

Medium-Term Management Plan

"KYOSAN Next Step 2028"

(FY March 2026 to FY March 2028)

KYOSAN ELECTRIC MFG.CO.,LTD.

Stock exchange listings : Tokyo Prime
Securities code : 6742

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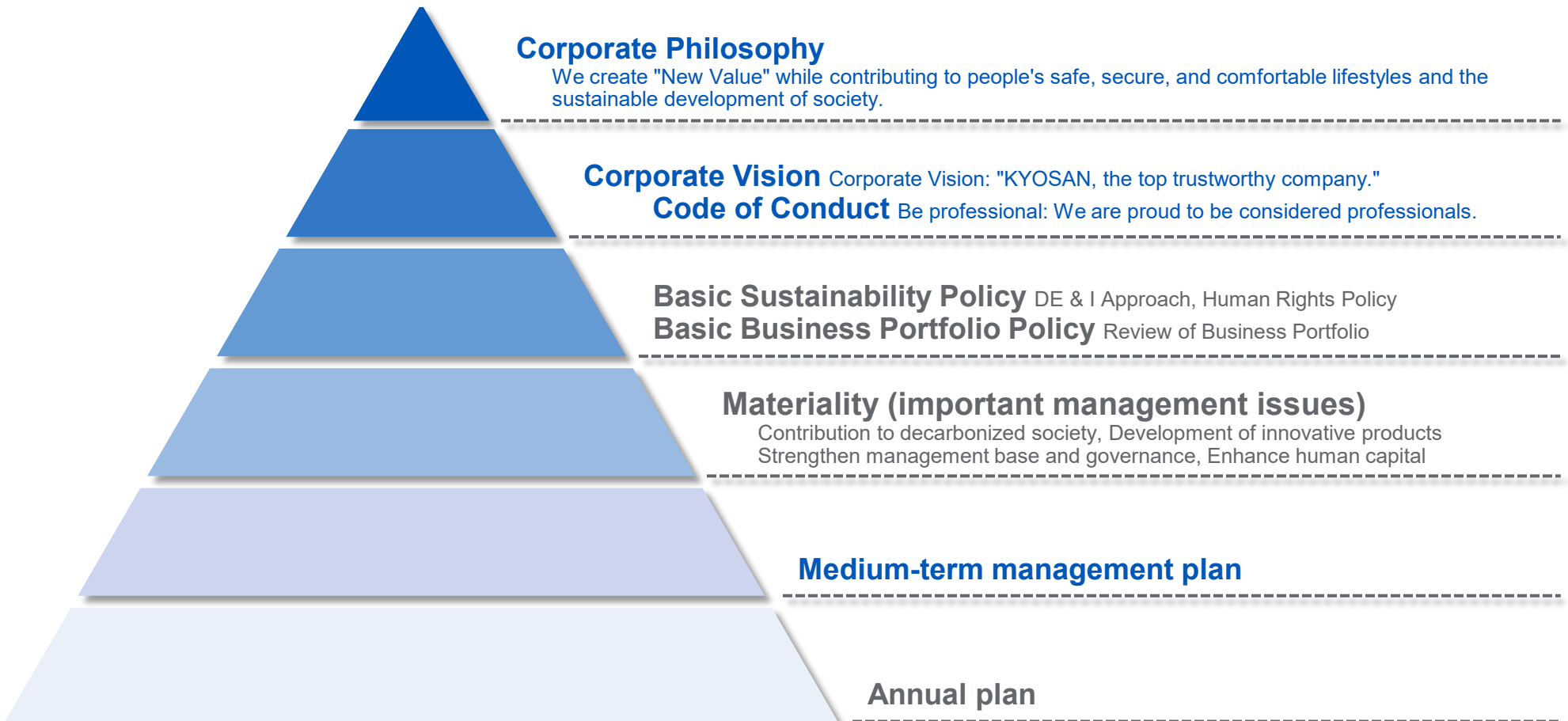
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Formulation of the Medium-Term Management Plan

■ Review of Corporate Philosophy, Corporate Vision, and Code of Conduct

Review of Corporate Philosophy, Corporate Vision, and Code of Conduct in conjunction with the formulation of the Medium-Term Management Plan

- Since the business environment surrounding our company has changed significantly since the previous formulation, we have decided that it is necessary to update the system in accordance with the times and environment.
- Although our company's core values, including "safety and security," have not changed, we have revised them to enhance the interconnectedness of each item and make it easier for stakeholders to understand.



■ Corporate Philosophy

We create "New Value" while contributing to people's safe, secure, and comfortable lifestyles and the sustainable development of society.

