

July 12, 2024

To Whom It May Concern

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

Toyo Denki Seizo K.K. (hereinafter “Toyo Denki”) hereby announces that, at a meeting of the Board of Directors held on July 12, 2024, we again analyzed and evaluated our current status regarding measures to realize management with an awareness of capital cost and stock price, and discussed future action policies for improvement.

For further details, please refer to the attached document, “Measures to Realize Management with Awareness of Capital Cost and Stock Price.”

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

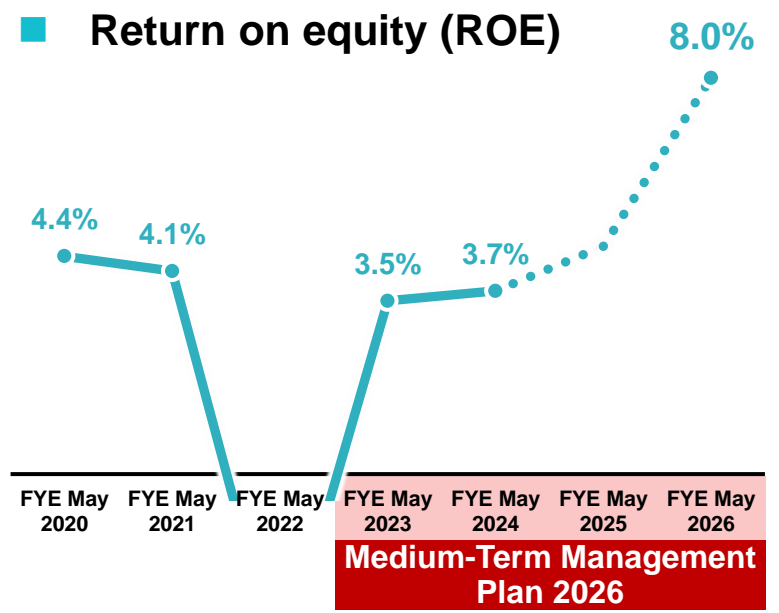
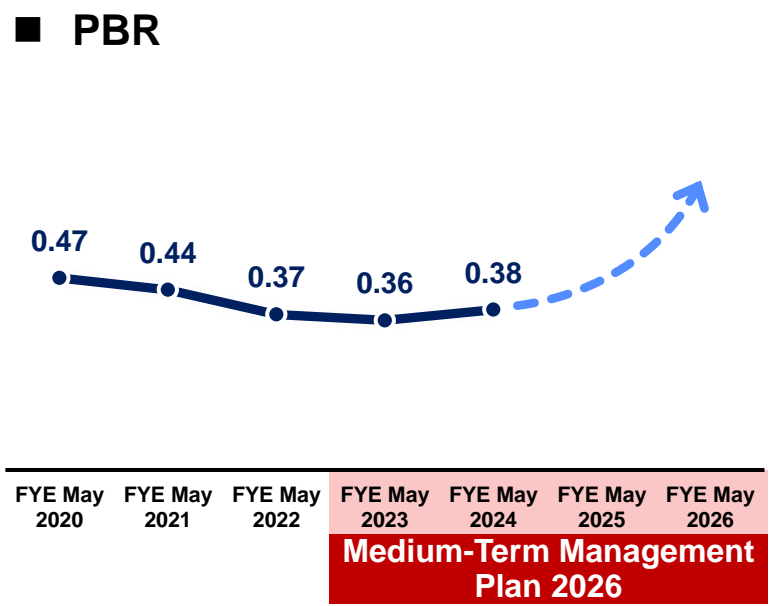
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■ Current recognition and issues

Improvement of **PBR** through improvement of **ROE** is recognized as an important management issue

PBR has been hovering around 0.4 times at present and has remained below 1 time
 Low **PBR** is attributable to low **ROE**

ROE remained below the 8% target of the **Medium-Term Management Plan 2026**



Analysis and evaluation of current situation -- Our cost of equity is approx. 7–8%

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■ Policies for enhancing corporate value

$$\text{PBR} = \text{ROE} \times \text{PER}$$

Work to improve ROE and PER

ROE

Our goal is to achieve the ROE target of 8% for the fiscal year ending May 2026 set in **the Medium-Term Management Plan 2026**, exceeding the cost of equity

