

To Whom It May Concern

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Notice Concerning Formulation of Medium-Term Management Plan

Toyo Denki Group (hereinafter the “Group”) hereby announces that it has formulated the Medium-Term Management Plan as follows.

1. **Name** Medium-Term Management Plan “Sustainable 2030 - Driving Transformation and Accelerating Growth”
(hereinafter “Sustainable 2030”)

2. **Period** Fiscal year ending May 31, 2027 to fiscal year ending May 31, 2030 (Four years)

3. Fundamental policies

(1) Sustainable Strategy	Deliver a sustainable growth strategy from a market-in perspective by creating new businesses and products with a clear focus on profitability and by strategically expanding overseas businesses.
(2) Strengthening the Earnings Structure	Fundamentally strengthen our earnings structure by accelerating price optimization, improving product and operational quality, thoroughly reducing costs, and pursuing focused resource allocation to priority businesses, while enhancing sales activities under a quality-over-quantity approach.
(3) Balance Sheet Management	Enhance asset efficiency by reducing investment securities and optimizing working capital in line with capital market expectations, while optimizing cash allocation through increased growth investments and enhanced shareholder returns.
(4) Restructuring	Drive group-wide restructuring, including transforming corporate culture and work practices, optimizing the business execution framework, and reviewing organizational structures and systems, to create a virtuous cycle of sustainable profit growth.

4. Target management indicators (100 million yen)

Medium-Term Management Plan “Sustainable 2030”				
	FYE May 2026 results	FYE May 2027 plan		FYE May 2030 target
Orders received	456.3	435		480
Transportation	333.6	310		330
Industry	122.6	125		150
Net sales	404.8	425		480
Transportation	284.6	295		330
Industry	120.0	130		150
Operating profit (%)	31.1 (7.7%)	26.0 (6.1%)		43.0 (9.0%)
ROE	10.3%	8.3%		10.0%

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

The Group's consolidated financial results for the fiscal year ended May 31, 2026 showed significant year-on-year increases in operating profit, ordinary profit, and profit attributable to owners of parent, while ROE also achieved the 8% target set for the fiscal year ended May 31, 2026 (the final year) under the Medium-Term Management Plan 2026. We still consider fundamental enhancement of profitability and improvement of asset efficiency as important issues for sustainable growth, and we will work to enhance corporate value through steady promotion of the Medium-Term Management Plan "Sustainable 2030".

6. Other

Please refer to the attached document for details.

End

Medium-Term Management Plan

Sustainable 2030

Driving Transformation and Accelerating Growth

- 1 Review of the Medium-Term Management Plan 2026
- 2 Changes in the Environment Surrounding the Group
- 3 Stakeholders' Expectations and the Group's Mission
- 4 Business Environment
- 5 Medium-Term Management Plan "Sustainable 2030 - Driving Transformation and Accelerating Growth"
- 6 Fundamental Policies and Measures
- 7 Numerical Targets
- 8 Cash Allocation
- 9 Shareholder Returns
- 10 Action to Implement Management that is Conscious of Cost of Capital and Stock Price
- 11 Strengthening Strategic Relationship and Collaboration with JR East