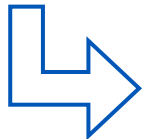
[What's "New Value"]

Customer and Social Value

- Understanding customer needs and providing the services that customers desire. As a result, the value that can be enjoyed by society as a whole or the value created by solving social issues

Corporate Value

- Creating profit in core business
- Building an optimal capital structure
- Increasing the investment efficiency of business with less invested capital



Strive to balance customer value, social value, and corporate value by reviewing products and markets, examining responses to social issues, improving products, and launching services.

Value of human resources

- Creating value that can contribute to customers, society, and the company by enhancing the skills and abilities of employees
- Growing oneself by creating customer value

■ Relationship between our group's Vision in 10 Years and "New Value"

- In the previous medium-term management plan, Medium-Term Management Plan 2025, we formulated a long-term vision of our group's Vision in 10 years.

[Our group's Vision]

Through overseas expansion of the signal system business, expansion of the power electronics business, and new core businesses, we are achieving sustainable growth by contributing to safety and reliability, global environmental conservation, and social development and improvement of comfort.



Creating Value for
Customers and Society

Adequate investment in technology development, human resources, and IT for business growth and global environmental conservation has enabled us to achieve profitability and financial structure that enables us to continue to provide appropriate returns (Dividends, salaries, community contributions ...) to our stakeholders.



Creating Corporate Value

Diverse employees with diverse characteristics are growing and working together with diverse people in a wide world.



Creating Human Asset Value



Establishment of the KYOSAN brand and creation of many new values

■ Corporate Vision

Corporate Image: "KYOSAN, the top trustworthy company."

- Creating **customer value** through innovative technologies and establishing the **KYOSAN brand** recognized worldwide
- Providing products that contribute to **global environmental conservation** based on **safety and reliability**
- Creating results through **diverse values**, a **spirit of challenge, and teamwork**

■ Code of Conduct

Be professional: We are proud to be considered professionals.

- | | | |
|---------------------------------|--------------------------------------|---------------------------------------|
| • Constant Growth | • Demonstrating Organizational Power | • Corporate Activities with Integrity |
| • Pursuit of Safety and Quality | • Respect for Human Rights | • Contribution to Society |

- "Professional pride" is defined as the "ideal" and "important mindset" of all executives and employees
- "Professional" refers to self-improvement, honing humanity, knowledge, and skills, and using their abilities to maximize customer and corporate value to achieve results
- "Pride" means "pride in one's ability, experience, and achievements" based on firm confidence and dignity. It is more positive than "pride" or "pride" and reflects the strong will of all our group employees to "firmly establish their own axis"

Review of "Medium-Term Management Plan 2025"

Review of "Medium-Term Management Plan 2025"

■ Comparison of Achievements and Targets (for the 2025/3 fiscal year and for the entire medium-term management plan)

(Millions of yen)

	FY 2025/3 Actual	FY 2025/3 Target	Difference	Achievement rate
Orders received	81,951	85,000	(3,049)	96%
Signaling Solution Business	66,396	62,000	4,396	107%
Power Electronics Business	15,554	22,000	(6,446)	71%
New business	0	1,000	(1,000)	0%
Net sales	85,367	85,000	367	100%
Signaling Solution Business	71,128	62,500	8,628	114%
Power Electronics Business	14,239	22,000	(7,761)	65%
New business	0	500	(500)	0%
Operating profit	6,112	6,000	112	102%
Operating profit margin	7.2%	7.1%	0.1%	
ROIC	5.0%	5.0% or more	0.0%	
ROE	9.4%	9.0% or more	0.4%	
D/E ratio	0.64 ×	+0.08 times compared to FY 2022/3		

3 years Actual	3 years Target	Difference	Achievement rate
232,973	229,000	3,973	102%
194,605	170,500	24,105	114%
38,367	57,500	(19,133)	67%
0	1,000	(1,000)	0%
228,219	238,000	(9,781)	96%
188,136	178,700	9,436	105%
40,083	58,800	(18,717)	68%
0	500	(500)	0%
10,810	14,600	(3,790)	74%

End of March 2025(Estimated value)

- Weighted Average Cost of Capital (WACC) 3%
- Cost of Equity 6%

Based on the results of Medium-Term Management Plan 2025, this medium-term management plan will focus on the following

Expansion of Signal Systems and Power Electronics

Improvement of Financial Position

■ Review of the Fiscal Year Ended March 2025

[Orders and Net Sales]

- The Signal Systems Business achieved its target. The Power Electronics Business did not achieve its target due to a discrepancy between market forecasts and actual conditions. Although overall orders fell short of the target, the sales target was achieved.

