

July 14, 2025

To Whom It May Concern

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### **Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update)**

Toyo Denki Seizo K.K. (hereinafter “Toyo Denki”) hereby announces that, at a meeting of the Board of Directors held on July 14, 2025, it again analyzed and evaluated the current status of measures to realize management with an awareness of capital cost and stock price, and discussed future action policies for improvement.

In the consolidated financial results for the fiscal year ended May 31, 2025, operating profit, ordinary profit, and profit attributable to owners of parent increased significantly compared with the previous fiscal year due to the recording of large overseas projects, and we achieved 8% ROE, which is set forth in Medium-Term Management Plan 2026 as the target for the fiscal year ending May 31, 2026 (final year), one year ahead of schedule. However, we recognize that fundamentally strengthening profitability and improving asset efficiency for sustainable growth remain important issues, and we will continue to work on them in order to maintain and improve ROE.

PBR has also remained low at less than 1 as of May 31, 2025. We will improve it by increasing the expected growth rate and enhancing shareholder returns, in addition to improving ROE.

For further details, please refer to the attached document, “Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update).”

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

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

## ■ Current recognition and issues

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

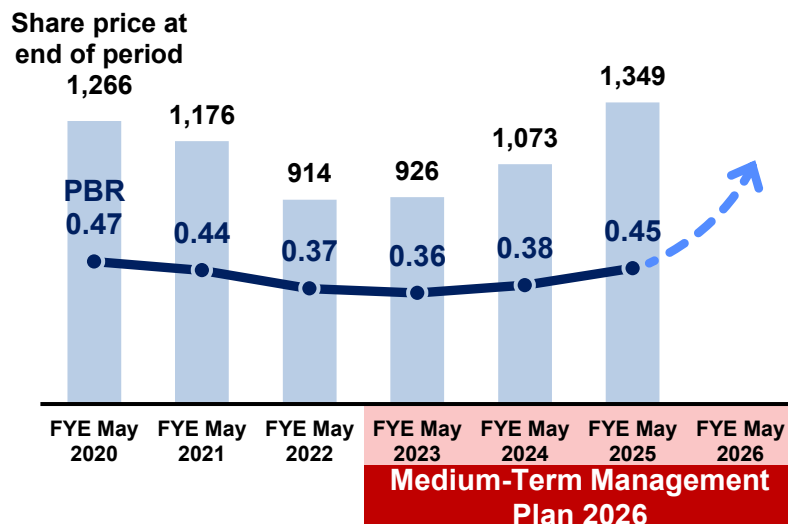
**PBR** has been 0.45 times recently and has remained below 1 time

Low **PBR** is attributable to low **ROE**

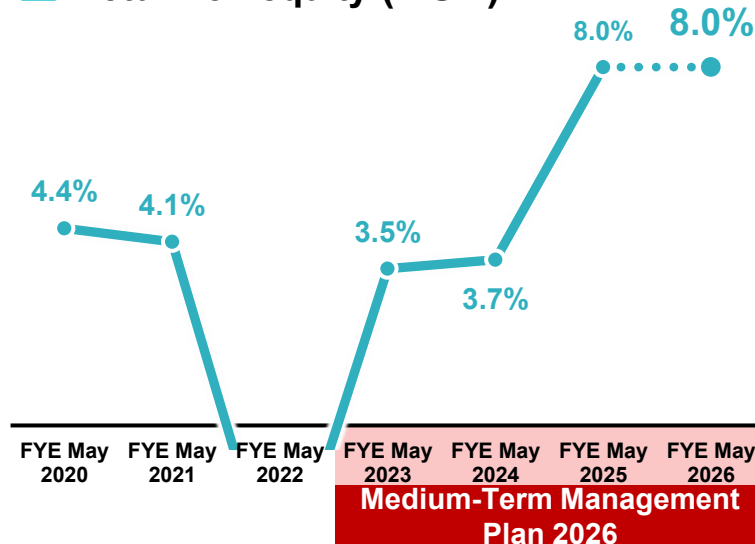
**ROE** achieved the 8% target of **Medium-Term Management Plan 2026** ahead of schedule