1 Review of the Medium-Term Management Plan 2026

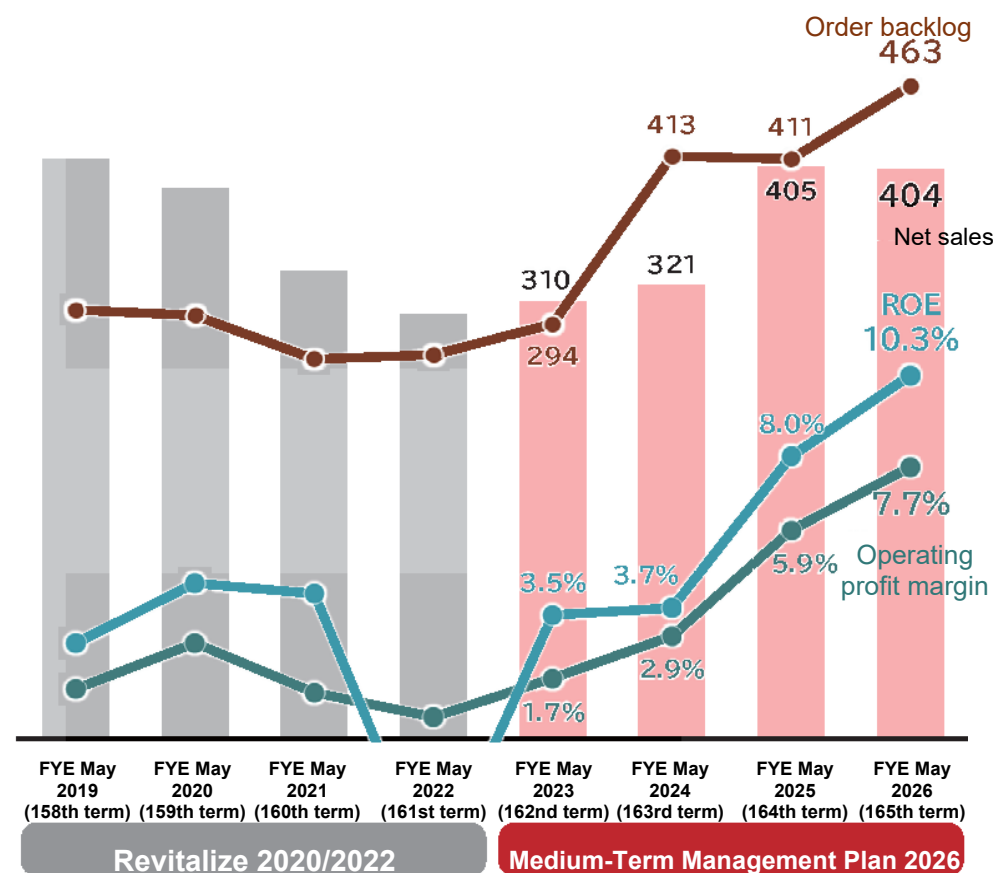
Key numerical targets were achieved in FYE May 2025 one year ahead of schedule, and profitability further improved in FYE May 2026 (the final year)

Consolidated financial results target

	FYE May 2026	
	Target	Result
Net sales	40.0 billion yen	40.4 billion yen
Operating profit margin	5 %	7.7 %
ROE	8 %	10.3 %

Overall summary

- Medium-Term Management Plan 2026 aimed to achieve the “revitalization and transformation of TOYO DENKI” in order to “restore and enhance corporate value.”
- Supported by a favorable order environment, large-scale overseas projects also made a significant contribution
- While progress was made in the “revitalization of TOYO DENKI” and “restoration of corporate value,” transformation and growth remain ongoing challenges
- Under the new Medium-Term Management Plan, we aim to evolve into a sustainable corporate group that consistently meets the expectations of all stakeholders at a high level



1 Review of the Medium-Term Management Plan 2026

Efforts based on the three fundamental policies have made considerable progress, but did not lead to the structural transformation needed for sustainable growth

■ Achievements and challenges of the three fundamental policies

Fundamental policies	Achievements	Challenges
Expansion of new businesses and products	■ Completion of large projects in Indonesia and progress of initiatives toward business diversification in Indonesia ■ Higher-capacity models and an expanded lineup of In-Tire-House Dynamo(automotive testing systems)	■ Market launch of more new products, rebuilding the organizational framework for creating new products, and enhancement of R&D investment and capital investment ■ Strengthening overseas strategies, including assessment of markets and risk-return profiles, clarification of marketing strategies, and enhancement of systems and human resources
Thorough improvement in earnings structure of existing businesses	■ Segment profit margins in the Transportation Business and the Industry Business have been improving	■ Acceleration of efforts to implement appropriate pricing and reduce costs amid changes in the environment such as inflation and rising labor costs ■ Continuing efforts to improve quality, which is the foundation of earnings
Improvement in asset efficiency with awareness of capital cost	■ Group-wide collaboration, including the Industry Business, to maximize the use of management resources of the whole company in completing the Indonesia projects ■ Continued reduction in cross-shareholdings and real estate holdings	■ Optimal resource allocation within the Company and Group to further improve asset efficiency ■ Achieve a PBR above 1.0x at an early stage by improving profitability and growth potential

