



Message from the Officer in Charge of Finance

Growth & Challenge to Increase Corporate Value

Toward sustainable growth through improved capital efficiency and strategic investments

Managing Executive Officer **Hitoshi Miyake**

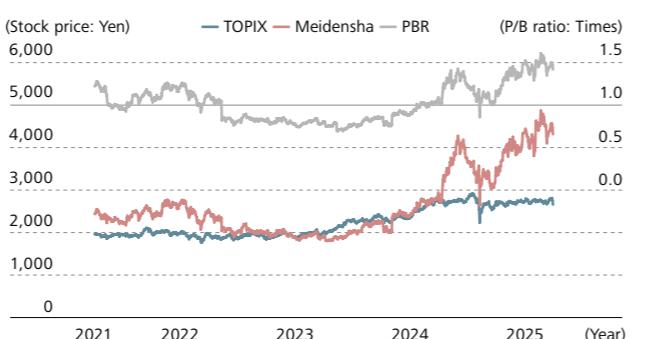
1. Review of Medium-term Management Plan 2024

In Medium-term Management Plan 2024, we set forth a policy of high-quality growth for achieving both business expansion and profitability, while also promotion of ambidextrous management to capture the major changes of the times. We have also been focusing on carrying out sustainability management with the aim of building a management foundation that can realize sustainable growth, with ESG at the core of our management. As a result of strengthening proposals in existing businesses and improving manufacturing efficiency, operating margin improved, and both return on equity (ROE) and return on invested capital (ROIC) in the final year of the plan far exceeded the final target.

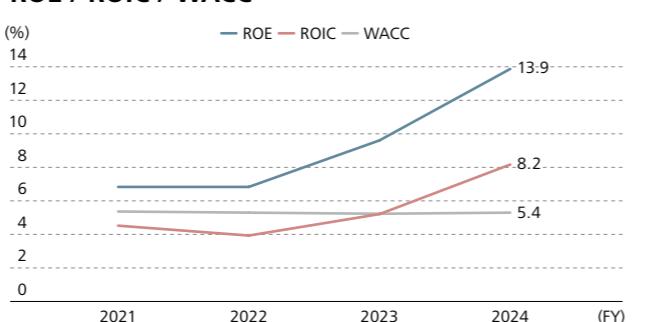
These factors have been well received by the market, evidenced by our rising stock price since 2021, even outperforming the Tokyo Stock Price Index by more than 40% as of the end of FY2024. The price-to-book (P/B) ratio, which was previously below 1x, has remained stable over 1x, and we believe that confidence in our capital efficiency and financial strategy is increasing.

The areas in which we operate, such as electric power, social infrastructure, mobility, and semiconductors, are growth areas directly linked to social issues, and the industry as a whole is expected to undergo structural expansion. Therefore, we recognize that linking growth expectations to strategies will lead to a higher price-to-earnings (P/E) ratio. To this end, we recognize that it is an important task to clearly draw up and present to the market a concrete vision of our future based on the technologies and strengths we possess. Furthermore, we must more diligently present our capital allocation policy based on ROIC and strategic

Stock Price and P/B Ratio



ROE / ROIC / WACC



investments in intangible assets such as human capital and DX to shareholders and investors, and how they will lead to improved corporate value.

2. Capital Policy in Medium-term Management Plan 2027

In light of these circumstances, we have adopted the theme of "Growth & Challenge" in Medium-term Management Plan 2027, and will promote management that balances short-term capital efficiency improvement and fostering medium- to long-term growth expectations. Among them, improving ROIC is at the core of our capital efficiency management, and we regard it as an important measure to more efficiently utilize our equity

by enhancing the quality of investment decisions and asset management, which will also lead to sustainable improvement of ROE.

On the other hand, in order to improve the P/E ratio, we recognize that in addition to improving profitability and capital efficiency, it is necessary to strategically present to the market a medium- to long-term story of how we envision the future

and how we will seize opportunities in the growth areas that our businesses occupy. At the core of these efforts is fulfilling our growth strategies, including M&A, new businesses, and the development of future technologies, which are being considered in stages with the aim of optimizing the business portfolio and strengthening competitiveness in growth areas. The direction and progress of the strategy will be communicated at the appropriate timing.