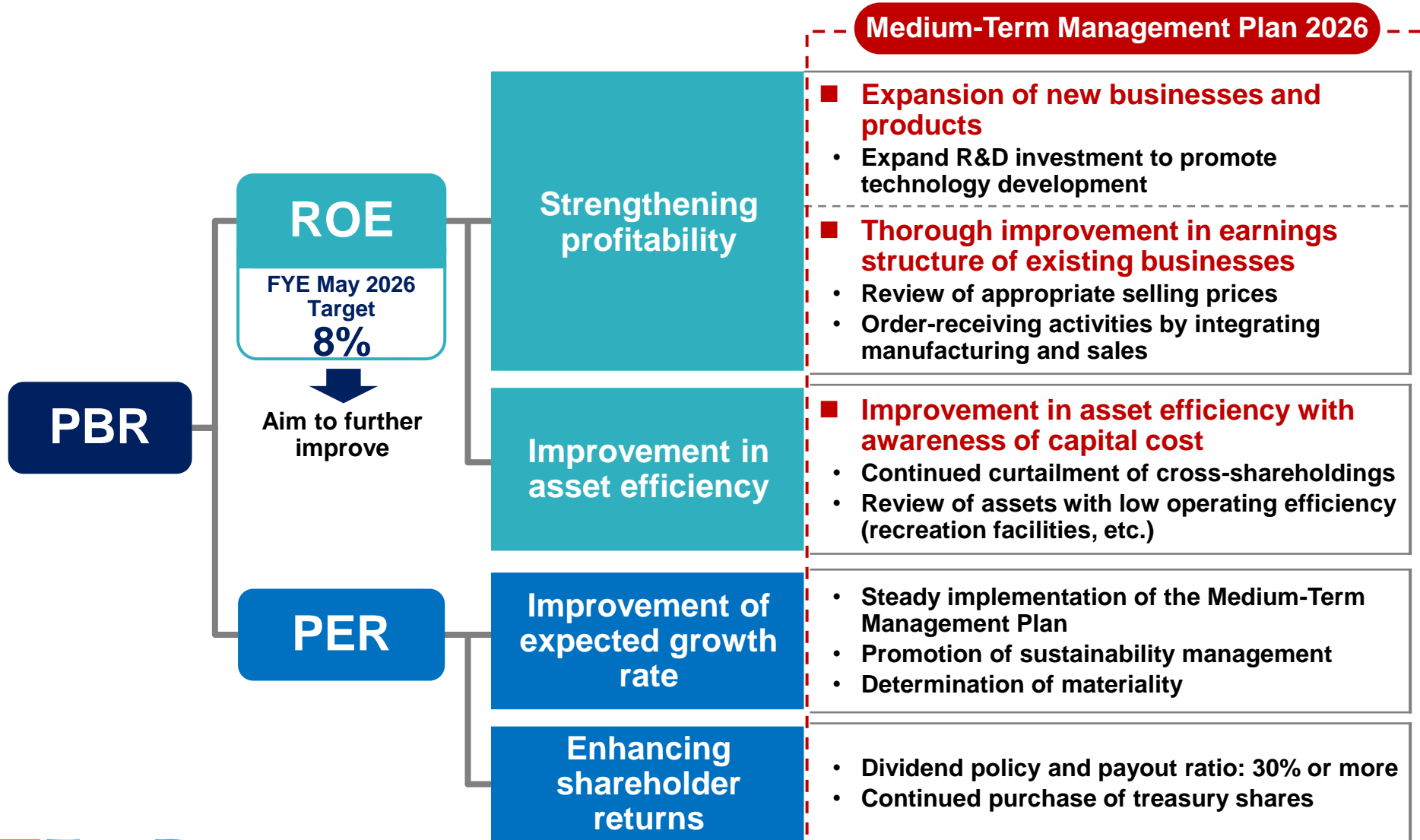
Aim to further improve ROE thereafter

PER

To improve the Group's long-term corporate value, we will communicate how we aim to achieve growth by deepening our sustainability management and strengthening our IR activities, and raise our growth expectations

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■ Specific initiatives to increase corporate value



