

Message from Management

Contributing to the Creation of a Prosperous Society Through Growth & Challenge

Representative Director,
President and Executive Officer
Akio Inoue

Growing Energy Needs and the Meiden Group's Obligations

The world currently sits at an unprecedented turning point, as demographic changes drastically impact social structures and revolutionary technologies represented by generative AI and EVs completely transform both industry and our ways of life. Along with these changes, geopolitical risks are deepening political divisions and entire supply chains face restructuring from increased uncertainties around energy resources and equipment procurement across the board. These vastly interconnected changes drastically increase the social significance of 'power' and the need for stable procurement. As a company involved in social infrastructure at this modern crossroads, we at the Meiden Group recognize the importance of our obligations. While some in the US government may view partial changes to their policy as a change in momentum away from sustainability, abnormal weather events are becoming the norm worldwide and we have no option but to double down on initiatives that address environmental issues before we see threats to the very foundation of our livelihood. As a company, we will not be swayed by short-term trends, but will set our sights on the long-term and recognize that our corporate obligation is to continuously contribute to the sustainability of society and the world at large. We believe that this obligation represents our *raison d'être* as a company that has worked to support social infrastructure for over a century.

Looking back on Medium-term Management Plan 2024

Bolstered by the tailwind of a positive ordering environment, we achieved our FY2024 targets, reaching a record high 301.1 billion

yen in net sales and 21.5 billion yen in operating income. This performance was led in particular by the Power Infrastructures Business Group (operating income 7.9 billion yen) accurately capturing the strong domestic and overseas power demand and the Field Service Engineering Business Group (operating income 9.9 billion yen) answering customers' growing maintenance needs.

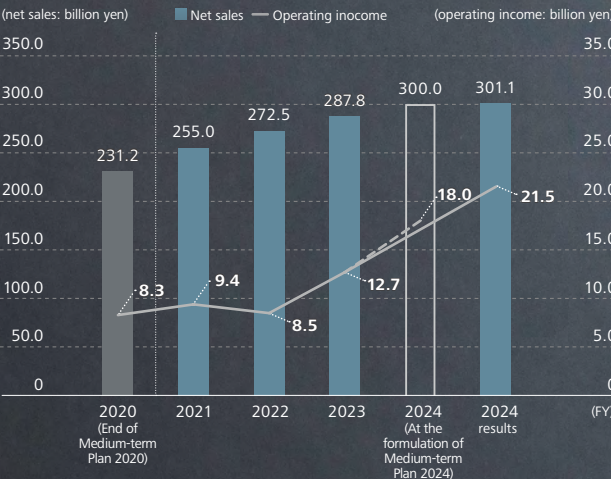
Our business environments saw drastic changes during the period of Medium-term Management Plan 2024, which began in FY2021.

In particular, results from the overseas T&D business far surpassed assumptions as global power demands grew, the use of data centers expanded rapidly, aging power transmission and distribution equipment required updating, and demand for eco-friendly products swelled following more stringent environmental regulations. As a company, we responded quickly to such market demands and the overseas T&D business grew thanks to actions such as proactively revising business strategies in Singapore and strengthening business activities in India based on growing renewable energy demands. In Japan, in addition to increased demands for power companies via the introduction of a revenue cap system, we achieved steady growth through increased demand for maintenance services and increased introductions of one-stop services that led to definitive results that linked with the tailwind from the market environment.

However, we faced an unexpected headwind from the rapid rise of Chinese EV manufacturers increasing competitiveness and a temporary slump in the semiconductor marketplace. In response to these environmental changes, we responded flexibly and revised our strategy by reducing costs, transferring personnel between sites, moving manufacturing of some parts to other plants, and optimizing production as a whole to achieve steady overall growth. This, however, brought to light issues pertaining to our business foundation. One of these was employee engagement. Our response to this period of robust ordering increased the workload of every employee, but it was not accompanied by improvements to systems or workplace conditions. We believe that the route to sustainable growth lies in facing the situation earnestly and revising our foundational strategies while applying the experience gained into managing future businesses.

Value Creation Through Our Business P.25-44 Strengthening of Human Capital P.57

Performance trends in Medium-term Management Plan 2024



Creating the Future through Growth & Challenge: An Overview of Medium-term Management Plan 2027

Based on our experiences to date, Medium-term Management Plan 2027 looks to further strengthen our ability to respond to changes while accelerating initiatives aimed at continued value creation.

The theme of Medium-term Management Plan 2027 is "Growth & Challenge." This emphasizes our commitment over the three-year period to simultaneously achieve the "Growth" that significantly expands our scope of business by steadily capturing strong current demand and the "Challenge" that pursues the evolution of our business model to achieve discontinuous growth in the future. We've published targets for FY2027 of 370 billion yen in net sales, 25 billion yen in operating income, 10.0% ROE, and 8.0% ROIC. These targets serve as milestones to achieve the company's stated *raison d'être*, "For customer peace of mind and satisfaction," at larger scales and in higher dimensions. Our plan to make this a reality consists of three timeframes: Products (short-term), Business (medium-term), and Technology (long-term).

