

## Message from the Operating Officer Responsible for Human Resources



Kenji  
Tanimoto

Director,  
Senior Executive  
Officer

### Approach to initiatives to increase engagement

As mentioned in the message from the President, Representative Director at the start of this report, the Company is promoting sustainability management and the initiatives in the Medium-Term Management Plan 2026 based on a fundamental belief that “human resources are the root of all activities and corporate value.”

Initiatives that place value on human resources will contribute to increased employee engagement. It is said that employee engagement refers to the connection and trust between employees and their company, but at the Company, we position initiatives to increase engagement as “aiming to be a company where employees can really feel that they are glad they work at the TOYO DENKI Group, and want to continue working at the TOYO DENKI Group.”

In order to achieve this aim, we are promoting initiatives from three perspectives. First: increase employees’ annual salaries. Second: be a company where employees can really find their job fulfilling. Third: create systems that make it easy for employees to work, and transparent and open workplaces.

### Enhancing basic investment in human capital

A basic responsibility of management and fundamental aspect of investment in human capital is for companies to grow profits and increase employees’ annual salaries. Over the three years of the current medium-term management plan we have continuously executed unprecedented bold increases to compensation, including salaries, bonuses, and starting salaries for new graduates. Going forward, we will work to grow profits and steadily enhance basic investment in human capital.

### Becoming a company where employees can really find their job fulfilling

We will enhance systems and management that properly reward people who have worked hard to generate results, and who have taken on difficult challenges on their own initiative. Recently, in semi-annual performance evaluations for bonuses for managers, we have introduced a type of evaluation that clarifies our “merit-based approach.” In the future, we will expand this type of evaluation to all employees.

We are also working to expand systems to support people who are self-motivated to learn and aim for growth. We have set target annual amounts for investment in education and training per employee, and we will not hold back on investment in people working to acquire qualifications, attend external courses, etc., aimed at enhancing their skills and capabilities. Moreover, we will also utilize a system of self-reporting, to facilitate career development in line with the desires of employees striving for self-improvement.

### Systems that make it easy to work

We have gradually introduced systems such as flex-time, teleworking, and childcare and nursing care leave, from the perspective of work-life balance.

In the future, we will make more improvements to ensure effective systems and management, with the aim of achieving the Company’s challenge to be a “company where women can play an active role,” while taking onboard feedback from female employees, who have submitted a particularly large number of requests for improvement.

### Creating transparent and open workplaces

In terms of initiatives to increase engagement, “creating transparent and open workplaces” is very important, in addition to measures focusing on systems.

In March 2024, we began engagement surveys utilizing an outside expert organization. We promote initiatives for improvement after clarifying challenges in each business unit, division, and level, based on objective score assessments.

Every six months, improvement initiatives and their results are shared among upper management and other managers. We are aware that the most important thing is frank dialogue on multiple occasions between upper management and other managers, and employees in each workplace, while sharing information about the direction and initiatives that the Company and each division are targeting.

18 months have passed since we began this initiative, and although we have steadily made improvements overall, we still face many challenges, and will continue long-term initiatives.

## Message from the Operating Officer Responsible for Management Planning



Jun Nukina

Director,  
Senior Executive  
Officer

### Final fiscal year of the “Medium-Term Management Plan 2026”

Under “Medium-Term Management Plan 2026,” which we have been promoting for four years since June 2022, we have been working toward “restoring and improving the Group’s corporate value,” based on three fundamental policies (1. expansion of new businesses and products, 2. thorough improvement of the earnings structures of existing businesses, and 3. improvement of asset efficiency with an awareness of capital costs).

In consolidated earnings results for the fiscal year ended May 2025, the third year of the Medium-Term Management plan period, we achieved our final targets for management indicators under the plan one year ahead of schedule, i.e. “net sales of 40.0 billion yen, operating income ratio of 5%, and ROE of 8%,” thanks to recording major overseas projects.

However, we continue to consider efforts to fundamentally strengthen our earnings structure and improve asset efficiency to achieve sustainable growth an important issue, and we will continue endeavoring to maintain and enhance ROE.

PBR, an indicator of sustainable increases in asset value, has also remained at a low level of less than 1x since the end of May 2025, a sign that the market is not sufficiently evaluating the Company’s growth potential and capital efficiency.

In addition to strengthening our earnings structure, we will also make improvements aimed at enhancing the market’s evaluation of the Company by increasing ROE through business portfolio review and investment in human capital, active R&D investment to develop new businesses and products, and greater capital investment to increase our expected growth rate and enhance shareholder returns.

### Efforts to increase expected growth rate

In the course of IR and other activities, we have received comments to the effect that our “story of corporate value enhancement is not being communicated to the market.” We take this feedback seriously, as a sign that our envisioned medium- to long-term growth strategies and measures to improve capital efficiency have been insufficient, and difficult to understand.

We will provide easy-to-understand information concerning the TOYO DENKI Group’s core values and strengths, including the Company’s motor drive technology, which has supported our track record of more than a century and our trust, and our business model, in addition to financial information, and convey the Company’s value creation process in a more concrete manner. Through dialogue with shareholders and other stakeholders, we will work to enhance our IR activities, both in terms of quality and quantity, to properly communicate the Company’s growth story to the market.

### Enhancement of shareholder returns

During the current medium-term management plan period, the Company’s basic policy is to pay dividends in a continuing and stable manner with a payout ratio of 30% or higher, while aiming to increase dividends in line with profit growth.

The annual dividend per share in fiscal year ended May 31, 2025 was 70 yen, based on higher net income thanks to strong earnings results and the sale of cross-shareholdings.

In fiscal year ending May 31, 2026, we also plan to increase the annual dividend by 5 yen. Furthermore, we have set a minimum dividend of 30 yen, thus clarifying our stance that we will maintain stable shareholder returns, even if earnings results temporarily worsen. We also continuously conduct share buybacks, and will continue flexibly implementing such measures.

In fiscal year ending May 31, 2026, the final fiscal year of the plan, the Group as a whole will work together to ensure we achieve our targets for the final fiscal year, without fail, by turning our strong order backlog into sales as soon as possible and strengthening our earnings structure through continued profitability improvements.

### Business portfolio review

In order to improve asset efficiency, we are also continuing to review our business portfolio, and promoting measures including continued reductions in cross-shareholdings and the sale of non-business assets, and the withdrawal and restructuring of operating companies in China whose profitability has deteriorated. We will invest funds generated from these measures in growth fields.