Thus, we view the maximization of capital efficiency with a focus on ROIC and the presentation of a medium- to long-term vision from clearly-established growth strategies as two axles driving in tandem to enhance corporate value. Under Medium-term Management Plan 2027, we plan growth and DX capex of 35 billion yen and ordinary capex of 35 billion yen, financed by operating cash flow and asset sales. In making these investments, we will emphasize both strategic significance and quantitative return in order to realize our vision, and will

rigorously evaluate the profitability of each investment based on return, using a given hurdle rate. Through these investment decisions, we will achieve both sustainable growth and capital efficiency.

With regard to capital structure, while maintaining financial soundness at the A- rating level, we will consider flexible financing and recapitalization as options to maintain stable dividends and concentrate funds on businesses with room for growth. We will continue to monitor the progress of Medium-term Management Plan 2027 and set the hurdle rate based on market interest rate trends to make appropriate investment decisions and sustainably increase corporate value.

Efforts to Improve the P/B Ratio (Price-to-Book Ratio = Corporate Value)

Main improvement measures		Action items
ROE improvement	Strengthening profitability and improving investment efficiency	<p>Strengthening earning power</p> <ul style="list-style-type: none"> Improvement in production capacity and productivity Improvement in the cash conversion cycle (CCC)
	Improving investment efficiency	<ul style="list-style-type: none"> Concentration on investment in businesses with high growth potential; evaluating projects based on profitability and growth potential with a set hurdle rate Acceleration of return on investment
	Investing for growth	<ul style="list-style-type: none"> Pursuit of sustainable growth, both organic through stable growth of existing businesses, and inorganic through M&A and other methods
	Optimizing capital structure	<ul style="list-style-type: none"> Net D/E ratio between 0.20 and 0.30 to maintain financial discipline
	Shareholder returns	<ul style="list-style-type: none"> Balancing stable and continuous dividend payments with growth-driven medium- to long-term shareholder value improvement based on a payout ratio of 30% while increasing net income through growth investments
	Increasing expected growth rate	<ul style="list-style-type: none"> Striving for steady growth in response to needs and changing for/challenging the future with growth strategies based on the three pillars of products, businesses, and technologies Evolution of a corporate value enhancement cycle that links cash generated by investments to further growth investments
P/E ratio improvement	Development of new domains	<ul style="list-style-type: none"> Fostering of new products and businesses, developing targeted research Solution design practice in collaboration with local governments and partners
	Increasing non-financial value	<ul style="list-style-type: none"> Expansion of human and intellectual capital Strengthening corporate governance Promotion of the Third Meiden Environmental Vision and acceleration of in-house DX
Improving stakeholder engagement		<ul style="list-style-type: none"> Enhancement of IR activities through expansion of disclosed information, etc.

Initiatives for ROIC Improvement and Growth

As mentioned above, improving ROIC is a core measure in our capital efficiency management, which directly results in improved ROE. First, we will visualize the profitability and invested capital of each business through ROIC management, balancing these two elements with selective investment guaranteed by business growth potential as another criterion. In addition, at manufacturing sites, we will improve cash generation through cost reductions and enhancement of production capacity, promoting efficient use of invested capital. This will improve both profitability and capital efficiency with an ROIC orientation, leading to a sustainable increase in ROE.



Corporate Governance > Basic Policy and Current Status of Cross Shareholdings P.68

ROIC Tree

Company-wide KPIs	Managed Items	Major Measure Examples
Operating margin	Cost of sales	Reducing design man-hours by utilizing similar drawings
Profitability	SG&A	Reducing and streamlining routine tasks using RPA and generative AI
Efficiency	Net sales	Accelerating investment in production bases to increase production capacity and build up order backlog
	Accounts receivable	Reducing risk through contracts, rapidly collecting payment, and acquiring advance payments
	Inventories	Inventory strategy that balances efficiency and stable supply
Invested capital turnover ratio	Non-current assets	Selecting investment projects based on hurdle rates and strengthening investment return tracing