2 Changes in the Environment Surrounding the Group

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Use the following changes in the business environment as opportunities for the Group's transformation and growth

Changes in the external environment

Domestic demography	Population decline, concentration of population in the Tokyo metropolitan area, and declining regional vitality
Labor market	Persistent labor shortages and increased labor mobility
Political economy	- Rising inflation and a return to a positive interest-rate environment - Rising expectations from capital markets and stakeholders - Economic fragmentation caused by heightened geopolitical tensions and instability
Procurement	- Heavy reliance on small and micro enterprises, raising concerns over procurement stability and continuity - Geopolitical risks in supply chains becoming apparent
Innovation	Progress with innovation and DX
Environment	Increasing severity of natural disasters, and the irreversible imperative of decarbonization

Changes in the internal environment

Management	Progress has been made in management conscious of the cost of capital and share price, but PBR remains below 1.0x.
Financial results and finance	Recovery in financial performance from the COVID-19 pandemic and greater stability in the financial base
Human capital	Imbalanced age composition of employees; maintain and expand investment in human capital
Corporate culture	Cultivating a mindset that embraces change and drives transformation has become essential
Technology and development	- Enhancing the technological and operational foundations that support high-quality manufacturing is a key challenge - Strengthening innovation capabilities for the creation of new businesses and products is a challenge
Sites and organizations	- Challenges in optimizing management resources (sites, human resources, etc.) have become apparent - Transformation of business processes to support "speedy management" is necessary

3 Stakeholders' Expectations and the Group's Mission

Securing sufficient earnings is a fundamental prerequisite for sound management that meets stakeholder expectations. Meet every stakeholder's expectations, and aim to improve corporate value and realize sustainable growth over the medium to long term.



4 Business Environment

View changes in the business environment as opportunities to strengthen product development and sales activities

Transportation Business		
Electrical equipment for railway vehicles	Domestic	Active rolling stock investment by railway operators, such as introduction of new rolling stock and replacement of equipment, to realize sustainable railway infrastructure
	China	New investment in railway infrastructure slowed, while demand for maintenance of existing rolling stock continues
	Overseas (excluding China)	New rolling stock is being introduced against the backdrop of strong infrastructure demand in Southeast Asian and other emerging countries
* Railway station operating equipment systems		The shift toward cashless and ticketless services continues, aimed at improving the convenience of transportation services and operational efficiency

Industry Business	
Automotive testing systems	Investment for development of next-generation automobiles (electrification, ADAS, etc.) continues in the automobile industry
Production and processing equipment drive systems	Demand for equipment replacement continues in response to growing needs for energy efficiency and reduced maintenance requirements
Power generation and infrastructure systems	Demand for distributed power supply units and emergency power generators continues due to rising demand for stable energy supply

*On June 1, 2026, the **ICT Solution Business** was integrated into the **Transportation Business** in order to promote businesses targeting the railway and bus markets in an integrated manner

5 Medium-Term Management Plan “Sustainable 2030– Driving Transformation and Accelerating Growth”



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We intend to become a sustainable corporate group that continues to meet every stakeholder’s expectations at a high level

■ Material issues*

1	Empowerment of diverse talent
2	Creation of innovation leveraging our technologies
3	Stable procurement and high-quality manufacturing
4	Contribution to a low-carbon society
5	Responsible corporate activities toward society and stakeholders

■ Period

Fiscal year ending May 31, 2027 to fiscal year ending May 31, 2030 (four years)

■ Fundamental policies

1	Sustainable Strategy	Deliver a sustainable growth strategy from a market-in perspective by creating new businesses and products with a clear focus on profitability and by strategically expanding overseas businesses.
2	Strengthening the Earnings Structure	Fundamentally strengthen our earnings structure by accelerating price optimization, improving product and operational quality, thoroughly reducing costs, and pursuing focused resource allocation to priority businesses, while enhancing sales activities under a quality-over-quantity approach.
3	Balance Sheet Management	Enhance asset efficiency by reducing investment securities and optimizing working capital in line with capital market expectations, while optimizing cash allocation through increased growth investments and enhanced shareholder returns.
4	Restructuring	Drive group-wide restructuring, including transforming corporate culture and work practices, optimizing the business execution framework, and reviewing organizational structures and systems, to create a virtuous cycle of sustainable profit growth.