➡ It is important to maintain an **ROE** of 8% and increase it

### ■ Price book value ratio (PBR)



### ■ Return on equity (ROE)



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

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

## ■ Review of measures in the fiscal year ended May 31, 2025

### Strengthening profitability

- Promotion of **Medium-Term Management Plan 2026**

**Net sales**  
40 billion yen

**Operating margin** 5%

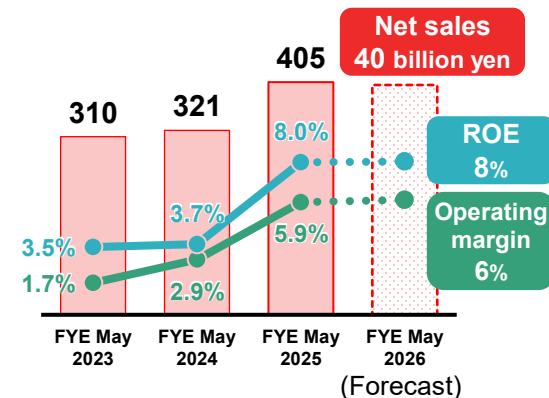
**ROE** 8%

was achieved ahead of schedule

#### Transportation

Electrical equipment for rolling stock

Progress made in delivering newly built rolling stock made in Indonesia



### Improvement in asset efficiency

- Continued curtailment of cross-shareholdings (sales of cross-shareholdings: 610 million yen in FYE May 2025)
- Reorganization of real estate held (continued closing of employee welfare facilities that are used less frequently)

### Improvement of expected growth rate

#### Expansion of new businesses and products

##### Industry

Testing system for automobiles

Commercialization of high-capacity In-Tyre-House Dynamo

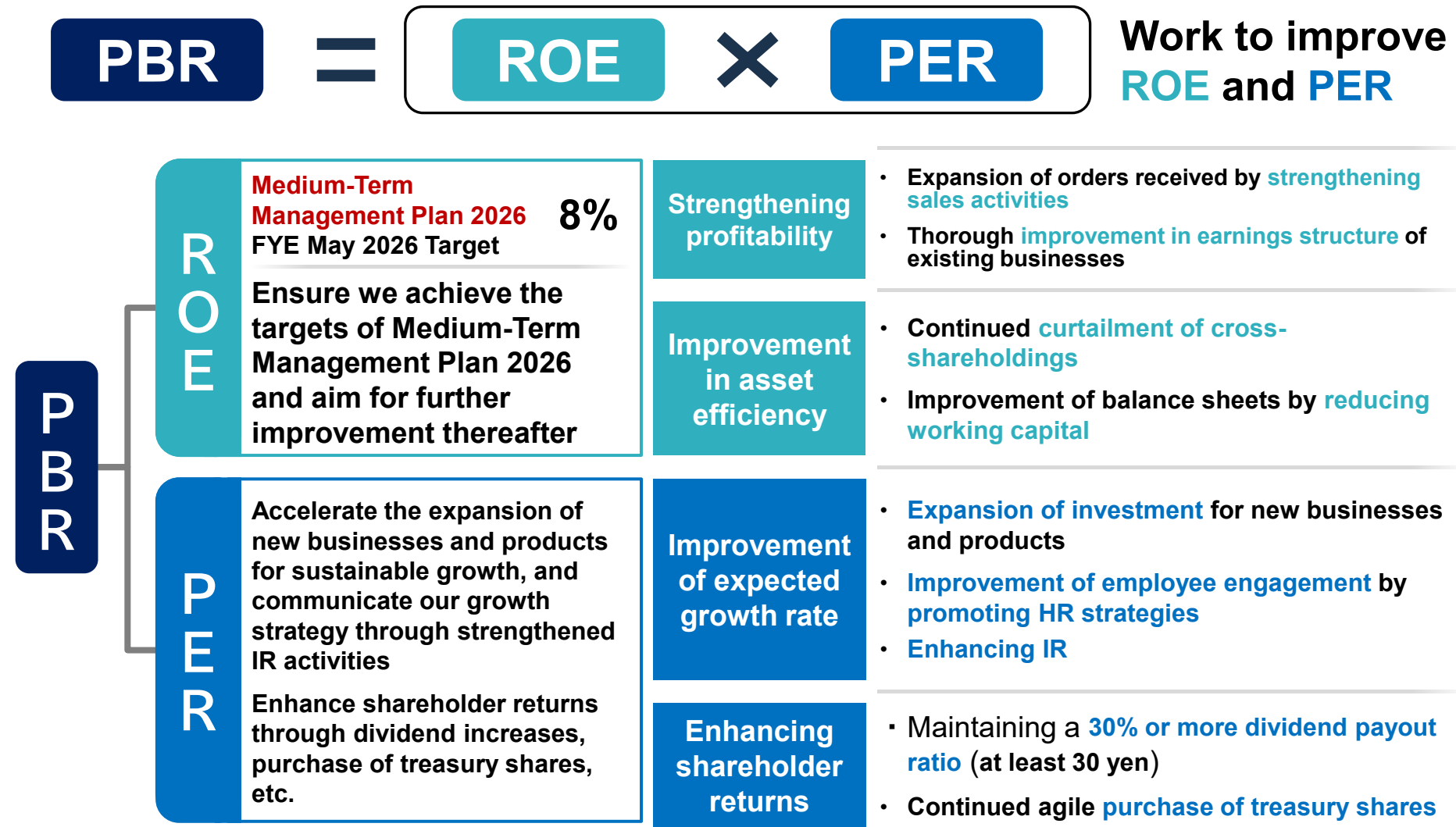
- Financial results briefings for institutional investors held four times a year, IR interviews doubled
- Plant tour for shareholders (28 shareholders visited the Yokohama Plant)