[Profit]

- Although there was a discrepancy between market forecasts and actual conditions in the Power Electronics Business, the Signal Systems Business covered the decline in the Power Electronics Business as a result of company-wide efforts to minimize the impact of external factors.

[ROIC and ROE]

- In addition to an increase in profits, we achieved our target as a result of efforts such as reducing borrowings and selling cross-shareholdings.

■ Overview of the Medium-Term Management Plan Period by Segment

[Signaling Solutions Business]

- In the domestic market, we maintained our business scale by focusing on orders for signal system upgrades and new home doors, and on sales.
- In the overseas market, deliveries of electronic interlocking system to Indian Railways grew, contributing to the growth of our business. In addition, in 2024, we signed a contract for a pilot project to obtain certification for electronic interlocking system required for entry into the Polish market.

[Power Electronics Business]

- Our company has been unable to ride the wave of recovery in the memory power supply market
- We succeeded in entering the U.S. market on a full-scale with the adoption of a power supply for a U.S. semiconductor manufacturing equipment manufacturer, and started delivery in 2024, but we were unable to make up for the slump in the domestic market.

■ Evaluation of Growth Strategy

Expansion of Overseas Business in Signaling Solutions Business	<ul style="list-style-type: none"> • Achieved orders for overseas projects through collaboration with engineering companies • Strengthened structure and continued efforts to develop new products for overseas markets • Implemented human resource education and resources to expand orders overseas
Power Electronics Business Expansion	<ul style="list-style-type: none"> • Strengthened organization, structure, and quality to generate results from the next fiscal year • Increase in inventories due to failure to achieve profit targets • Expanding efforts to improve parts distribution with logistics partners
Challenges to new businesses	<ul style="list-style-type: none"> • Although the feasibility of the themes was evaluated, efforts to commercialize the selected themes continued
Improving profitability	<ul style="list-style-type: none"> • As a result of improving production efficiency through production innovation, profitability of capital (ROIC, ROE) improved mainly due to higher profits. • IT security enhancement proceeded as scheduled, but ERP introduction was postponed by one year due to detailed examination of requirements definition.
Strengthening financial base	<ul style="list-style-type: none"> • Debt increased and debt-to-equity ratio deteriorated mainly due to high inventory due to an increase in orders outstanding • Strategic shareholdings were gradually reduced in accordance with the reduction policy
Human resources development and enhancement	<ul style="list-style-type: none"> • Introduction of a new personnel system for managers • Challenges in measuring the effectiveness of recruitment, transfer, and training • Challenges in analyzing engagement survey scores and planning countermeasures

Evaluation of Sustainable Strategy

E (Environment): Contribution to a decarbonized society and appropriate responses to climate change risks

- The use of renewable energy at the head office plant reached 100%
- Energy-saving and long-life products, and product development
- Disclosure of greenhouse gas emissions (Scope1-3) and quantification of reduction targets. Acquisition of third-party guarantees for greenhouse gas emissions

S (Society): Participation in sustainable growth of society

- Participated in and worked on demonstration tests of automatic operation of railway and bus operations

G (Governance): Strengthening of governance

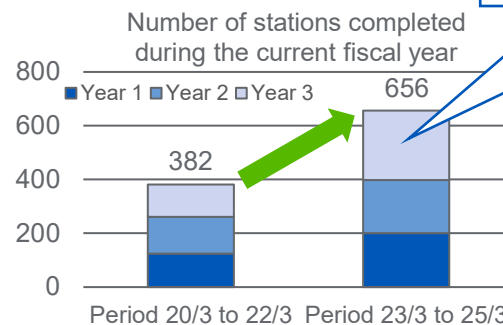
- Strengthening of group governance has been limited to support for specific projects.
- Issues remain that specific KPIs have not been set.

Results of Medium-Term Management Plan 2025

The total number of stations completed reached 1,000 in July 2024.



[Electronic interlocking system for India] 656 stations were completed during the current fiscal year, and the total number of stations completed reached 1,000 in July 2024. Approximately 200 stations are expected to be completed annually in the future.



[Self-driving bus demonstration test] Actively participate in demonstration tests by local governments for social implementation and gain results

Medium-Term Management Plan "KYOSAN Next Step 2028"

■ Positioning of the Medium-Term Management Plan

- The "KYOSAN Next Step 2028" medium-term management plan is the second step after the "Medium-Term Management Plan 2025," in which business foundations have been established in order to realize what we want to be in 2032, 10 years from April 2022.



