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To Whom It May Concern

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Revision of the Medium-Term Management Plan "Revitalize 2020"

Toyo Denki Seizo K.K. (hereinafter "Toyo Denki") today announces that Toyo Denki Group has decided to revise part of the management numerical targets and measures under the medium-term management plan "Revitalize 2020 (Fiscal 2018 to Fiscal 2021)," announced on July 12, 2018, as below. This has been decided by taking into account changes in the business environment, new challenges to address and other matters that occurred since then.

1. Achievements in the First Two Years and Future Challenges

Toyo Denki Group started the medium-term management plan "Revitalize 2020" in the fiscal year ended May 2019. The aim was to establish a leaner business structure that could produce stable profits, and this is a four-year plan with 2020 set as the nearest target. Positioning the first two years (from the fiscal year ended May 2019 to the fiscal year ended May 2020) as the period for establishing a firmer footing, we focused on improving profitability, which was an urgent issue. We then managed to reach initially intended achievements, such as generating target profits and improving ROE.

We had planned to carry out our measures in the latter two years (from the fiscal year ending May 2021 to the fiscal year ending May 2022), which were positioned as the period for achieving growth. We aimed for net sales of over 47 billion yen, securing a 5% level of ROE and others. However, the spread of the new coronavirus all over the world has started causing revisions or postponements to new construction and replacement plans of rolling stock of some railway operators and to equipment renewal plans in part of manufacturing, ending up affecting our activities for receiving orders. This tendency has hindered our future sales expansion.

2. Changes in the Business Environment

The economic situation in Japan and overseas remains uncertain for the time being amid concerns over the resurgence of the new coronavirus in particular. However, there are signs of a recovery in capital investment due to the effects of various government policies and a pickup in overseas economies, including China. Especially, there are signs of a nascent recovery in demand for railway infrastructure in China, particularly for the maintenance of high-speed railways and urban transportation.

In Japan as well, new customer needs toward the "post-pandemic" era are emerging, efforts toward the realization of a decarbonized society will start in full swing, and digital transformation (DX) is expected to advance.

In this environment, Toyo Denki Group will focus on further expanding its business areas, which are deeply connected with social infrastructure development and global environmental conservation.

3. Policy for Revision

(1) Name

The new plan is named "Revitalize 2022."

(2) Positioning of the latter two years

Initially, we set the latter two years as the period for achieving growth (from the fiscal year ending May 2021 to the fiscal year ending May 2022), based on an improvement in profitability achieved during the first two years. However, taking the considerable change in the business environment into account, we reposition the latter two years as the period for "accumulating our earning power and returning to a growth path." In this way, we will establish a foundation that enables us to achieve the initial goals "Net sales of over 47 billion yen, Operating income of 2 billion yen and Securing ROE of 5%" within the first two years in the next medium-term management plan, which starts in the fiscal year ending May 2023.

(3) Fundamental way of thinking

We are working to fulfill the initial aim of "establishing a 'leaner' business operation structure that generates stable profits by strengthening organizational power and rapidly providing high-quality products to customers." To this end, Toyo Denki Group will continue pursuing seven fundamental policies to expand the scale of sales and make constant efforts to improve profitability.

Major measures have been revised as below, based on a response to the aforementioned change in business environment and others.

4. Fundamental Policies and Major Actions (revised major actions are underlined)

(1) Expanding overseas business

i. Review our business strategies in accordance with the economic and technological development conditions of the countries into which we advance
ii. Expand new industrial systems in Southeast Asia
iii. Strategic participation in new urban transport projects
iv. <u>Roll out industrial motors into the Chinese market</u>

(2) Expanding our business areas using our core technologies

i. Promote commercialization taking into consideration business potential and market trends
ii. <u>Promote the application of IoT technology to the maintenance field</u>
iii. Expand business areas through business alliances and M&As

(3) Promoting development of technology in advance of market needs

i. <u>Develop products that contribute to the realization of a decarbonized society and bring them to market at an early stage</u>
ii. <u>Promote development of test equipment that contributes to the electrification and autonomous driving of automobiles</u>
iii. <u>Commercialize wireless power supply technology at an early stage</u>
iv. Establish new production technologies for key components (products)

(4) Establishing a stable business earnings structure

i. <u>Improve business profitability with operating income in mind</u>
ii. <u>Reduce fixed costs through united efforts by administration, sales and plants</u>
iii. Promote group management that focuses on our "earning power"
   a) Promote "selection and concentration" (selection of business fields and concentration of resources) throughout the group
   b) Establish integrated operation and plant system within the group

(5) Developing foundations for expanding our production capacity

i. Reinforce process control by maximizing the functions of the basic systems and establish optimum production lines

ii. Expand production capacity by re-establishing production lines (Yokohama Plant)
iii. <u>Explore production methods that incorporate energy efficiency</u>
iv. Re-establish supply chains
v. <u>Establish a business continuity plan (BCP) that can respond to the pandemic</u>

(6) Developing human resources to play important roles in the future
i. <u>Promote personnel rotation to revitalize the organization</u>
ii. Develop the next generation of executives and overseas employees
iii. Early-stage development of young managers who will be key persons of the organization

(7) Promoting ESG
i. <u>Establish sustainability policy and roadmap</u>
ii. Promote working-style reforms
iii. Enhance corporate governance

5. Numerical Management Targets (Consolidated) (Revised)

We decided on the following numbers in order to establish a foundation so that we can position the period up to the fiscal year ending May 2022 as "the period for accumulating earning power and returning to a growth path." In addition, we considered the impact of the new coronavirus on our activities to collect orders.

We aim at achieving our initial targets of "Net sales of over 47 billion yen, Operating income of 2 billion yen, and Securing ROE of 5%" within the first two years in the next medium-term management plan that starts in the fiscal year ending May 2023.

(1) Entire company (100 million yen)

	Fiscal year ended May 2018 (Results)	Fiscal year ended May 2019 (Results)	Fiscal year ended May 2020 (Results)	Fiscal year ending May 2022 (Revised plan)
Net sales	425.2	411.7	390.7	360
Operating income	3.6	5.5	10.6	6
(Operating margin)	(0.9%)	(1.4%)	(2.7%)	(1.7%)
Ordinary income	5.1	4.9	12.0	8
Net income	6.9	6.9	10.8	7
Equity in profit of unconsolidated subsidiaries and affiliates	1.1	0.1	(0.3)	1
ROE	2.7%	2.7%	4.4%	3.0%
Dividend payout ratio	68.2%	39.9%	24.8%	30.0%

(2) Segment Net Sales

Transportation Systems	279.4	272.3	242.6	220
Industrial Systems	117.6	123.3	130.2	130
Information Equipment Systems	28.0	15.8	17.7	10

(Note) In the fiscal year ended May 2018, we paid a commemorative dividend of 20 yen per share to mark the 100 year anniversary of our founding in addition to the ordinary dividend of 30 yen per share.
The dividend payout ratio for the fiscal year ended May 2017 was 24.2%.