### Enhancing shareholder returns

- Dividend increased to 70 yen per share for FYE May 2025 (30 yen per share for FYE May 2024)
- Continued purchase of treasury shares (350 million yen per year)

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

## ■ Initiatives to increase corporate value (update)



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

## Strengthening profitability

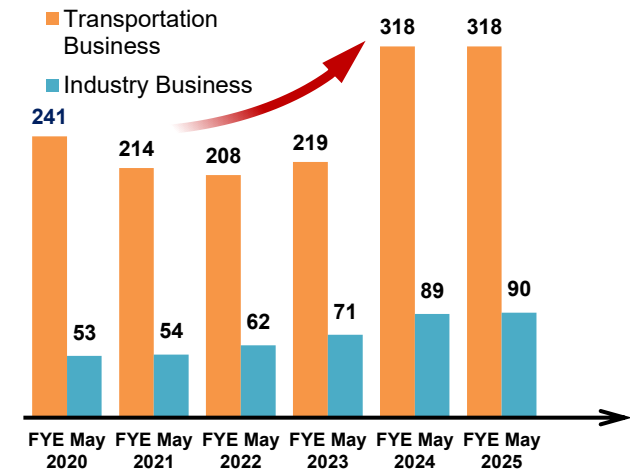
### ■ Expansion of orders received by strengthening sales activities

- **Proactive response to demand for rolling stock replacement in Japan**  
Thorough order-receiving activities to meet the needs of railway operators, such as reducing environmental impact
- **Continuous approach to overseas markets**  
Continuously receiving orders for electrical equipment for rolling stock including maintenance parts in China, Indonesia, and the U.S.
- **Strengthening group synergies in Japan and overseas**  
Establishment of integrated sales structure for sales and maintenance of equipment in the Industry Business

