

Identification of Materiality

Background of identification

We are currently surrounded by drastic changes in the social environment in which we operate, such as the impact of accelerating climate change since the industrial revolution, digitalization through technological innovation, and diversification of values and lifestyles of people.

In the midst of such social upheaval, we have depicted our ideal society of 2030 as “a resilient society where humans live in harmony with nature,” “a society that feels safe, prosperous, and exciting,” and “a society where different communities and people can coexist,” by combining Meidensha’s initial DNA of “integrity,” “responsibility,” and “social contribution,” which are our strengths, with the DNA that we must not lose of “innovative spirit” and “taking-initiative mind.” With such a mindset, the Meiden Group has set its ideal state of being for 2030, which is “sustainability partnerships that work to build a new society through integrity to the earth, society, and people, and through the power of co-creation.”

In these circumstances, in FY2021, we developed Medium-term Management Plan 2024, and identified major issues (materiality) in the plan by backcasting from our 2030 ideal state of being.

The Meiden Group will embrace the challenge of creating a new society and work toward the realization of a sustainable global environment and happiness for all people by solving materiality that has been identified.

Major Issue (Materiality) Identification Process

STEP 1

Management of Major Opportunities and Risks for the Meiden Group

- We arranged societal changes by 2030 and impact on business management and identified constituent factors through PEST analysis.
- We drafted a longlist, including the aforementioned constituent factors using metrics of international standard-setting organizations and items set by ESG evaluation institutions, to avoid omissions.
- We listed these societal changes and issues, and organized the opportunities and risks relevant to the Meiden Group.

Referenced Frameworks and Guidelines, etc.

- SDGs
- GRI standards
- SASB standards
- ISO 26000
- ESG evaluation items required by ESG evaluation organizations
- The Ten Principles of the UN Global Compact

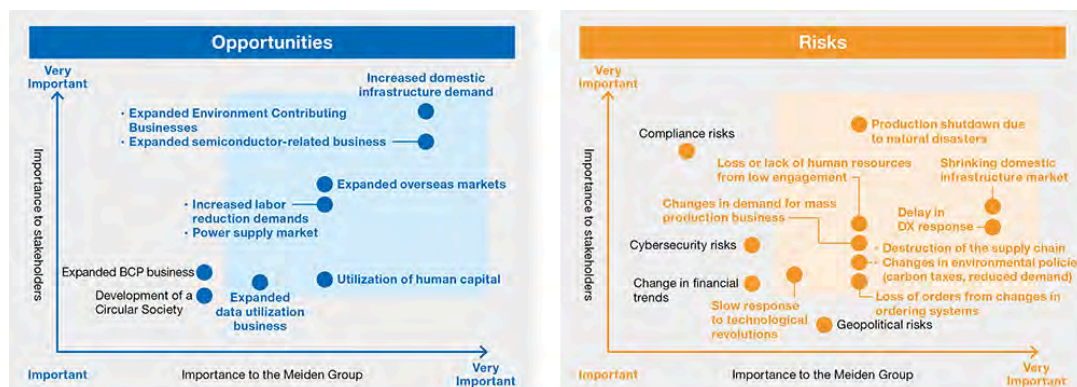
STEP 2

Evaluation of Importance

- We conducted an overall evaluation of the importance of major risks and opportunities according to the two axes of the Meiden Group and Stakeholders.

	Evaluation items
Meiden Group	FY2030 impact on operating income, likelihood of occurrence, and level of response
Stakeholders	To what extent do stakeholders consider the issue to be important

