

OUR STRATEGY

Progress On Medium-term Management Plan 2024

Under Medium-term Management Plan 2024, Meidensha aims to realize “high-quality” growth that includes both business expansion and improved profitability.

Moreover, to make sure we grasp the major changes of the times, we promote ambidextrous management and work to build a management foundation that can realize sustainable growth by putting sustainability (ESG) at the heart of our management.

FY2023 Results and FY2024 Management Targets

	FY2023 results	Performance forecast (initial)	FY2024 Medium-term Management Plan 2024 target*
	Orders received	329.3 billion yen	310.0 billion yen
Net sales	287.8 billion yen	310.0 billion yen	300.0 billion yen
Operating income (profit margin)	12.7 billion yen (4.4%)	15.0 billion yen (4.8%)	18.0 billion yen (6.0%)
ROE	9.6%	—	10.0%
ROIC	5.2%	—	8.0%

*Announced in May 2022

Review of FY2023

As supply chains returned to normal, human movement recovered after the COVID-19 pandemic, and manufacturing began coming back to Japan, investor sentiment improved in a wide range of private industries. In addition, demand from the public sector remained stable and Meidensha received a vigorous level of inquiries throughout the year. In some businesses, on the other hand, high prices for materials and energy, along with construction delays caused by labor shortages, constrained profitability.

In the global economy, various business risks emerged with the geopolitical disarray, while price hikes continued in major countries. These, together with poorer supply and demand conditions in the semiconductor market, had a significant impact on our business performance. However, the growth of energy investment in various countries seeking to decarbonize society, along with increasing needs for eco-friendly products, gave a boost to our overseas business. As a result, orders received, net sales, and operating income all reached record highs in FY2023.

Challenges for Achieving FY2024 Performance Targets and Further Expanding Business under the Next Medium-term Management Plan

Meidensha sees two challenges, the first of which is achieving smooth production activities. To turn our abundant backlog of orders into actual profits, it is important to steadily deliver products to customers by ensuring quality and pursuing efficient production. We do have concerns that the problems experienced in 2024 in the construction, logistics, and other industries will have impacts. Still, we will work to improve productivity by accelerating investment in production facilities and promoting the digitalization of

project management operations.

The second challenge is to build a business structure that can overcome inflation and rising interest rates. In response to the recent rise in prices and wages around the world, we will focus on developing products and services with plenty of added value so that they are more price competitive, while being creative in procurement and flexibly passing on prices. Besides these, our sales activities will include account-based marketing strategies.

Differences between Medium-term Management Plan and FY2024 Targets, by Business Segment (Units: 100 million yen)

Business Segment		Medium-term plan target	FY2024 target (initial)	Difference	Factors causing operating income differences
Power Infrastructures	Orders received	595	870	+275	<ul style="list-style-type: none"> Increasing pro-environmental momentum worldwide and rising power demand Successful price revision efforts and productivity improvements Foreign exchange effect
	Net sales	575	838	+263	
	Operating income	13	56	+43	
Public, Industrial & Commercial Sector	Orders received	950	967	+17	<ul style="list-style-type: none"> Steep price rises for materials (delayed reaction in sales prices) Delayed sales and cost pressure due to construction delays
	Net sales	946	959	+13	
	Operating income	61	18	(43)	
Mobility & Electrical Components	Orders received	970	870	(100)	<ul style="list-style-type: none"> Semiconductor market slump Changes in EV market environment (especially, severe market conditions in China)
	Net sales	960	858	(102)	
	Operating income	71	16	(55)	
Field Service Engineering	Orders received	420	440	+20	<ul style="list-style-type: none"> Demand growing at greater than expected pace Improved load balancing (improvements in first-half operations) Growth in business for semiconductor field
	Net sales	416	438	+22	
	Operating income	60	66	+6	
Overall	Orders received	3,000	3,100	+100	
	Net sales	3,000	3,100	+100	
	Operating income	180	150	(30)	

Group Strategy P. 23-32

Basic Policy

1

Realization of high-quality growth

Medium-term Management Plan 2024 sets out three themes: rapid progress of growth businesses, enhancement of competitiveness of earnings-based businesses, and increasing profitability of overseas businesses.