■ Basic Approach to the Medium-Term Management Plan

- Creating "**New Value**" based on the **basic views**
- The following issues will be taken as **priority initiatives**
 - ① **Expansion of Signal Systems Business and Power Electronics Business**
 - ② **Promotion of DE & I and Improvement of Employee Engagement**
 - ③ **Improvement of Financial Position**

<< Basic Views >>

1. Establishing the KYOSAN brand recognized by the world and leading to the creation of "**new value**", which is the essence of the new corporate philosophy.

New Value -> "Customer and Social Value", "Corporate Value", "Value of human resources"

2. The resolution of material issues, which are important management issues, will be broken down into **12 basic strategies**, and the progress will be quantitatively managed by clearly indicating each of the **initiatives, KPIs, and achievement periods** for the next 3 years.

Our company's Material Issues

->"Contributing to Decarbonized Society", "Developing Innovative Products", "Strengthening Management Foundation and Governance", and "Enhancing Human Capital"

Materiality

Contributing to a Decarbonized Society

Creating Social Value

12 Basic Strategies

- ① Reducing CO2 Emissions by Reducing Power Consumption, Reducing Size and Weight, Reducing Equipment, and Improving the Efficiency of Production Systems throughout our group
- ② Reducing Environmental Impact throughout the Product Life Cycle, from Development to Disposal

Developing Innovative Products

Creating Customer Value

- ③ Developing Products that Reduce the Burden of Customer Operations and Maintenance
- ④ Creating New Products and Services Using DX and Strengthening Intellectual Property Strategies
- ⑤ Creating New Businesses to Challenge New Global Markets

Strengthening Management Foundation and Governance

Creating Corporate Value

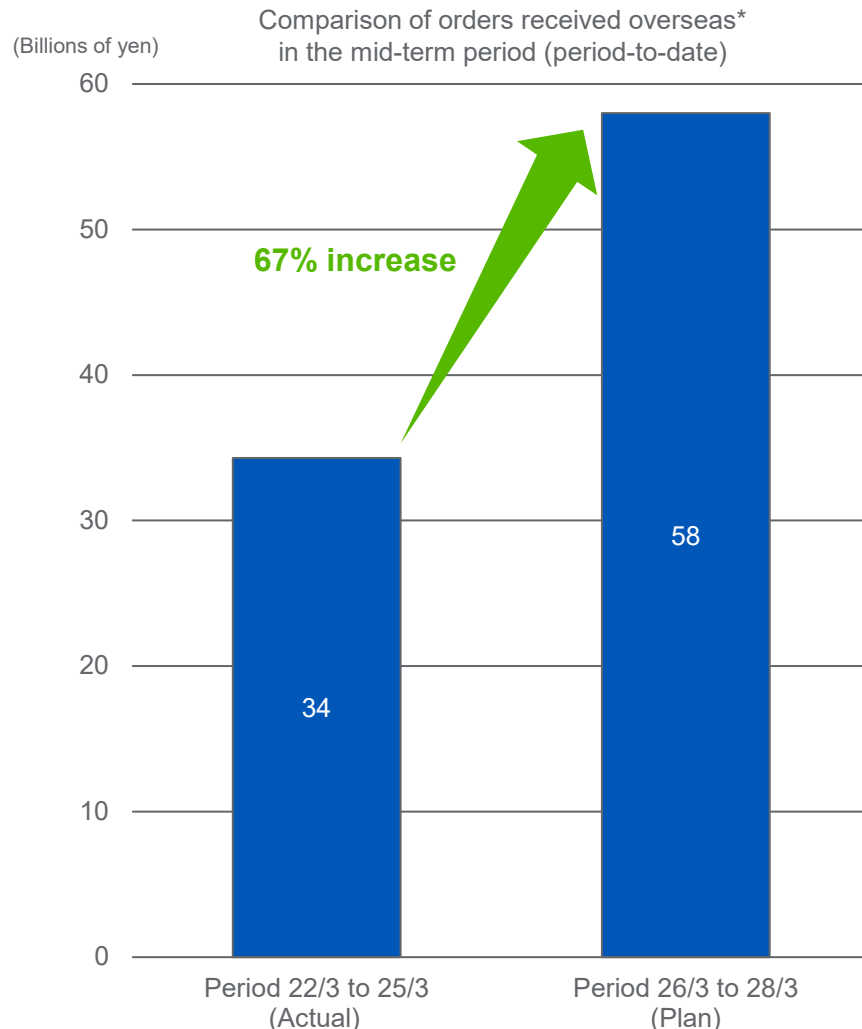
- ⑥ Improving productivity by transforming production processes and strengthening global supply chains
- ⑦ Forecasting potential needs and developing new markets through marketing activities
- ⑧ Strengthening group governance to maximize corporate value
- ⑨ Improving profitability of capital, investment for growth, and return to stakeholders

Enhancing Human Capital

Creating Human Value

- ⑩ Strengthening recruitment brands and securing human capital in line with business strategies
- ⑪ Developing human resources with a desire to grow and take on challenges, and strengthening organizational capabilities
- ⑫ Enhancing work environments and employee engagement by promoting DE & I

■ Signaling Solutions Business



*Orders received overseas are classified based on the final destination.