Evaluation of Importance to the Meiden Group and Stakeholders

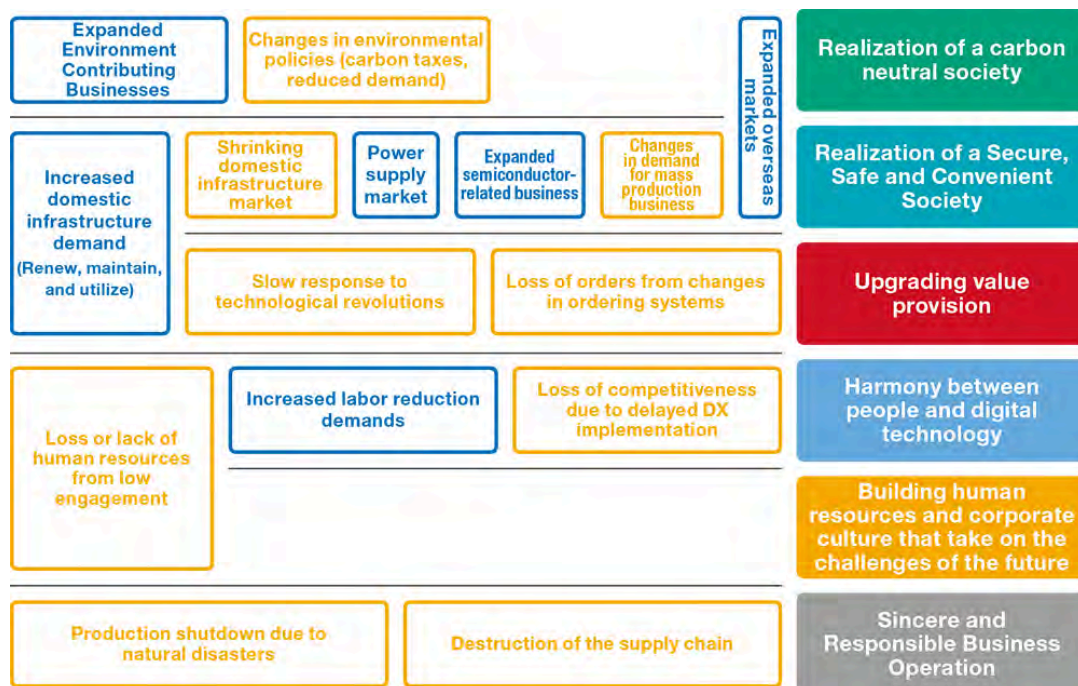


STEP 3
















Identification and Determination of Materiality

- We have gathered and designated items that we have deemed are very important opportunities or risks as six material issues.
- Designated materiality are discussed by the Sustainability Management Strategy Committee, the Executive Officers' Meeting, and the Board of Directors.










Gathering and Identification of Six Material Issues



Materiality Relating to Value Creation

Materiality that has been identified	Background and Direction	Related SDGs
Contribution to carbon neutrality	<ul style="list-style-type: none"> Global climate change is accelerating, and momentum towards reaching the Paris Agreement target (1.5°C) is accelerating. Decarbonization-related markets are expanding both in Japan and abroad, and it is essential that we respond to legal restrictions relating to carbon taxes, etc., and prepare for increasing large-scale disasters. → Accelerate both internal decarbonization and the expansion of businesses that contribute to the environment, focused around the central pillars of the Third Meiden Environmental Vision that aligns with the 1.5°C scenario. 	     
Realization of a safe, secure, and convenient society	<ul style="list-style-type: none"> Digitalization is expected to continue progressing, leading to increased semiconductor-related demand and increased demand for manpower reductions and automation in the industrial sector, but demand for semiconductors is subject to fluctuation risks. Reviews and enhancements of local infrastructure in Japan will proceed due to declining birthrates, an aging population, difficulties with local government finances, and aging facilities. The demand for social infrastructure will continue to rise, with a focus on emerging nations. → Increase added value of related businesses and accelerate development overseas. 	    
Upgrading value provision	<ul style="list-style-type: none"> Changes will continue to advance in the social environment and societal maturation of developing countries, which will alter the industrial structure, ordering systems, and requisite needs. DX transformation will accelerate in every scenario. We could lose competitiveness if we do not reformulate our business model to adapt to changes in the industrial structure and shift to data-based value provision. → Do not insist on conventional methods of providing value, but shift to flexible value provision that aligns with changes in the era and industry. 	   

Materiality Relating to Our Business Base

Materiality that has been identified	Background and Direction	Related SDGs
Harmony between people and digital technology	<ul style="list-style-type: none"> Amid the social situation of a declining population, both DX and digital implementation will accelerate in business management and this will have a direct impact on our competitiveness. Our human capital is the source of our company's value creation, so it is important to explore digital utilization that functions alongside humans. → As digitalization accelerates, digitize businesses and advance DX in business. 	    
Building human resources and corporate culture that take on the challenges of the future	<ul style="list-style-type: none"> As values diversify and human becomes more mobile, advancing transitions to organizations that can utilize individuals will lead to increased competitiveness. Therefore, not advancing similar initiatives could lead to situations where we cannot even retain personnel. → "Accelerating initiatives for the future" is one critical driver toward achieving our vision, and the transformation to a value co-creation organization will progress through reforms targeting both employees and organizations. 	  
Sincere and responsible business operation	<ul style="list-style-type: none"> We receive capital from society and provide value to society in conjunction with our various stakeholders and so we have an social obligation to always conduct corporate management with sincerity. Acting with sincerity and a sense of responsibility to our customers and society is in our corporate DNA, and it is a value we need to protect moving forward. → Strengthen internal awareness, management systems, and governance that increase business quality 	