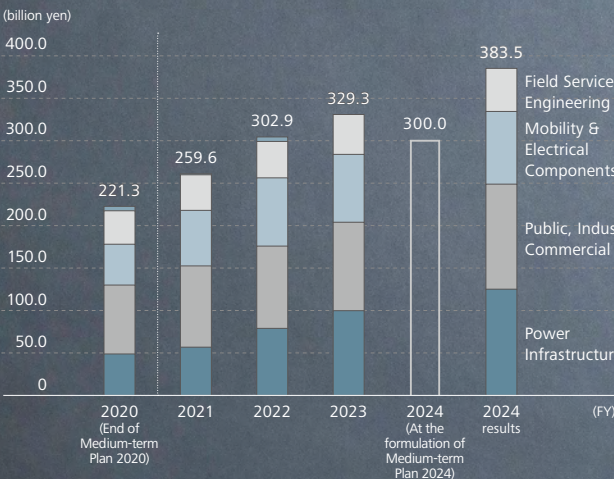
The product strategy prioritizes bolstering our supply capabilities to respond to growing social demands, while increasing our production capacity and shortening lead times through R&D and facility investments at an unprecedented scale.

The business strategy emphasizes the service business, in addition to equipment system sales, in an effort to strengthen solution-oriented value provision centered on the MEIDEN CONNECT platform, which accumulates customer and product data by connecting Meidensha products to the network.

The technology strategy works to develop next generation technologies in the three domains of POWER, CHEMI, and CYBER, based on targeted research rooted in projections of society in the year 2040.

Medium-term Management Plan 2027 P.15

Order trends in Medium-term Management Plan 2024 (by segment)



Fortifying a Business Foundation that Supports Growth Strategies

Without a solid business foundation, these grand objectives of “Growth” and “Challenge” are nothing but pipe dreams. Our competitiveness naturally comes from “People” and “Technology,” and we consider the solutions that emerge when these two combine to be our greatest strength. Our people have the skills to identify issues for worksites and the ability to uncover the true nature of a customer’s needs through dialogue. Our technology possesses both the high-level planning and development skills rooted in the knowhow we have collected over our long history and the implementation skills designed for site operations. Through dialog with customers, we have accumulated various practical intellectual assets such as technical information, operational data, and a variety of knowledge including indicators of future needs and issues. Customers present our sales teams with issues to potentially solve, and our technical departments explore features that would address the issue. Additionally, we gather data daily from maintenance and service sites, such as how products and facilities are actually used and what results they deliver. This method of accumulating knowledge at the source connects directly with future equipment designs and technological developments. It is no mere database, but something we call our unique “value chain” that we create alongside customers. It is essential that we evolve the business foundation that supports the execution of our strategies so that our competitive edge is not an ephemeral idea but something that leads to continual growth. And so, we will work with unrivaled determination to fortify the business foundation based on “Green strategy,” “Human capital,” and “Internal DX” to properly execute this mid-term plan.

Deepening of our green strategy promotes decarbonization and corporate growth through initiatives like a 50% reduction in Scope 1 and 2 emissions by FY2030 and other items set forth in the Third Meiden Environmental Vision that align with the 1.5°C scenario.

Progress on the Third Meiden Environmental Vision p.53

Strengthening of human capital sets a goal of “Creating an environment for mutual growth through an organization that attracts individuals and a diverse workforce whose dreams and aspirations overlap” and works to reduce work loads via DX, actively utilize exceptional overseas personnel, and revise the evaluation and compensation systems. It sets a goal of three or more female officer class employees and five or more non-Japanese presidents of local companies by FY2030.

Strengthening of Human Capital p.57

Acceleration of internal DX aims to increase productivity across the company by creating databases that connect office and site information, centralizing management of manufacturing processes, and using AI and generative AI to revolutionize business operations.

Advancing Management that Recognizes Capital Costs

Generating returns that surpass capital costs is essential for increasing shareholder value. Ensuring profitability that

exceeds the capital cost is a fundamental principle of our investment decisions, and our current 70 billion in capex came after careful scrutiny returned an outlook for a 25% growth potential from 300 billion yen in net sales to 370 billion yen, and we decided to move forward with our investment after determining that such growth was attainable. Our targets of 10.0% ROE and 8.0% ROIC are not simple numerical targets, but things that embody a management deeply concerned with investment efficiency. As we increase profits through growth investment, we will continue achieving these targets by further expanding the scope of business. Particularly for investments into the power and semiconductor fields, where global demand continues to grow, we will emphasize allocation of investments into clear drivers of growth and maximize shareholder value.