Expansion of overseas markets, increasing customer value and acquiring new customers in Japanese market

[Expansion of Overseas Markets]

- Orders for Electronic Interlocking System in India
- Commercialization of New Products in India
- Certification and Acquisition of Orders for Electronic Interlocking System in Europe (Poland)

[Increasing Customer Value and Acquiring New Customers]

- GOA2.5 Commercialization of Automatic Driving and Wireless Train Control Systems
- Commercialization of Products Utilizing CBM* to Reduce Customer Maintenance Operations
- Expansion of share of controllers and signal lights in the field of road traffic

*CBM (Condition Based Maintenance)

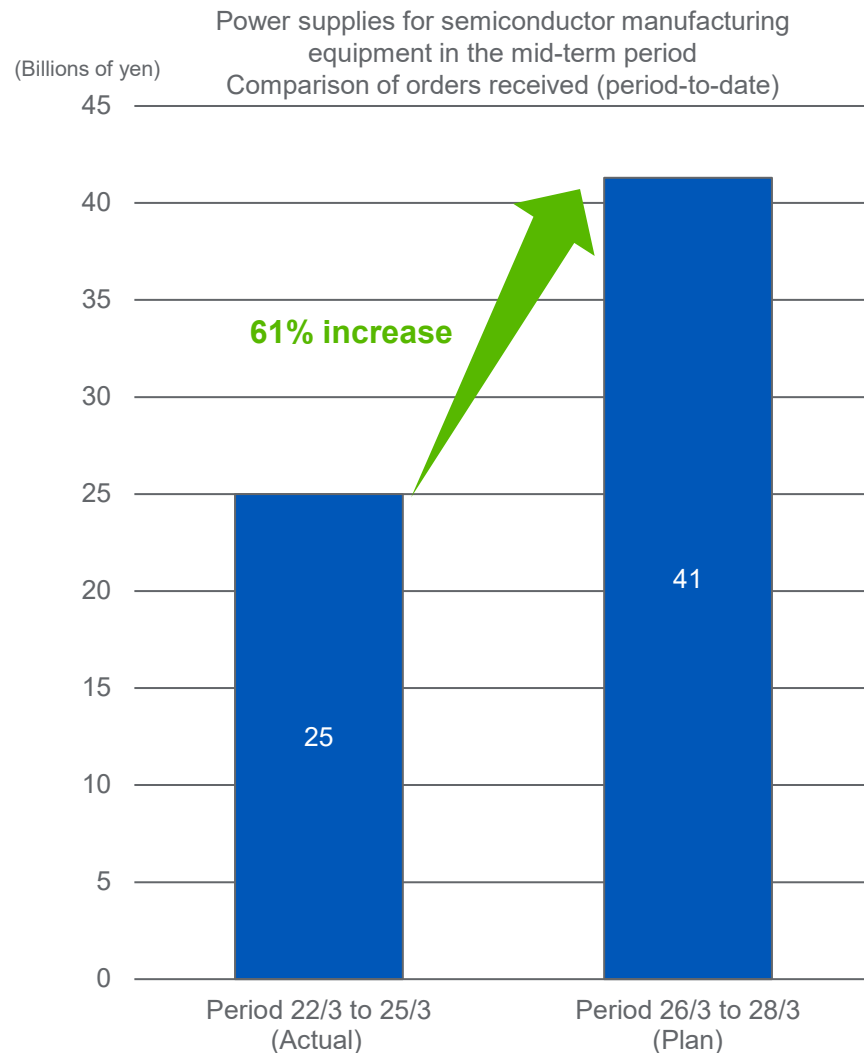


Electronic Interlocking System for overseas markets(India)



GOA2.5 Automatic operation

Power Electronics Business



Expanding Business Domain by Expanding Product Domain in the Semiconductor Market and Steadily Implementing Efforts to Acquire New Customers

[Expansion of Product Domain]

- Expansion of Market Share in Power Supplies for Semiconductor Manufacturing Equipment
- Expansion of Product Domain by Launching New Products
- Reduction of Environmental Impact of Newly Developed Products
- Development of High-Efficiency Power Supplies

[Acquisition of New Customers]

- Expansion of Market Share in Power Supplies for Semiconductor Manufacturing Equipment
- Continued efforts to deliver products to overseas customers



Example of power supplies for semiconductor manufacturing equipment manufactured by KYOSAN (RF power supply)
KYOSAN's power supplies are incorporated into semiconductor manufacturing equipment and contribute to the manufacture of high-quality semiconductors.