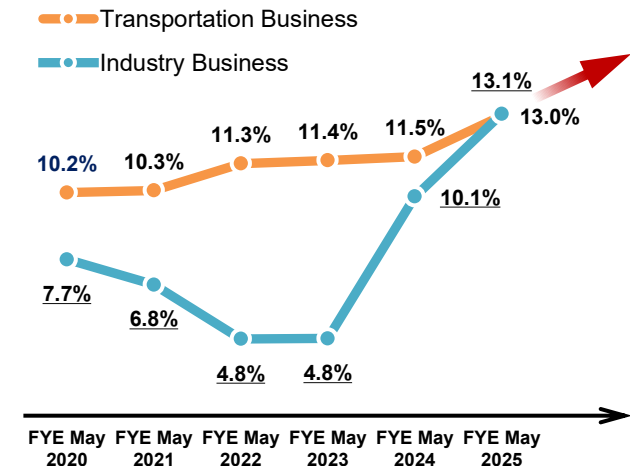
### ■ Thorough improvement in earnings structure of existing businesses

- **Review of appropriate selling prices**
  - Continuous review of appropriate selling prices to absorb cost increases including wage hikes, higher prices, higher interest rates, etc.
  - Maintenance and improvement of customer satisfaction by pursuing valuable product quality and services
- **Continuous review of low-profit businesses and products**

### ■ Order backlog at end of period (100 million yen)



### ■ Segment margin



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

## Improvement in asset efficiency

### ■ Improvement in asset efficiency with awareness of capital cost

#### ● Continued curtailment of cross-shareholdings

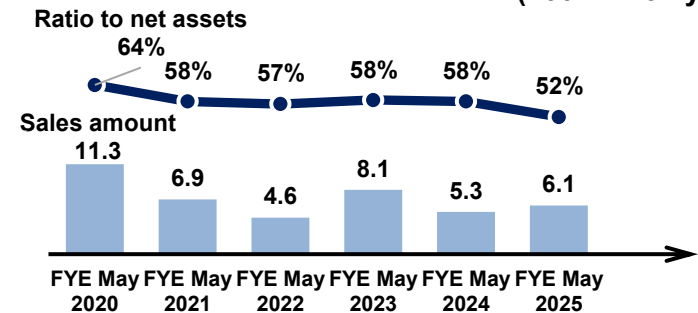
- Examining whether the purpose of holding the shares is appropriate and whether the benefits and risks associated with holding the shares are commensurate with the capital cost, etc., and selling the shares when the purpose of holding them has diminished
- Continuing to sell the shares while keeping an eye on developments in the stock market

#### ● Improvement of balance sheets by reducing working capital

- Review of collection terms for accounts receivable (shortening the period)
- Strengthening of management to optimize inventory levels
- Curtailment of borrowings through reducing working capital

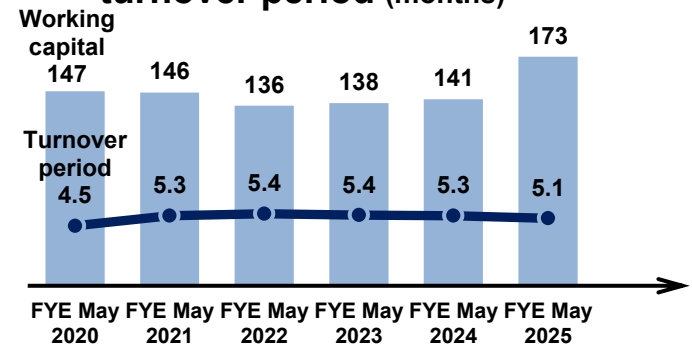
### ■ Ratio of investment securities to net assets and sales amount

(100 million yen)



### High ratio of cross-shareholdings to net assets

### ■ Working capital (100 million yen) and turnover period (months)



### Working capital increased while net sales increased

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

## Improvement of expected growth rate

### ■ Expansion of R&D investment and capital investment for new businesses and products

- Development of new business areas and new products that meet customer needs

### ■ Promotion of HR strategies and improvement of employee engagement

- Introduction of systems that provide incentives for medium- to long-term increase of corporate value
  - Restricted stock compensation plan for Directors and Operating Officers (RS) <planned>
  - Employee Shareholding Incentive Plan (E-Ship<sup>®</sup>) for employees

E-Ship<sup>®</sup> is a registered trademark of Nomura Securities Co., Ltd.