As for shareholder returns, our basic policy is a payout ratio of 30%. This is based on our policy of maintaining the payout ratio at an appropriate level for our current growth stage while expanding the scope of business by allocating funds with an emphasis on growth investment, and achieving increased dividends as a result. Even at a payout ratio of 30%, we are confident that growing net sales by 25% will allow us to return more dividends to shareholders. In a state of steady future growth, we employ the optimal return policy for the growth stages under the premise of increasing the payout ratio. We also review our investment policy as needed in a timely manner from the perspective of investment efficiency with the objective of increasing overall shareholder value.

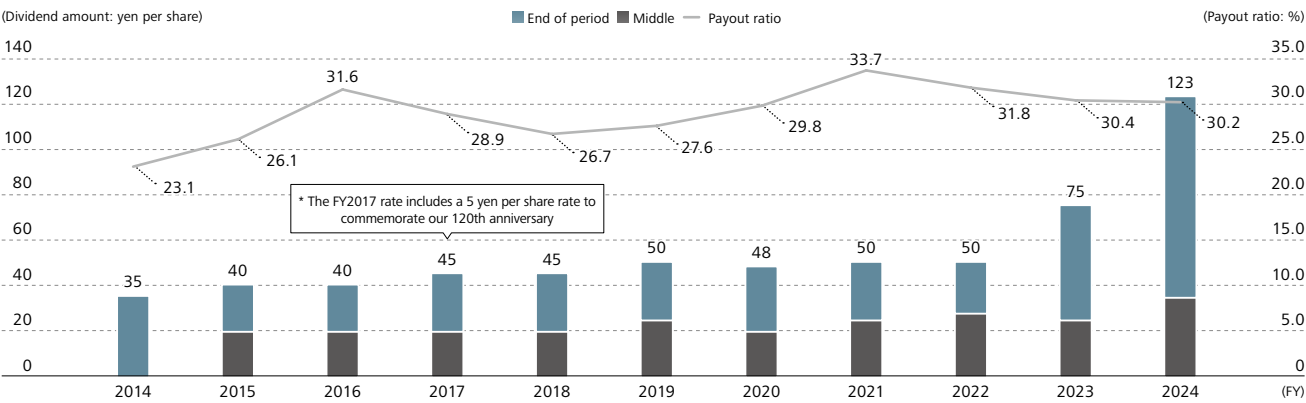
Achieving Medium-term Management Plan 2027 and Beyond

Currently, increased power needs around the world have created an unparalleled demand for our technologies and expertise. The expanding use of data centers, the spread of EVs, the growing utilization of renewable energy, and more are dramatically transforming the environment with regard to power, which is precisely why the achievements and knowledge base we have created with customers over the years provide us with a true competitive advantage. Technological revolutions born from dialogues with customers, our accumulated operational data from sites, and backcast-driven technological developments all generate value based in reality, not fantasy.

We consider reviewing our role as a company and continuously re-examining the ideal states of our businesses as these environmental changes unfold as necessary for sustainable growth. As we carefully examine the balance between the humans and technology that are the source of our value creation and the future of every business department, we will invest management resources into fields where we can demonstrate our strengths while incorporating flexible options into our perspectives - including collaborations with outside parties - and build a business portfolio for domains with the potential to expand into new growth.

I am committed to leading our management team to achieve Medium-term Management Plan 2027 and our Vision for 2030. The target of 370 billion yen was merely

Trends in Dividends



a milestone, and we are now building the foundation for further growth.

We will work to make significant progress based on the foundation set by Medium-term Management Plan 2027 towards the goal of increasing corporate value in the medium- and long-term after FY2027.

The Meiden Group has an obligation to society: “the indispensable existence of an abundant society.” We are more than just an electrical equipment manufacturer. As a company that exists for the world and is tasked with supporting social infrastructure, the future need for our products and services is the reason for our existence.

interest grows in investment efficiency indicators like PBR and others, we acknowledge that management’s foremost responsibility is to connect the capital entrusted to us by our shareholders and investors to the continuous growth of our corporate value. We plan to disperse risk and increase overall efficiency by not only consolidating company businesses to increase efficiency, but by also laterally deploying our technical expertise and the customer base we have built over our long history. We will continue to propel our current good performance further and will constantly challenge ourselves as we grow even more in the future.

Moving forward, we will progress hand-in-hand with all of our stakeholders in line with our corporate philosophy, while creating a sustainable society and increasing corporate value. You have our deepest thanks for your ongoing support and guidance.

To Our Stakeholders

In our conversations throughout the year, we have sensed a growing expectation for us to increase corporate value. As