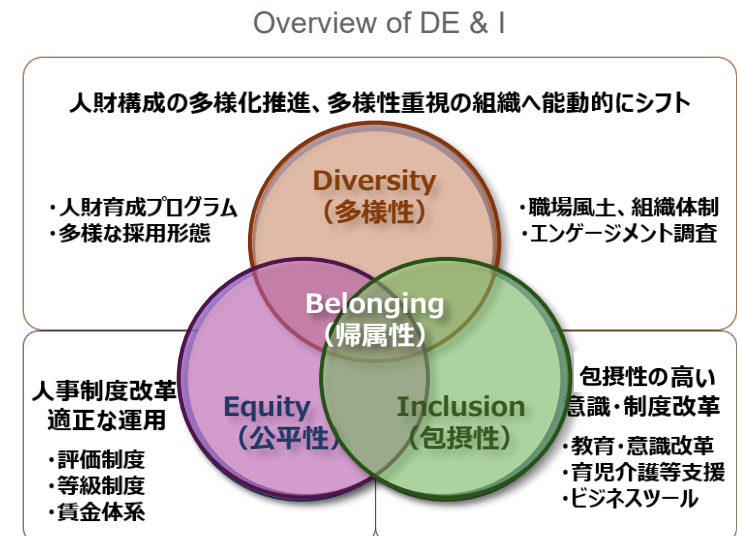
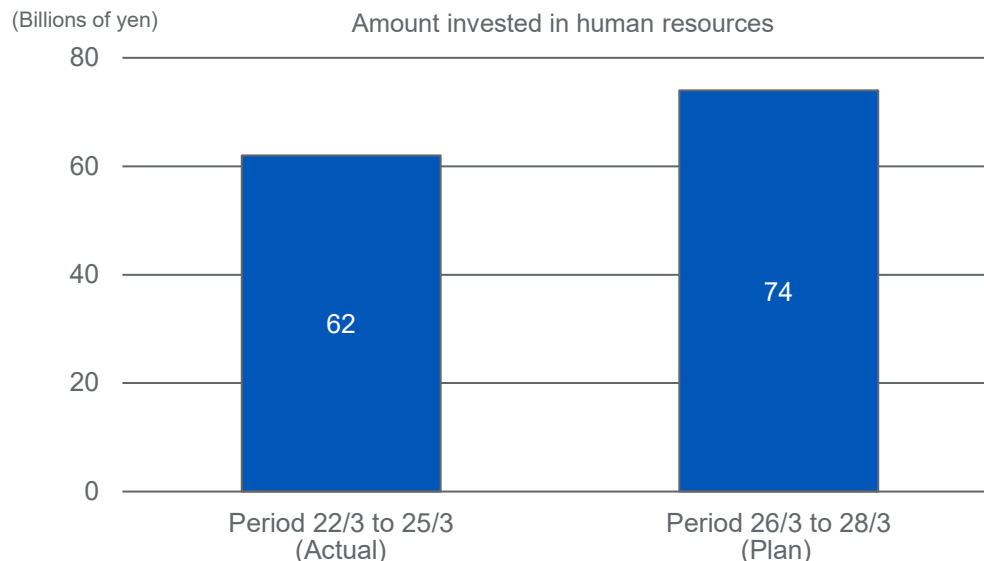
■ Creating a Work Environment where Employees Feel Good

Promoting the expansion of the system so that employees and the company can grow together and become a company that is "easy to work for" and "challenges and growth are recognized".

[Important measures]

Measuring the results of system reform and implementing various measures based on the results of regular engagement surveys

- Implementing diverse human resource development and support programs
- Ensuring diversity in core human resources (Promotion of human resources regardless of age, gender, nationality, etc.)
- Increasing the rate of male employees taking childcare leave
- Increasing the percentage of female managers
- Increase the employment rate of people with disabilities
- Reform of the personnel system to encourage employees to take on challenges and encourage growth
- Provide growth and career opportunities



■ Current Status and Future Policy

- Our company's ROIC (5.0%) and ROE (9.4%) for the fiscal year ended March 2025 exceeded our company's estimates of WACC of about 3% and cost of equity of about 6% as of the end of March 2025, respectively. However, since the cost of capital has been below market expectations for a long time, PBR has remained below 1 times. Therefore, we recognize that the level of these indicators of return on capital is still insufficient.
- Based on the medium-term management plan "KYOSAN Next Step 2028, " our company will focus on "Raising profit levels and improving ROE and ROIC itself" and aim to achieve the ROIC and ROE targets of 6% and 10% for the fiscal year ended March 2028, the final year of the medium-term management plan.
- We believe that it is most important to increase corporate value and, in turn, share price by increasing profitability of capital itself, while continuing to close the gap with the level of expectations and requirements of investors through IR and other means, and aim to continuously improve corporate value by achieving the medium-term management plan and improving capital efficiency.

