



Dreams: A Force for Meiden Group Growth and a Bright Future

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Year One as President: Changes I Have Felt

In just one year since I assumed the position of President, the business environment surrounding the Meiden Group has changed dramatically. A representative positive factor in Japan is that capital investment by electric power companies, which had been on a declining trend, has recovered significantly since the COVID-19, and at the same time, demand for electricity is expected to grow in the future against the backdrop of the construction of semiconductor plants and plans to build and expand data centers. Overseas,

investments related to electric power grid development and renewable energy are expanding, and our Power Infrastructures Business Group is experiencing a tailwind reminiscent of past economic booms.

On the other hand, there are factors impeding our progress, the first of which are soaring and persistently high prices of materials, delays in construction progress due to labor shortages in Japanese industry in general, and increased project costs due to these factors. Demand for social infrastructure itself remains strong, but there are cases, particularly in the Public, Industrial & Commercial Sector Business Group, where individual projects are putting pressure on profits.

In addition to this, looking at the world in general, we are seeing a remarkable technological evolution, with a particular focus on the development of generative AI technology. AI, which was once mainly used for prediction and automation, is now growing to also cover creation. This ability to create something from very little is a factor that will have a significant impact on our daily lives and the business world. We will always keep abreast of trends, as this also offers major opportunities in our business activities.

In my own direct dialogue with shareholders and investors, including but not limited to official investor and shareholder relations activities, I also feel that the interest and expectations of stakeholders on us are growing. In FY2023, orders, sales, and operating income reached record highs on the back of strong demand, and our corporate value also increased. In the immediate term, we face tough challenges in the Public, Industrial & Commercial Sector Business Group, as alluded to before, and in the Mobility & Electrical Components Business Group, which was affected by the slump in the semiconductor market.

However, my sense is that the Group as a whole is improving its earning power, thanks to a major breakthrough in the Power Infrastructures Business Group, which had previously been in a severe profit situation, and the steady and continuous growth of the Field Service Engineering Business Group, which has become a stable earnings base, among other tangible results. In the days ahead, we will strive to meet further expectations from the market by improving the earning power of the entire Group and boosting ROE, including in business areas that are currently facing difficult conditions, and by raising our P/E ratio by increasing the visibility of growth in the future.

Closing Gaps with Our Production Sites and Accelerating Management Decisions

Since assuming the position of President in June 2023, I have focused on speed in decision-making. In today's business environment, the pace of change is accelerating with each passing year; a thing can easily become obsolete in as little as six months to a year. It is my policy to make decisions immediately when

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information is received so that we can move on to the next step, and I am always conscious of eliminating the time that Meiden Group employees are stuck waiting for me to make a decision. I believe that there will be an increase in the number of situations in which immediate decisions will be needed with the best possible risk management, something we have not been very good at in the past.

In order to make quality decisions in these situations, during the past year I have consistently visited production sites, locations at the foundation of our work as a manufacturer. One of the main reasons is that, in a situation where we have been receiving a great deal of orders, many of the keys to improvement in order to accumulate profits while creating value for customers are to be found at the manufacturing site. While handling this, I feel it is important to close the gap between management and production sites, recreating the closeness the Meiden Group once had. Based on this concept, from FY2024, we are also increasing opportunities for managers of each plant to report at management meetings.

To do business is one thing when orders come from on high; it means something entirely different when it comes from when site personnel think things through and communicate this to management, and that influences how work is done. It is my desire to reposition production, the most important aspect of a manufacturer, at the center of management.

Building Groundwork for the Next Medium-term Management Plan

FY2024 will be the first year in which we aim to exceed 300 billion yen in consolidated sales. Production and plant construction sites will be subject to loads never experienced before, but we believe that if we place the highest priority on safety, manufacture products efficiently, and ship them steadily, profits will surely follow. I intend to take the lead in both word and action so that both Group employees and external stakeholders can have confidence in us.

At the same time, we will discuss the direction of investment for growth with a view to future evolution as a company and further business expansion. As with the example of generative AI discussed earlier, it is necessary to digitally transform (DX) while implementing digital technologies into management to raise the level of competitiveness, rather than relying solely on human resources. In advancing this digital transformation, it is a reassurance that we have a large backlog of orders.