STEP 4

Establishment of Targets and KPIs

- Based on our materiality, we are developing strategies and implementing measures under Medium-term Management Plan 2027.
- With regard to implementation of measures, we establish KPIs to the extent possible and conduct internal progress management.*1
- We will regularly review materiality and KPIs.

Materiality	Primary KPI / target*1 (parenthesis indicate internal targets)	Medium-term Management Plan 2027	
		Related strategies	Final fiscal year target
Realization of a carbon neutral society	<ul style="list-style-type: none"> Scope 1+2 reduction (compared to FY2019) Scope 3 (all Categories) reduction (compared to FY2019) (GHG reduction contribution by Environment Contributing Businesses) 	<ul style="list-style-type: none"> Growth strategy 1: Products Growth strategy 2: Business Growth strategy 3: Technology Business foundation that supports growth strategies: Intensify green strategies 	<ul style="list-style-type: none"> Scope 1+2 Δ40% Scope 3 (all categories) Δ20%
Realization of a safe, secure, and convenient society	<ul style="list-style-type: none"> ① Net sales of renewable energy and sustainable infrastructure*2 ② Net sales of green mobility and smart industry*3 	<ul style="list-style-type: none"> Growth strategy 1: Products Growth strategy 2: Business Growth strategy 3: Technology 	<ul style="list-style-type: none"> ① Net sales: 274 billion yen ② Net sales: 95 billion yen
Upgrading value provision	<ul style="list-style-type: none"> Number of models formed that address regional issues (net sales of MEIDEN CONNECT) 		<ul style="list-style-type: none"> 3 models formed
Harmony between people and digital technology	<ul style="list-style-type: none"> Increase production capacity (compared to FY2023) Shorten lead times (compared to FY2023) (・ Reform reliable core systems, overhaul data-related foundations, and utilization tools) 	<ul style="list-style-type: none"> Growth strategy 1: Products Business foundation that supports the growth strategy: Accelerating internal DX 	<ul style="list-style-type: none"> Increase production capacity by 25% Shorten lead times by 50%

Materiality	Primary KPI / target*1 (parenthesis indicate internal targets)	Medium-term Management Plan 2027	
		Related strategies	Final fiscal year target
Building human resources and corporate culture that take on the challenges of the future	<ul style="list-style-type: none"> • eNPS (Meiden Group Japan)*4 • Female employees in officer level positions • Non-Japanese presidents of local subsidiaries 	<ul style="list-style-type: none"> • Business foundation that supports the growth strategy: Strengthening human resource pools 	<ul style="list-style-type: none"> • eNPS: -65.0% (Meiden Group Japan) • 3 or more female employees in officer level positions (FY2030) • 5 or more non-Japanese presidents of local companies (FY2030)
Sincere and responsible business operation	<ul style="list-style-type: none"> (• Strengthen the Group risk management system) (• Attendance at compliance training sessions) (• Number of stakeholder communication sessions held) 	—	—

*1 We will continue to consider and scrutinize the selection of measures and specific KPI figures going forward.

*2 Renewable energy and sustainable infrastructure refers to net sales of Power Infrastructures, Public, Industrial & Commercial Sector Business, and Field Service Engineering (total sum)

*3 Green mobility and smart industry refers to net sales of Mobility & Electrical Components Business (total sum)

*4 eNPS refers to the Employee Net Promoter Score. NPS® is a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc. The eNPS is stated as a percentage. Furthermore, eNPS applies to Meidensha and domestic affiliates excluding EAML Engineering CO., LTD. and MEIDEN UNIVERSAL SERVICE LTD.

*5 For details on the latest efforts and future development on each major KPI and target, please see Meidensha Report 2025.

Meidensha Report 2025

