



July 12, 2018

To Whom It May Concern

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Toyo Denki Seizo Announces “Revitalize 2020” New Medium-Term Management Plan

Toyo Denki Group today announced revisions to the “Next 100: Beyond 100 years, Ver.2” medium-term management plan announced on July 12, 2016 (covering the period from June 1, 2014 to May 31, 2016 for Ver.1 and June 1, 2016 to May 31, 2018 for Ver.2) as described below, in the light of changing business conditions and hurdles that need to be addressed since the previous announcement and the newly developed “Revitalize 2020” medium-term management plan that will come to an end in the fiscal year ending May 31, 2022.

Description

Based on the fundamental policy under the “Next 100” medium-term management plan, while Toyo Denki Seizo K.K. (hereinafter “Toyo Denki”) has promoted reinforcements to its management foundations by taking actions such as commencing operation of the new Shiga Ryuo Plant in June 2018 to commemorate the 100th anniversary of its founding, Toyo Denki still has hurdles that need to be addressed; i.e., improving profitability and accelerating product development. Starting from the results achieved and the hurdles that remain under the “Next 100” plan, as well as a review of its business resources at the 100th anniversary of its founding, Toyo Denki has decided to develop the new “Revitalize 2020” four-year medium-term management plan, which targets 2020 for its nearest goal.

Toyo Denki will improve its earning power based on the fundamental policy of this new plan and take a new step towards establishing a strong operating system that generates steady profits.

1. Long-term Vision

We will contribute to realizing a social infrastructure system that is friendly to the global environment by providing high-quality products that combine the excellent motor drive technologies we have cultivated since our founding and advanced breakthrough technologies worldwide based on our solid business foundations.

2. Fundamental Policy

Toyo Denki Group will establish a strong operating system that generates steady profits by strengthening its organizational power and promptly providing high-quality products to our customers.

In the first two years (from the fiscal year ending May 31, 2019 to the fiscal year ending May 31, 2020), which we regard as a period for strengthening our base, we will focus on the pressing issue of improving our profitability. In the latter two years (from the fiscal year ending May 31, 2021 to the fiscal year ending May 31, 2022), which we regard as a period for achieving growth to realize net sales of more than 47 billion yen, we will focus on strategically developing our businesses, including new business alliances and M&As, inside and

outside Japan.

- (1) Expanding overseas business
- (2) Expanding our business areas using our core technologies
- (3) Promoting development of technologies in advance of market needs
- (4) Establishing a stable business earnings structure
- (5) Developing foundations for expanding our production capacity
- (6) Developing human resources to play important roles in the future
- (7) Promoting ESG

3. Major Actions

- (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 business in Southeast Asia
 - (iii) Strategic participation in new urban transportation project

- (2) Expanding our business areas using our core technologies
 - (i) Promote commercialization taking into consideration business potential and market trends
 - (ii) Develop new businesses based on the results of the latest technological innovations
 - (iii) Expand our business areas through business alliances and M&As

- (3) Promoting development of technologies in advance of market needs
 - (i) Develop products in a timely manner by strengthening our market analysis capabilities
 - (ii) Establish new production technologies for key parts (products)

- (4) Establishing a stable business earnings structure
 - (i) Reduce costs to improve business profitability
 - (ii) Strengthen coordination among operation and plant systems through company-wide activities
 - (iii) Promote group management that focuses on our earning power
 - a) Promote selection and concentration throughout the Group
 - b) Establish integrated operation and plant systems within the Group

- (5) Developing foundations for expanding our production capacity
 - (i) Reinforce process control by maximizing the functions of the basic system and establishing optimum production lines
 - (ii) Expand production capacity by re-establishing production lines (Yokohama Works)
 - (iii) Enhance operation rate of new production lines (Shiga Ryuo Plant)
 - (iv) Re-establish supply chains
 - (v) Improve business continuity plan (BCP)

- (6) Developing human resources to play important roles in the future
 - (i) Establish and implement a personnel rotation system to revitalize the organization
 - (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) Promote efforts to reduce environmental burden associated with business activities

- (ii) Promote working-style reforms
- (iii) Enhance corporate governance

4. Numerical Management Targets (Consolidated)

In order to aggressively promote actions for the medium-term management plan listed above, we will add equity in profit of unconsolidated subsidiaries and affiliates, ROE (Return on Equity) and dividend payout ratio to targets.

(1) Corporate

(Unit: Billions of yen)

	Fiscal year ended May 31, 2018 (Results)	Fiscal year ending May 31, 2020 (Plan)	Fiscal year ending May 31, 2022 (Plan)
Net sales	42.527	43.0	Over 47.0
Operating income (Operating margin)	0.366 0.9%	0.9 2.1%	2 4.3%
Ordinary income	0.515	1.1	2.4
Net income	0.692	0.7	1.6
<u>Equity in profit of unconsolidated subsidiaries and affiliates</u>	<u>0.116</u>	<u>0.12</u>	<u>0.4</u>
<u>ROE (Return on Equity)</u>	<u>2.7%</u>	<u>3.3%</u>	<u>5.0%</u>
<u>Dividend payout ratio</u>	(Note) <u>68.2%</u>	<u>30.0%</u>	<u>30.0%</u>
 (2) Segment net sales			
Transportation Systems	27.949	29.0	31.0
Industrial Systems	11.769	13.0	15.0
Information Equipment Systems	2.801	1.0	1.0

(Note) For the fiscal year ended May 31, 2018, we will pay a commemorative dividend of 20 yen per share to mark the 100th anniversary of our founding in addition to the regular dividend of 30 yen per share.

Dividend payout ratio for the fiscal year ended May 31, 2017 was 24.2%.