MEIDEN AMERICA SWITCHGEAR, INC. has enjoyed robust demand for eco-friendly products.



Theme	Status of main initiatives in FY2023
Rapid progress of growth businesses 1 Improving sales and profitability of future core businesses such as EV and renewable energy-related businesses	<ul style="list-style-type: none"> Returned EV business to profitable operation, with strong demand in Japan and pursuit of efficient manufacturing Won project orders, with increased investment in renewable energy in Japan and abroad <ul style="list-style-type: none"> Japan Undertook power storage system and hydroelectric power projects, etc., in pursuit of long-term decarbonized power sources and grid storage plants Overseas Expanded lineup of eco-friendly products and developed supply system in anticipation of market growth
Enhancement of competitiveness of earnings-based businesses 2 Building greater competitiveness in infrastructure businesses through measures such as providing value through solution design	<ul style="list-style-type: none"> Built resilient and sustainable community infrastructure through cross-disciplinary “solution design” <ul style="list-style-type: none"> Conducted proving tests of technology using AI to automate, save labor in sewage treatment plant operation Participated in industry-government-academic private sector co-creation project on creating regional value derived from small-scale hydroelectric power Etc.
Increasing profitability of overseas businesses 3 Improving profitability of overseas substation and railway businesses, and promoting initiatives aimed at winning orders for large projects	<ul style="list-style-type: none"> Improved profitability of existing overseas affiliates by revising prices and reducing costs Reduced the number of money-losing subsidiaries. Closed unprofitable subsidiaries Increased the share of total earnings that comes from overseas businesses

Basic Policy

2

Promotion of sustainability management

Under Medium-term Management Plan 2024, sustainability is at the heart of our strategy to realize our Corporate Philosophy and Vision. We also promote sustainability management by dividing the six material issues we have identified into two groups: materiality relating to value creation and materiality relating to our business base.

Choshi Shiosai Wind Farm, where the Group conducts its power generation business



Materiality	Status of main initiatives in FY2023
Materiality relating to value creation (contribution to carbon neutrality, realization of a secure, safe, and convenient society, innovation through co-creation)	<ul style="list-style-type: none"> Prepared to raise our environmental targets based on the 1.5°C scenario Expanded introduction of eco-friendly products (ester-filled transformers and shunt reactors, components for electric construction equipment, etc.) Started industry-government-academic private sector co-creation project (Hiroshima CSV Lab) Decarbonized internally by increasing procurement of renewable energy (for example, corporate PPA using Choshi Shiosai Wind Farm)
Materiality relating to our business base (Creating a corporate culture that enables diverse human resources to thrive and grow, high-quality manufacturing and value provision, sincere and responsible business operation)	<ul style="list-style-type: none"> Reconsidered (diversified) structure of the Board of Directors Considered a personnel system better suited to the times Developed Meiden Monozukuri (Manufacturing) Standards to strengthen quality control Strengthened corporate governance (enhanced internal control system, further strengthened supervisory function and increased effectiveness of Board of Directors with outside directors comprising a majority, etc.)

Basic Policy

3

Promotion of ambidextrous management

By promoting ambidextrous management, our business activities aim to accelerate the creation of a new society through innovation.

(Right) Ultra-concentration/high-purity ozone water generator
(Left) Pure ozone generator



Theme	Status of main initiatives in FY2023
Creation of new business themes and promotion of commercialization through co-creation	<ul style="list-style-type: none"> Developed business structure and customer development activities for MAST Project focus themes (ultra-concentration/high-purity ozone water generator, realizing a service sales business by making Catenary Eye cloud-ready, motor analysis and remote monitoring via IoT) Discovered and developed innovative personnel by holding the MEIAN Challenge idea contest and Innovation Salon