Initiatives for P/E Ratio Improvement

We see our response to social issues such as the transition to carbon neutrality and rapid digitalization as areas that will generate new demand and market opportunities. In Medium-term Management Plan 2027, we have identified four promising markets corresponding to these areas: renewable energy, sustainable infrastructure, green mobility, and smart industry. We will steadily implement growth strategies that combine profitability and differentiation in products and businesses, two of our three growth strategy pillars. In addition, we are flexibly exploring strategic investments that contribute to accelerating growth, such as M&A and new business creation, separately from the aforementioned 70 billion yen. Here, we will work to achieve non-continuous growth with flexible financing and revision of financial strategies as options at our disposal, depending on the situation. In our M&A over the past decade, we have acquired a transformer manufacturer in India and an arrester manufacturer in Germany, mainly for the purpose of expanding the Overseas T&D Business. This has grown to a scale where it plays an important role in supporting strong performance by the Power Infrastructures Business Group. Going forward, we will continue to incorporate both organic and inorganic growth to enhance our corporate value.

International M&A Deals from 2014 to 2024 (Power Infrastructures Business Group)

Year Announced	Company Name	(Current) Company Name	Business Overview	Location	Net Sales Growth Rate During the Medium-term Management Plan 2024
2014	Prime Electric Limited	MEIDEN T&D (INDIA) LIMITED ¹	Manufacture and sale of transformers	India	265.4%
2015	TRIDELTA Überspannungsableiter GmbH	TRIDELTA MEIDENSHA GmbH	Manufacture and sale of lightning arresters for electrical and railway applications, and peripherals for lightning arresters	Germany	151.2%
2020	Vietstar Industry Corporation	VIETSTAR MEIDEN CORPORATION ²	Manufacture and sale of switchboards and sheet metal products	Vietnam	291.4%

¹ Completed 100% acquisition in 2021.² Acquired majority stake in 2021; equity stake as of July 2025 is 69.7%.

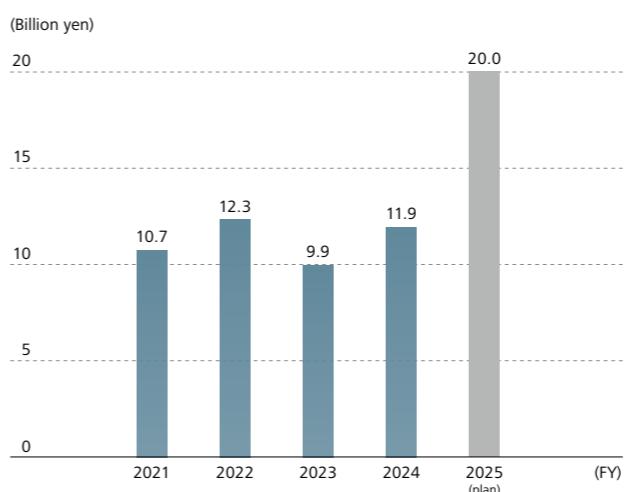
With respect to technology, the remaining growth strategy pillar, we plan to spend 43 billion yen on R&D over the next three years. There, in parallel with the deepening of existing technologies, we will promote the MEIDEN CONNECT initiative, which aims to accelerate the data utilization business, as well as engage in directional research. Directional research is a technology development initiative to co-create value by envisioning the desired future 20 years from now and acquiring new core technologies. Its three areas of focus are direct current & high frequency, power chemtronics (electrochemistry & power electronics), and digital twin O&M. Development will proceed with respect to the concretely defined core technologies for each area.

In addition, as a foundation for sustainable value creation, we will focus on deepening our green strategy, strengthening human capital and steadily promoting internal DX, as well as further strengthening corporate governance. At the same time, with the aim of raising market expectations for sustainable growth and the creation of co-created value, we will strive to enhance our dialogue with shareholders and investors, disclosure information in investor relations activities, and activities to incorporate external opinions into management.

significance, and ensure that capital is allocated with ROIC in mind.