*We have identified key challenges that we must address as priorities to achieve a sustainable increase in corporate value as “five material issues”

6 Fundamental Policies and Measures

1 Sustainable Strategy

Deliver a sustainable growth strategy from a market-in perspective by creating new businesses and products with a clear focus on profitability and by strategically expanding overseas businesses.

■ Creation of new businesses and products

- Accelerate creation of new businesses and products through reorganization and consolidation of management resources
- Establish the Business Development Center and the Technology Center to strengthen and accelerate development of new businesses and technologies
- Expand effective growth investment
- Actively leverage alliances to achieve commercialization

■ Strategic overseas expansion

- Clarify strategies and strengthen targeting based on market analysis
- Strengthen risk and profitability management and enhance organizational structures and human resources

2 Strengthening the Earnings Structure

Fundamentally strengthen our earnings structure by accelerating price optimization, improving product and operational quality, thoroughly reducing costs, and pursuing focused resource allocation to priority businesses, while enhancing sales activities under a quality-over-quantity approach.

■ Sales activity reform

- Expand orders received based on clear marketing strategy
- Implement appropriate pricing in an inflationary environment

■ Continuous improvement of earnings structure

- Further enhance profitability management
- Pursue quality improvement through enhancement of technological and operational foundations
- Reduce costs and improve productivity based on thorough production management
- “Selection and concentration” of businesses (focusing resources on priority businesses)

6 Fundamental Policies and Measures

3 Balance Sheet Management

Enhance asset efficiency by reducing investment securities and optimizing working capital in line with capital market expectations, while optimizing cash allocation through increased growth investments and enhanced shareholder returns.

■ Optimization of assets held

- Continue reducing cross-shareholdings
- Effectively utilize assets within the Group

■ Improvement of the balance sheet by reducing working capital

- Review (shorten) conditions for receivables collection
- Strengthen management to optimize inventory levels
- Reduce borrowings by reducing working capital

■ Optimization of cash allocation

- Realize growth investment through thorough balance sheet management
- Strengthen shareholder returns

4 Restructuring

Drive group-wide restructuring, including transforming corporate culture and work practices, optimizing the business execution framework, and reviewing organizational structures and systems, to create a virtuous cycle of sustainable profit growth.

■ Promoting structural reform from a Group-wide perspective

Corporate culture	➤ Establish behavioral patterns that take on challenges quickly, aggressively, and boldly
Mechanism	➤ Ensure integrated Group management and optimization across the Group ➤ Deepen sustainability management through clear decision-making ➤ Realize swift management
Sites and organizations	➤ Review the Group-wide production structure ➤ Reorganization to optimize business execution
Human resources	➤ Review HR systems and efficiently reallocate human resources ➤ Improve employee engagement
Utilization of DX	➤ Promote business transformation through DX
Procurement	➤ Make the supply chain resilient to keep production stable