In Japan, the depreciation burden on capital investment is particularly heavy in the first three years, but if a company can ascertain the workload needed to overcome this period, it will be easier to make aggressive decisions thanks to the high visibility on seeking to boost earnings going forward. In the past, we have allocated much of our investment to EV business,

new businesses, and M&A in overseas businesses, but going forward, we intend to rebuild our business foundation centered on production while also allocating funds to investments that will help expand the scope of our core infrastructure businesses.

In the formulation of our next medium-term management plan, which we plan to announce in FY2025, we will include these discussions and put our medium- to long-term growth strategy into a clear form.

The way I see this, the fundamental concept will be to establish three major pillars with different time frames, running concurrently. The first of these is the pillar of achieving higher ROE within a relatively short time horizon. Considering the abundant backlog of orders and the current demand outlook, there is no doubt that it is imperative to increase profits while raising our top line through investments to expand production capacity and improve production efficiency.

The second and third pillars are the formulation of business scenarios and development scenarios. In formulating business scenarios, the main objective of each business group is to backcast (plan backwards from a desired future goal) business scenarios based on anticipated changes in customers and markets while looking ahead to the relatively near future (five to 10 years), and to help update our businesses in line with the needs of the times.

From an R&D perspective, which is the third pillar, we will also work out a scenario for what we will call “directional research,” which will set a course for what kind of organizational capabilities we should acquire. This will be formulated based on what kind of society will be built 10 to 20 years from now and what kind of

technology will be needed in that society.

We have already started to invest in productivity improvement and have begun to conduct this directional research, but during FY2024, we would like to deepen our long- and short-term scenario planning discussions internally so that we can create a system capable of organizational and agile adaptation in the event of major changes in the world.

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Big Strengths and Big Dreams Leading the Meiden Group to Growth

The greatest strength of the Meiden Group is the strength of our employees' passions. As expressed in the two core concepts of our Corporate Philosophy—“Illuminating a more affluent tomorrow” and “For customer peace of mind and satisfaction”—all employees of the Meiden Group are proud to take on the challenge of envisioning a better society and creating it together with our customers. Meidensha came to be in Japan's Meiji era, in the late 1800s, with the desire to enrich the world with the power of electricity. Since that time, we have brought many ideals to fruition.

As one of a countless number of examples, we were involved in the opening of the bullet train line (Shinkansen) that was being developed for the 1964 Tokyo Olympics, and in 2009 we delivered motor and inverter for the world's first mass-produced electric vehicles. These are aspirations that have taken root over our long history of working together with our customers to build social infrastructure and support industrial

development, imbuing us with a sense of mission to provide value to people while giving form to their dreams and aspirations for the future, rather than merely performing manufacturing functions.

Currently, we are in the process of asking each business group to share their dreams of what kind of value they want to create and how they want to generate profits. Internally, we actually use the word “dream” in dialogue to help craft future visions for value provided and business scale. I believe that this repeating cycle of talking about dreams and giving them form is a kind of baton relay of growth, from the past to the future of the Meiden Group.

In order to put this into practice, it is necessary to look back at the trajectory we have taken and reexamine the future we should aim for, even in the midst of the extremely hectic work of the immediate future. To this end, since assuming office as President, I have decided to hold town hall meetings to provide opportunities for dialogue among all employees, an initiative launched last year. At these events, in addition to sharing the Company's direction and vision, my desire is to share my own dream in a straightforward manner, thereby expanding the overlap between the desires of employees and the driving force propelling the Company forward.

While understanding the scale of the dreams that each business group is talking about, there will be times when decisions will have to be made on how to allocate resources differently than under the current business portfolio. Especially in Japan, the fact that human resources are unavoidably scarce, regardless of industry, is forcing companies to practice selection and concentration in their operations. Our approach is that, in order to create and nurture exciting future growth drivers based on big dreams drawn on our canvas, it is necessary to make management decisions that focus resources on areas where high growth potential can be realized, along with the process of developing a clear plan for the narrative that will lead to the realization of that dream.

To Our Stakeholders

In order for the Meiden Group to continue to be an important part of society for the next 100 years, and to be a company that can realize the aspirations of our employees and stakeholders, I will take the initiative in drawing up big dreams and fostering a corporate culture that challenges us to achieve them. Meanwhile, I will continue to focus on strengthening our technical capabilities and human resource development to support the realization of these dreams.

Going forward, I and the rest of the Meiden Group will continue to strive to meet the expectations of our shareholders and other stakeholders, leading to further growth and trust. We look forward to your continued honest feedback and support of the Meiden Group.