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Strengthening profitability

Improvement in asset efficiency

Sustainable growth

Medium-Term Management Plan 2026

Consolidated financial targets for FYE May 2026

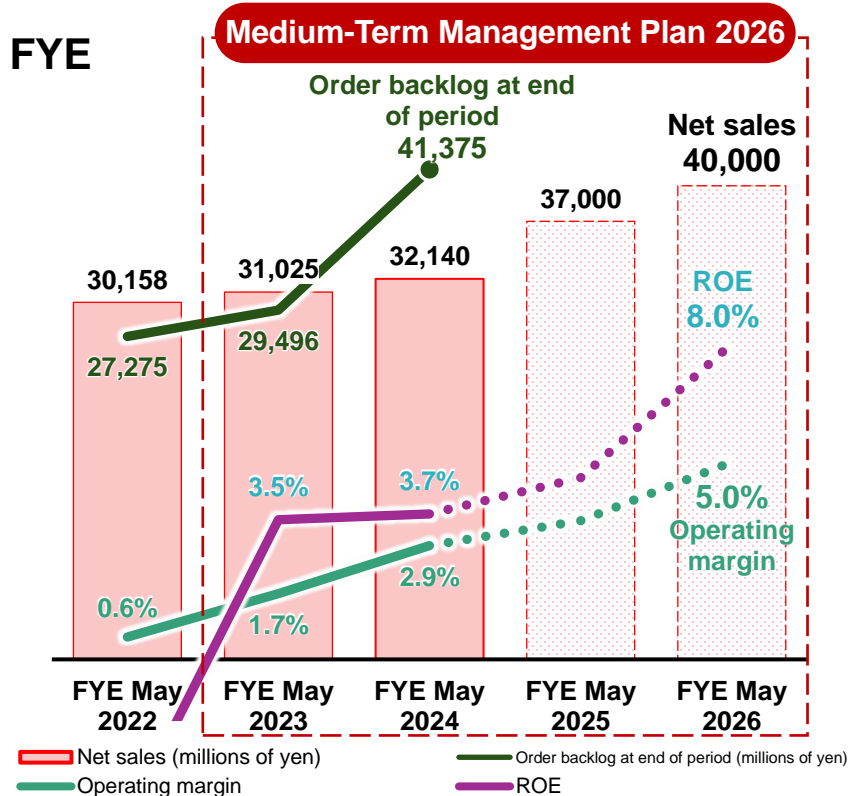
Net sales
40 billion yen

Operating margin
5%

ROE
8%

Return net sales to the pre-COVID level of **40 billion yen** through **“expansion of new businesses and products”**

Improve operating profit and ROE significantly by **“thorough improvement in earnings structure of existing businesses”** and **“improvement in asset efficiency with awareness of capital cost”**



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Improvement of expected growth rate

Determination of five material issues to be addressed as priorities for sustainable growth and enhancement of corporate value

	Materiality	What we aim to be	Main KPIs
1	Promotion of activities of diverse human resources	Aim to be a corporate group in which diverse human resources continue to achieve self-fulfillment by creating an organization and culture in which individuals can maximize their abilities and grow daily while taking on new challenges	<ul style="list-style-type: none"> • Employee engagement metrics • Education and training costs per employee • Ratio of female managers in administrative divisions
2	Creation of innovation using technology	Aim to be a corporate group that continues to contribute to the creation of an affluent society by constantly striving for technological improvements and creating new innovations based on the spirit (heart) of craftsmanship that has been passed down from generation to generation	<ul style="list-style-type: none"> • New sales based on new development • Number of new product and business proposals • Number of automation and labor-saving improvements
3	Stable procurement and high-quality manufacturing	Aim to be a corporate group that continues to provide high-quality products and services by building a strong supply chain that can coexist and prosper with suppliers and by sincerely manufacturing while thoroughly listening to customers' opinions.	<ul style="list-style-type: none"> • Number of new suppliers developed • Reduction of losses in manufacturing processes • Strengthen delivery management
4	Contributing to a decarbonized society	Aim to be a corporate group that continues to contribute to the realization of a sustainable society through the development and sale of products and services that respond to climate change based on outstanding motor drive technology	<ul style="list-style-type: none"> • Reduction of CO₂ emissions in Scope 1 & 2 • Reduction of CO₂ emissions during shipping and transportation • Orders received for products and services contributing to decarbonization
5	Conducting corporate activities responsible to society and stakeholders	Aim to continue to be an indispensable corporate group for society and stakeholders while maintaining ethical and transparent management and increasing corporate value	<ul style="list-style-type: none"> • Rate of participation in human rights training • Rate of participation in compliance training • Improvement rate of information security training results

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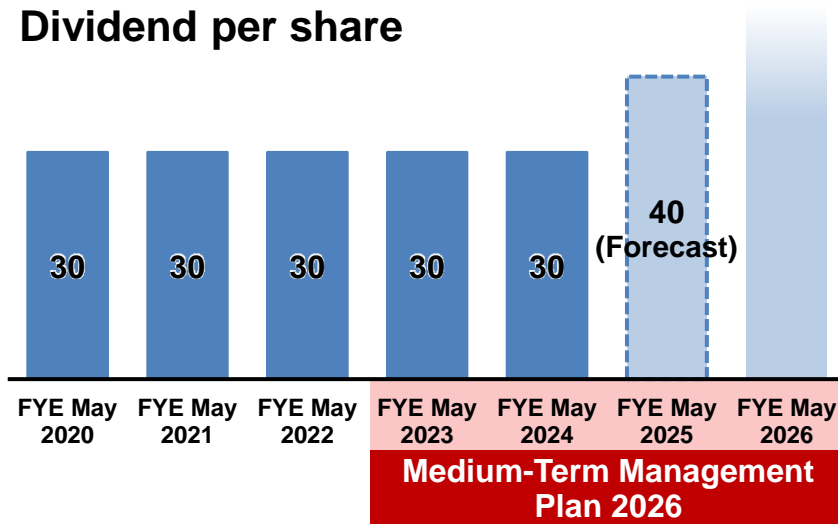
Enhancing shareholder returns

■ Dividend policy

Under Medium-Term Management Plan 2026, we aim to increase dividends and enhance corporate value by expanding profits, while maintaining a sustainable, stable dividend payout ratio of at least 30% as our basic policy.

(Dividend forecast for the fiscal year ending May 2025: 40 yen)

Dividend per share



■ Continued purchase of treasury shares

Continued implementation based on comprehensive consideration of funding, business performance, stock prices, etc.

Current ongoing purchase of treasury shares

Disclosed on January 11, 2024

Acquisition period	: January 12, 2024, to January 10, 2025
Number of shares acquired	: Up to 300,000 shares
Total acquisition price	: Up to 300 million yen