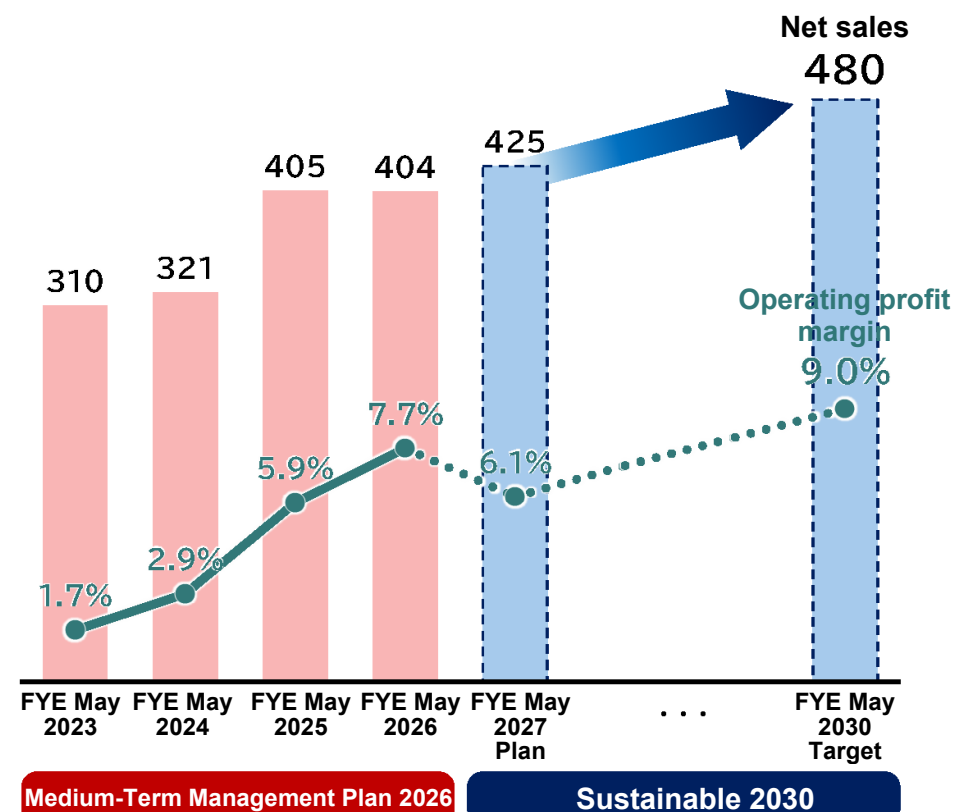
7 Numerical Targets

Fundamentally strengthen the management structure by continuously improving profitability and capital efficiency

Medium-Term Management Plan

Sustainable 2030

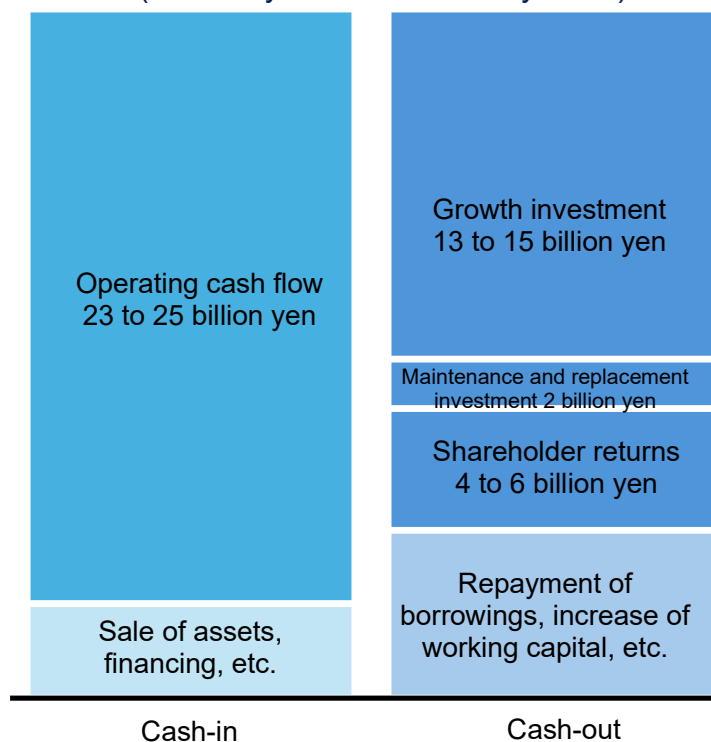
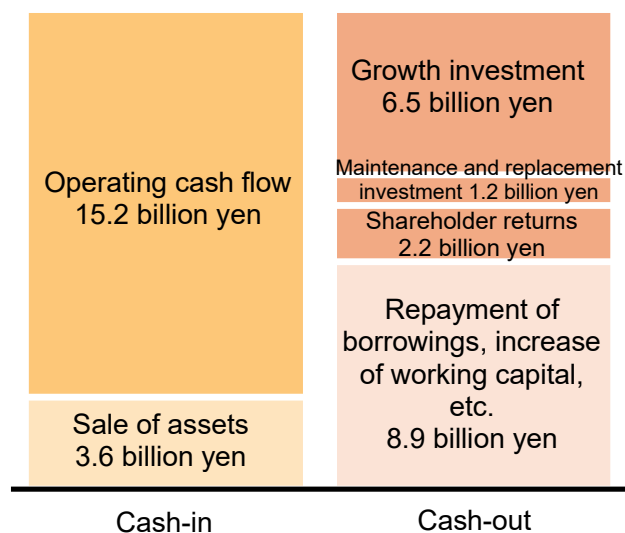
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(%)	(7.7 %)	(6.1 %)		(9.0%)
ROE	10.3%	8.3%		10.0%



