration.

As a core growth strategy of the Company, we will primarily focus on Southeast Asia and North America when developing the Transportation Business overseas.

Blueprint for the next medium-term management plan

Focus on earnings power and profit margins while engaging in more advanced individual measures

In addition to wrapping up the “Medium-Term Management Plan 2026,” fiscal year ending May31,2026 will also be important as the year when we formulate our next medium-term management plan.

Discussions concerning the next medium-term management plan have only just begun at meetings of the Board of Directors. At present, we expect that, in broad terms, the policies of the current medium-term management plan represent the issues we should fundamentally be tackling as a company, and we will continue to focus on these issues in the next plan. In addition, when setting KPIs, we will focus on earnings power and profit margins, the same as the final fiscal year of “Medium-Term Management Plan 2026,” which we will ensure contributes to enhancing corporate value.

Message to our stakeholders

Enhancement of shareholder returns

Under “Medium-Term Management Plan 2026,” we are promoting initiatives to ensure we achieve an ROE of 8%, without

fail. I would like to explain my thoughts on how we will return profits secured through these efforts to shareholders.

I assumed the position of President, Representative Director of the Company in August 2020, and this year will mark my sixth year in the role. Looking back over this time, when I initially assumed my post, it was an extremely difficult time in the midst of the COVID-19 pandemic, and the Group’s business performance was stagnant. At the time, however, we did not want to blame all the main causes of weak performance on the external environment, such as changes in the business environment and the COVID-19 pandemic. Instead, in our view, there were also fundamental issues in the internal environment, such as the Company’s business model and earnings structure. So, we formulated and began executing the policies in the current “Medium-Term Management Plan 2026,” sincerely considering issues that had become apparent as a result of the COVID-19 pandemic. I believe these efforts have led to our strong business performance today.

The Company has updated our basic policy on dividends to a “dividend payout ratio of at least 30% and a minimum dividend per share of 30 yen.” The dividend forecast for the fiscal year ending May 31, 2026, is 75 yen per share, up 5 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.

Efforts to increase expected growth rate

Strengthening our ability to share information about growth strategies

Since fiscal year ended May31,2024, the Company has held factory tours for shareholders, which we temporarily paused during the COVID-19 pandemic, in order to enhance shareholders’ understanding of our businesses. Our factory tour of the Company’s Yokohama Plant in October 2025 was also well received. Factory tours provide a very valuable opportunity for shareholders to see the Company’s products and “technological capability” up close, and to engage in direct communication with these shareholders, and we will endeavor to continue holding these tours in the future. We have also been holding an increasing number of IR meetings for institutional investors. We intend to augment our IR activities by expanding opportunities for dialogue with shareholders and institutional investors, which we believe will contribute to more broad sharing of information about the Group’s growth strategies, an increase in expected growth rate, and an improved PBR.

Going forward, we will continue effective growth investment, based on expanded R&D investments and capital investment for new businesses and products, the continuous expansion of investment in human capital, and the efficient allocation of human resources.

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

