

## OUR APPROACH

## Supply Chain Management

## Addressing Rising Material Prices and Long Lead Times

While the situation in FY2023 did not return to the pre-COVID-19 normal, the impact from slow delivery times for parts and materials eased significantly. On the other hand, unit prices for purchases continue to rise due to the soaring cost of raw materials, energy, transportation, and labor.

Facing this reality, we are working with the production management department of each plant and unit on several measures to minimize the impact of longer delivery times and price increases for the goods we procure while taking account of production and shipping plans. These include making advance arrangements, studying alternative goods, stocking up, and strengthening negotiations with suppliers. In addition, we are working to counter rising transportation costs by obtaining shipping information early and coordinating with departments concerned to establish the optimal manner of transportation.

## Sustainable Procurement

The Meiden Group promotes sustainable procurement in conjunction with business partners in order to contribute to the realization of a sustainable society.

Based on the Corporate Code of Conduct that we established in line with the Meiden Group Corporate Philosophy, we ask all our suppliers to take initiatives similar to the Meiden Group's sustainability initiatives, and then we do business on that basis.

When we start doing business with a new supplier, we give them the Meiden Group Sustainable Procurement Guidelines and ask them to communicate them to their own staff and adhere to them. We are also stepping up supply chain capabilities in several other ways. Each year, we hold a production plan briefing at each works, which is where production happens, to explain our basic procurement policy. We hold study sessions on carbon neutrality. We introduce the various types of support we offer to help suppliers adhere to the Sustainable Procurement Guidelines (in such areas as legal compliance, human rights, labor, health and safety, environment, quality, information security, and business continuity planning). We work on communication such as by sharing information and opinions on how to enhance technical capabilities and by showcasing examples of outstanding improvements that suppliers have made.



Production plan briefing at Numazu Works

## Building a Sustainable Supply Chain

When we start doing business, we investigate the company's efforts for sustainability and environmental conservation. Each year, we issue a scorecard with evaluation results.

With our evaluations, we are trying to understand the actual state of business operations and identify high-risk suppliers with respect to social issues such as climate change, biodiversity, environmental management, human rights, and the work environment. When necessary, we conduct site audits and support suppliers' initiatives.

## 1 Promoting and Supporting EcoAction 21 Certification and Registration

We support our suppliers in registering and applying for certification in the EcoAction 21 environmental management system promoted by the Ministry of the Environment, with the aim of spreading environmental management systems and environmental improvements throughout the entire value chain. In FY2023, in cooperation with the Organization for Small & Medium Enterprises and Regional Innovation, Japan, we also started supporting visualization of our business partners' CO<sub>2</sub> emissions. As of FY2023, the ninth year of this program, 137 suppliers had earned EcoAction 21 certification.

Through these programs, the Meiden Group will work to promote environmental management systems, make environmental improvements, and reduce CO<sub>2</sub> emissions throughout the value chain.

## 2 Environmental Audits

We conduct environmental audits of our suppliers. During these, we look at actual work sites as we confirm and provide guidance on compliance with laws and regulations regarding chemical substances, waste, and the like. Suppliers who do not pass the audit are asked to take corrective measures and given a follow-up audit (this happened with eight companies in FY2023). If suppliers do not yet have an environmental management system (EMS), we have them take part in an EcoAction 21 study session (Green Program).

## 3 Holding Various Seminars

We hold seminars on process improvement and information security measures at our suppliers' manufacturing sites as needed to improve their capabilities. At product exchange meetings, we communicate and exchange opinions with workers on-site. We also conduct workplace checks of our suppliers using our Health and Safety Support Project.



Health and Safety Support Project



## The Transformer Business, Reborn

## Meidensha Numazu Works: Crossing Borders to Overcome Bottlenecks

With the growing use of renewable energy and expanded capital investment in Japan to ensure electricity supply stability, transformers that support the power infrastructure are again in robust demand that is reminiscent of their peak era.

This is the story of how Meidensha overcame a difficult period and worked closely with a "facilitator" from an overseas base to eliminate bottlenecks and increase production capacity for high-quality products.

## "Shouts of Joy" When Site Achieves Full Operation: Overcoming Bottlenecks and Raising Production Capacity

"We've already taken orders for delivery in 2030. It makes me want to shout for joy."

After a long struggle following the collapse of Japan's "bubble economy" in the early 1990s, the transformer factory at Numazu Works is now undergoing major changes. Forecasts say that electricity demand will rise into the future, and at the same time, there is a growing need for more resilient power transmission and distribution networks. After remaining flat for several years, orders received more than doubled in FY2022 and have shown steady growth in FY2023 and FY2024.

Taking these changes in the external environment as an opportunity, we have considered a rapid succession of measures to increase production capacity at factory. To meet the strong demand, we plan to gradually increase large transformer production capacity by reconsidering the layout of production sites and the scope of in-house production. At the same time, we are digitizing blueprints and using AI for design work that would otherwise depend on a limited number of personnel.

Ito ▶ "We're trying to eliminate wasteful work. Moreover, we want to propose the most suitable designs for our customers and increase our production efficiency."

## Helping Temporary Support Staff from India Bridge Cultures, On and Off the Job

Numazu Works is also striving to secure human resources, a challenge shared by many domestic manufacturers. In the spring of 2024, Indian affiliate MEIDEN T&D (INDIA) LIMITED, which shares transformer manufacturing work processes with Numazu, sent five employees as operations supporters for the first time. Each brought a high degree of skill as well as a sincere attitude toward monozukuri, which was a good stimulus for the Numazu staff.

Ruta Ono, who originally came from India, provided support in turn for the Indian staff and their lives in a foreign land. Ono came to Japan two decades ago and her language fluency has made her an indispensable help on the Japanese side.

Ono ▶ "For these operations supporters, language and religious differences, food, and medical care were just some of the things they were confused or had questions



## R Yasuhisa Ito

Electric Design Section, Transformer Design Department, Power Transformer Manufacturing Unit, Power Equipment Factory Complex, Meidensha

Joined Meidensha in 2016. After a period working in transformer development, he is now engaged in electrical design of large transformers and in the building and operating of systems related to design work.

## L Ruta Ono

Manufacturing Section, Transformer Manufacturing Department, Power Transformer Manufacturing Unit, Power Equipment Factory Complex, Meidensha

Joined Meidensha mid-career in 2018. She translates technical documents for overseas affiliates, does general office work, and interprets for operations supporters coming from India.

about. My hope is that they will feel comfortable working with me as a bridge while they are learning about Japanese technology, where there's such an emphasis on unseen details. Hopefully they can use this knowledge for manufacturing in their own country."

The transformer business is expected to remain brisk into the future. "Team MEIDEN" has diversity that crosses national borders, yielding high-quality, competitive products that support the electric power infrastructure. This diversity forms a core of innovation by bringing together a variety of perspectives and technological capabilities.

Relevant SDGs