Optimize cash allocation focusing on growth investment and shareholder returns while maintaining financial soundness

Plan in the new Medium-Term Management Plan (FYE May 2027 to FYE May 2030)

Results under the previous Medium-Term Management Plan (FYE May 2023 to FYE May 2026)



R&D investment 5 to 6 billion yen
 Human capital investment 3 billion yen
 DX & IT-related investment 2 billion yen
 Capital investment (production capacity enhancement) 3 to 4 billion yen

Revision of dividend policy
 Agile acquisition of treasury shares

Financial discipline (guideline)

Equity-to-asset ratio	45% or more
D/E ratio	0.5x or less

9 Shareholder Returns

Revise dividend policy to further enhance shareholder returns, which are an important management issue

■ Dividend policy

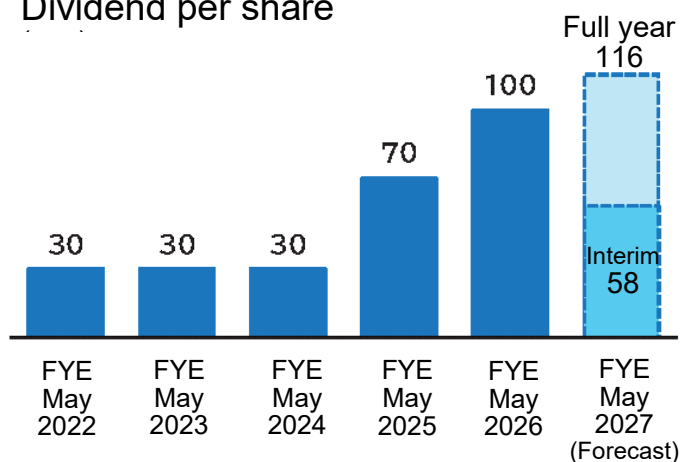
Previously

- Dividend payout ratio of at least 30%, minimum 30 yen per share
- Annual dividend paid in a single year-end payment

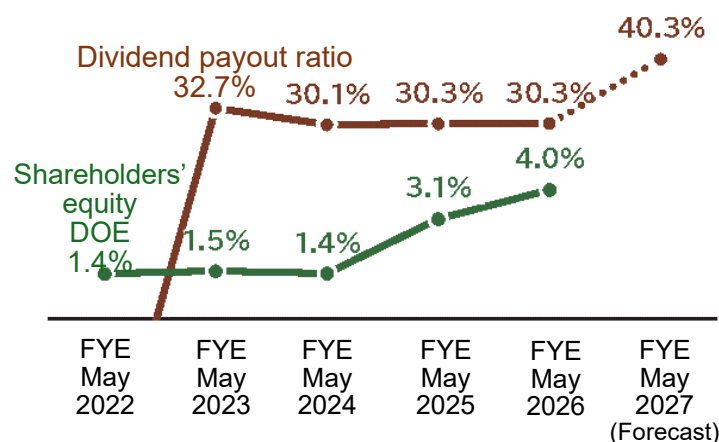
From the fiscal year ending May 31, 2027