**By achieving the medium-term management plan and improving capital efficiency
Aiming to continuously improve corporate value**

[Targets for the fiscal year ending March 2028]

ROIC 6%

ROE 10%

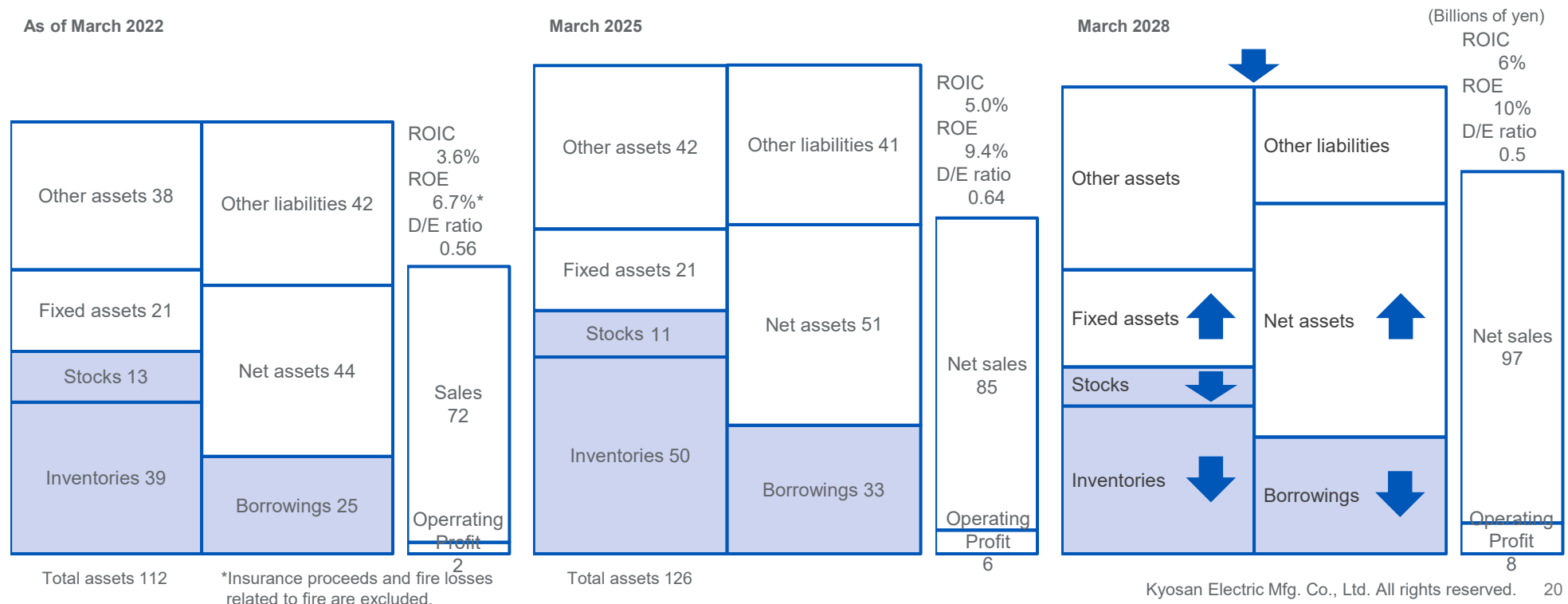
■ Improving Cash Flow and Improving Capital Efficiency by Balancing Growth and Financial Discipline

[Current Status]

- While sales and profit increased during the previous medium-term management plan, B/S expanded due to an increase in working capital (especially inventories)

[Response Policy]