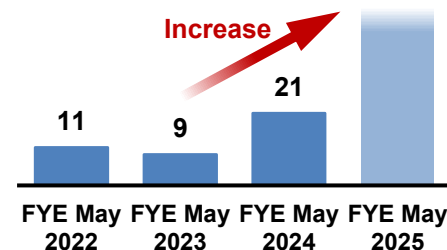
- Continued expansion of human capital investment and efficient reallocation of human resources

### ■ Enhancing IR: Continuous expansion of opportunities for dialogue with shareholders and institutional investors

- Financial results briefing for institutional investors  
Four times a year online in conjunction with financial disclosures

#### ● IR interviews

■ Number of IR interviews held (number of interviews)



#### ● Plant tour for shareholders

A tour of the Yokohama Plant was held in the fiscal year ended May 31, 2025





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

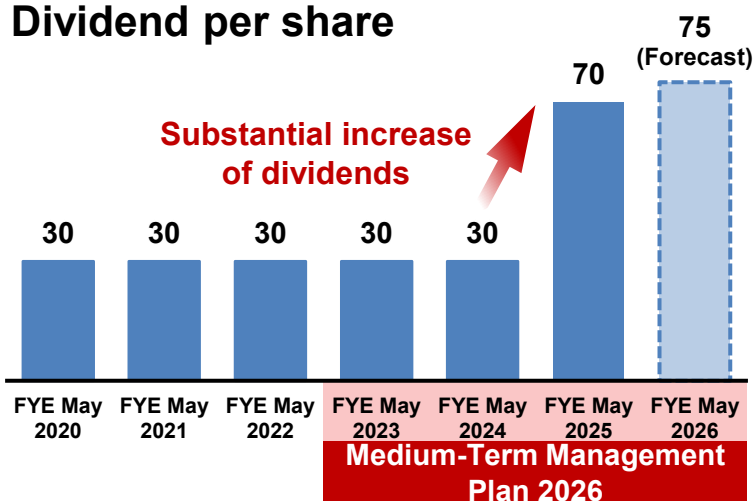
## Enhancing shareholder returns

### ■ 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% and at least 30 yen per share as our basic policy.

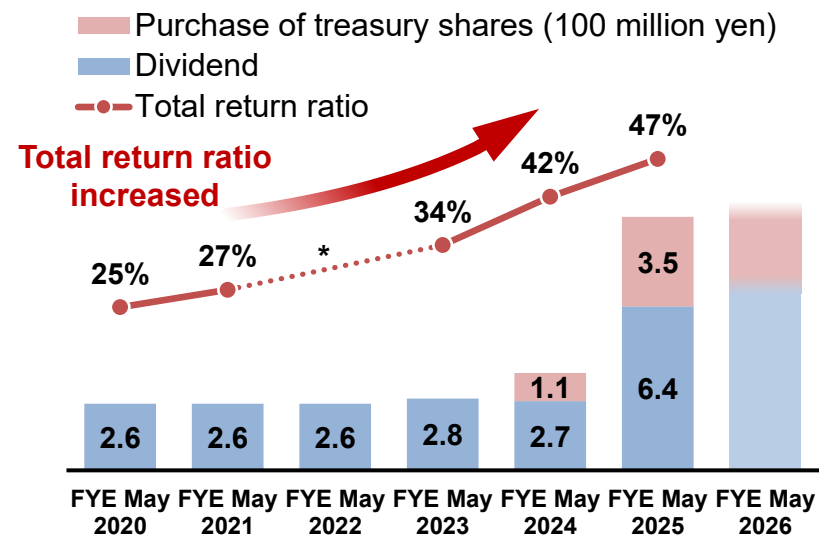
(Dividend forecast for the fiscal year ending May 2026: 75 yen)

#### Dividend per share



### ■ Total return ratio

Work on continuous and agile purchase of treasury shares



\*FYE May 2022: Net loss due to impairment losses