- Dividend payout ratio of at least 40% and dividend on shareholders' equity* (DOE) of at least 3.0%
- Interim dividends will be paid

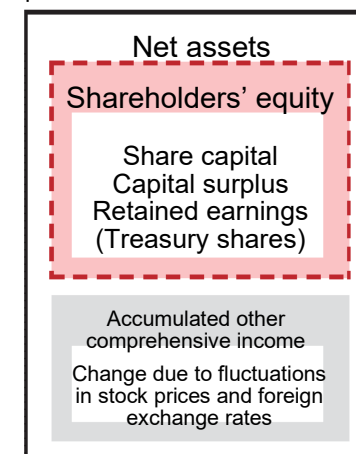
Dividend per share



Dividend payout ratio/dividend on equity (DOE)



* Net assets less accumulated other comprehensive income

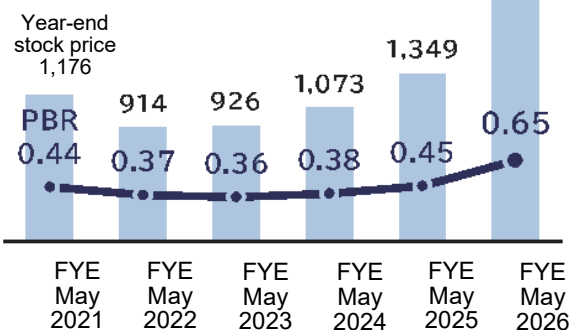


10 Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Increase corporate value through steady promotion of the Medium-Term Management Plan “Sustainable 2030”

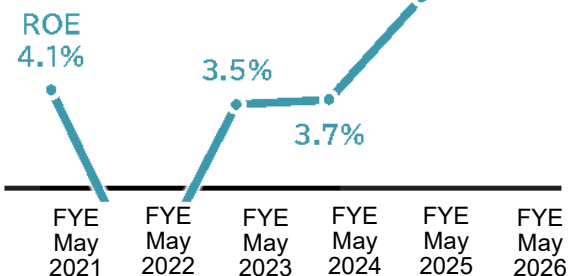
■ PBR (price-to-book ratio)

Currently 0.65x, and PBR less than 1x continues



■ ROE (return on equity)

The target of the Medium-Term Management Plan 2026 of 8% was achieved ahead of schedule



■ Efforts to increase corporate value

ROE improvement	Strengthening profitability	- Expansion of orders received through sales reform and appropriate pricing - Continuous improvement of earnings structure
	Improvement in asset efficiency	- Optimization of assets held (reducing cross-shareholdings, etc.) - Improvement of the balance sheet by reducing working capital - Optimization of cash allocation
PER improvement	Improvement of expected growth rate	- Creation of new businesses and products - Expansion of effective R&D investment and capital investment - Strategic overseas expansion - Enhancement of IR
	Enhancing shareholder returns	- Revision of dividend policy - Agile acquisition of treasury shares

Implemented in the Medium-Term Management Plan

Sustainable 2030

in an integrated manner

11 Strengthening Strategic Relationship and Collaboration with JR East



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JR East's shareholding ratio is expected to be 20% mainly due to the disposal of treasury shares through third-party allotment
Strengthen strategic relationship and collaboration including personnel relationship



- Under the Group Management Vision “To the Next Stage” 2034 (announced in July 2025), JR East aims for sustainable railway operations through the integrated efforts of all business operators, manufacturers, and suppliers
- Positioning Toyo Denki Seizo as one of its stable suppliers for electrical equipment for railway vehicles and other materials, JR East intends to strengthen cooperation for the future



- Under the Medium-Term Management Plan “Sustainable 2030– Driving Transformation and Accelerating Growth”, Toyo Denki aims to increase corporate value and realize sustainable growth over the medium to long term
- Toyo Denki intends to strengthen its capital and personnel relationships and collaboration with JR East, with which it has a longstanding relationship involving the sale of electrical equipment for railway vehicles

Utilize collaboration synergies

Aim to realize safe and secure railway infrastructure and maximize corporate value