In terms of growth investments, we will focus on investing funds in focus areas for Meidensha, such as carbon neutrality, smart infrastructure, and semiconductor-related areas. Specifically, we will increase the overall speed and quality of decision-making through process optimization using IoT and AI in manufacturing, as well as through streamlining indirect operations by standardizing and automating operations in procurement, accounting, human resources, and other areas. Furthermore, in the sales and service area, we will strengthen

Capex Trends

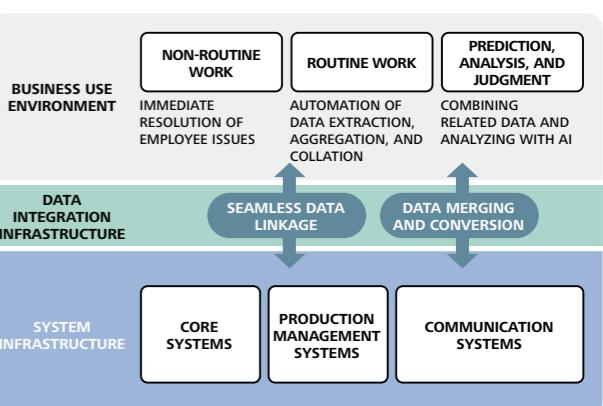


our abilities to make proposals to and support customers by utilizing digital technology, aiming to maximize opportunities to earn profit.

Regarding ordinary Capex, in addition to the upgrade of aging facilities, we will focus on production-related investments aimed at enhancing production capacity and competitiveness. We will also emphasize investment in human capital, our most important asset, to create a more comfortable work environment and enhance our ability to create value through improved employee engagement.

Acceleration of internal DX

Organically linking management and operational information to promote more effective and efficient management



3. Cash Allocation Policy

Approach to Cash Generation and Distribution

Our policy is to strategically allocate the cash we generate to investments for growth and returns to shareholders while maintaining both capital efficiency and financial soundness. Our cash generation sources will be enhanced profitability of existing businesses, as well as ROIC-conscious capital management, and furthermore, efficiency improvement through DX-based operational reforms. Through these efforts, we will maximize operating cash flow and optimize assets, which will also enhance our equity.

The cash generated will be used preferentially for reinvestment in growth areas where we can leverage our strengths to enhance medium- and long-term profitability and competitiveness, thereby achieving sustainable corporate growth. As a result, we will enhance our corporate value and contribute to our shareholders and other stakeholders.

Through cash allocation from a medium- to long-term perspective, we will enhance the quality of management and trust from the market.

Investment Policy: Growth Investments and Ordinary Capex

Under Medium-term Management Plan 2027, we plan to make strategic investments totaling 70 billion yen in order to further enhance corporate value and achieve both profitability and future growth. Of this amount, more than 26 billion yen is planned to be invested in the expansion of production facilities and the restructuring of bases in Japan and overseas. In executing these capex projects, we will select individual investments based on both quantitative evaluation and strategic

Shareholder Return Policy

We are now entering a full-fledged growth phase, where business opportunities are expanding in areas we have been focusing on for some time. To ensure that we seize these opportunities and further strengthen our future earnings base, we will aggressively pursue strategic growth investments from a medium-term perspective. Our view is that this will increase market capitalization and ultimately lead to further returns to our shareholders.

4. Shareholder and Investor Dialogue Policy

We regard dialogue with shareholders and investors as an important activity that connects management with capital markets. Through dialogue, we will deepen the market's understanding of our financial strategy and growth policy, and incorporate expectations and hints obtained into management decisions to achieve more convincing and transparent management. In particular, we intend to continue to diligently present our approach to capital allocation and the balance between growth and returns.

As the officer in charge of finance, my responsibility is the use of capital in and of itself with a view to improving corporate value over the medium-to long-term, rather than merely

allocating funds, while taking into account such dialogue. I am firmly convinced that an effective financial strategy based on ROIC and cash flow will enhance our ability to generate profits and corporate sustainability in the future, resulting in returns to shareholders in the truest sense.

Going forward, I will continue to take the feedback we receive from our shareholders and investors seriously, fulfilling my responsibility to expand Meidensha's growth potential from a financial perspective and contributing to long-term value creation. I sincerely appreciate your continued support and guidance.