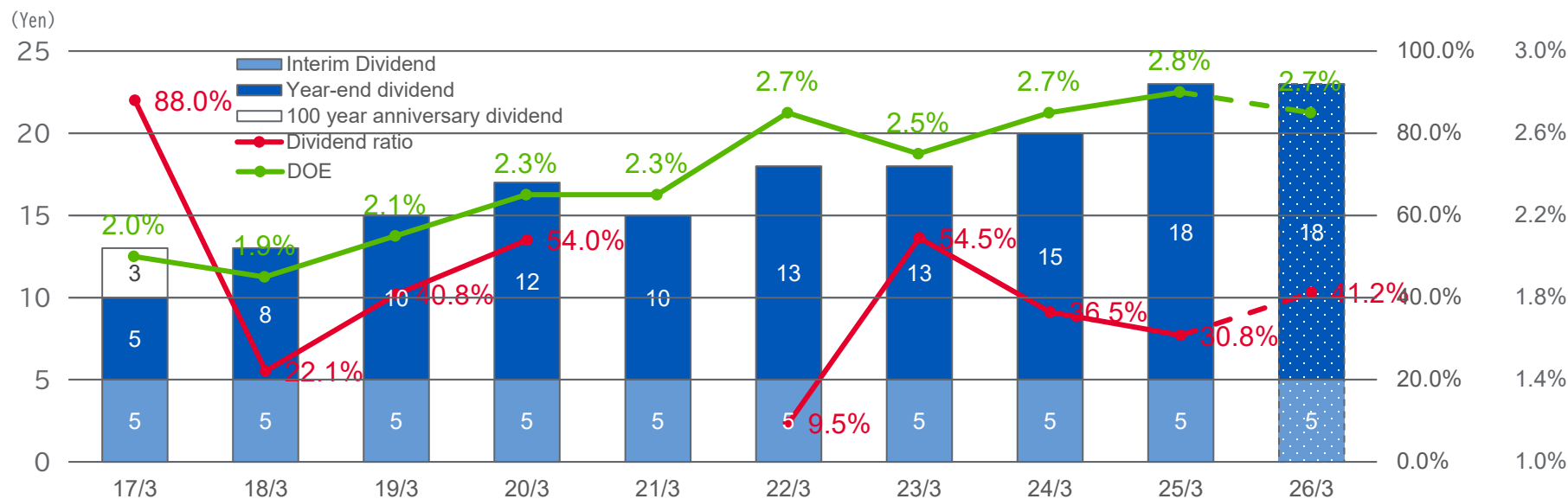
- In order to improve cash flow and improve capital efficiency (ROIC, ROE), we aim to achieve both numerator measures (maximization of profit in P/L) and denominator measures (control of increase in invested capital in B/S, etc.)
- In particular, for denominator measures, we will streamline company-wide B/S by clarifying financial discipline (KPI: D/E ratio: 0.5) and focusing on B/S control by business division by "reduction of inventories and cross-shareholdings → reduction of borrowings."



■ Shareholder Return Policy

- Our group is engaged in businesses that have a high social and public nature, such as the Signaling Solutions Business, and we believe that we have a responsibility to provide a stable supply of high-quality products. Therefore, we will continue to strive to establish a solid management foundation over the long term and on an ongoing basis and to enhance our shareholders' equity.
- Our group has formulated the "KYOSAN Next Step 2028," a 3 year medium-term management plan that begins in April 2025, and will address the challenges of solving 4 materialities in order to establish the "KYOSAN brand recognized worldwide" and to create "New value".
- Based on the principle of allocating a balance between necessary investments in each field to address issues and stable shareholder returns based on medium- to long-term profit levels, our company will pay dividends of surplus in the mid 2% range of DOE.

Dividends per share, dividend payout ratio and DOE * Forecast for fiscal year 26/3



Medium-Term Management Plan (6) Numerical Targets



(Billions of yen)

		FY 2025/3 Results	FY 2026/3 Plan	FY 2027/3 Plan Plan	FY 2028/3 Plan
Orders received	Signaling Solutions Business	66	71	75	78
	(Overseas)	9	14	19	23
	Power Electronics Business	15	15	17	20
	Total	81	86	92	98
Sales	Signaling Solutions Business	71	71	74	77
	(Overseas)	10	12	15	18
	Power Electronics Business	14	15	17	20
	Total	85	86	91	97
Operating income		6	4	6	7
Operating income margin		7.2%	5%	7%	8%
ROIC(%)		5.0%	4%	5%	6%
ROE(%)		9.4%	7%	9%	10%
D/E ratio		0.64 ×	0.6 ×	0.6 ×	0.5 ×

	2025/3 Results	2026/3 Plan	2027/3 Plan	2028/3 Plan
R & D investment amount	4	4	4	5
Capital investment amount	1	2	2	2
Investment amount in HR	21	24	24	25

*Investment in HR: Personnel, recruitment, and education

*Orders received overseas and sales overseas are classified based on the final destination.



Notes

1. The forward-looking statements in this document are based on our company's judgment and assumptions based on information currently available to the company. Accordingly, due to uncertainties inherent in these judgments and assumptions, as well as changes in business operations and internal and external circumstances, actual results may differ materially from the forward-looking statements.
2. This material is for informational purposes only and is not intended to solicit any investment by our company.

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