

MEDIUM-TERM MANAGEMENT PLAN 2024 UPDATE

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Meidensha Corporation

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1. Medium-term Management Plan 2024 (1) Vision and Ideal State of Being – Overview –

We will continuously improve our corporate value by solving social issues ahead of others!

Ideal society

- A resilient society where humans live in harmony with nature
- A society that feels safe, prosperous, and exciting
- A society where different communities and people can coexist

Hypothetical social changes

Climate change
Digitalization
Diversification

+

Meidensha's DNA

Honesty, responsibility, social contribution
DNA that must not be lost
Innovative spirit, independence

Vision and Ideal State of Being

Value proposition

Focus areas toward the ideal society

Method of provision

Management foundation/
Corporate culture

Work to build a new society through honesty to the earth, society, and people, and through the power of co-creation

Sustainability partner

Carbon neutrality & wellbeing

Renewable energy

Sustainable infrastructure

Green mobility

Smart industry

Solutions and design

Equipment sales

Maintenance services

DX

System sales

Maintenance and management

Management foundation

- High transparency and fairness of corporate management
- Quality-driven business promotion
- Evaluation axis updates (financial and non-financial, priority on short-, medium-, and long-term balance)

Corporate culture

- Future-oriented, and co-creation approach
- A workplace in which diverse personnel can flourish
- A vibrant workplace culture

Important Values

Sustainability

Diversification

Integrity and responsibility

Future-oriented

1. Medium-term Management Plan 2024 (2) Review of the First Year

- ◆ We devised and started a specific strategy to achieve the goal.
- ◆ We face the risk of scheduling delays due to covid-19 and rising material prices, but we strive to minimize these.

Main achievements

- Organization of overseas locations
⇒ Acquired Vietstar Meiden, examined review of overseas locations
- Manufacturing reinforcement
⇒ Built EV mass-production system (full-scale production in China to begin in October)
- Maintenance and improvement of earnings base
⇒ Achieved steady growth in domestic infrastructure business and the electronic equipment business
- Development of renewable energy business
⇒ Replaced Hachiryu Wind Power Station and newly developed and promoted small- and medium-sized hydroelectric power plants

- Actualization of measures and establishment of targets
⇒ GHG* reductions and diversity, etc.
- Organization of foundation for innovation
⇒ Organized innovation processes

Main issues





- Expansion of growth businesses and reinforcement of earnings power
⇒ Delayed progress in overseas Power T&D business, mainly in India and Vietnam, due to impacts from the pandemic
⇒ Delayed progress in new ozone business
- Stagnation in the Mobility & Electrical Components business and Railways business
⇒ Sudden changes in industry itself particularly in Mobility T&S business
- Response to soaring raw material prices and prolonged component delivery times
⇒ Review supply chain
⇒ Respond to needs for greater production efficiency and reduced costs
- Dialog with employees and measures to further understanding
⇒ Roll out full-scale activities from FY2022 onwards

Business strategy

Sustainability management

2. Business Strategy Update (1) Changes in Business Environment and Impact on Financial Targets

- ◆ The core revenue business has revised its FY2012 target upward.
- ◆ On the other hand, the mobility T & S and the railway business, whose market environment has changed significantly, have been revised downward.

Item		Impact	Details of update
Business strategy	 Favorable semiconductor market conditions	Improved results in Electronics Products businesses	Accelerate business expansion initiatives for North American market Increased demand for domestic manufacturers
		Improved share of Field Service Engineering business	Expand maintenance stock for semiconductor equipment, etc.
	 Strong infrastructure demand	Improved results in Water Infrastructure and membrane businesses	Financial targets revised upwards in line with FY2021 achievements, received order for water membrane project in Singapore, etc.
	Spread of COVID-19; Geopolitical risks	Decline in customer investments, rising commodity prices	Review sales and profitability in Railways, Social Infrastructure Systems, and Motor Drive Solution businesses Review strategy progress for new businesses, etc.
		Delayed strategy implementation for overseas Power T&D business	Strengthen orders in each location, examine reorganization of overseas locations
	 Once-in-a-century mobility revolution	Major slowdown in Mobility T&S business	Revise sales forecast downwards. Introduce fixed cost countermeasures (personnel reshuffling) and business structural reforms to counter low factory operations rates

Power Infrastructure Business Group



Vision for 2030

Become a sustainability partner that offers stable electric power supplies and a renewable energy business

Quantitative targets FY2024

Orders **¥59.5 billion**

(2021 result: ¥55.8 billion; 2022 forecast: ¥55.0 billion; previous announcement: ¥58.0 billion)

Net sales **¥57.5 billion**

(2021 result: ¥52.3 billion; 2022 forecast: ¥55.5 billion; previous announcement: ¥55.5 billion)

Operating income **¥1.3 billion**

(2021 result: -¥1.8 billion; 2022 forecast: -¥800.0 million; previous announcement: ¥2.0 billion)

Major strategies

- ◆ Reinforce manufacturing capabilities for electric power products, expand into new renewable energy-related product areas
- ◆ Accelerate roll out of domestic renewable energy business (wind power and small- and medium-sized hydroelectric power)
- ◆ Improve earnings power of key overseas locations (India, Vietnam, US, and Germany), partially reorganize locations in ASEAN and China
- ◆ Improve added value through reinforcement of services (advanced maintenance using ICT, promotion of O&M business)

2. Business Strategy Update (2) Business Groups

Public, Industrial & Commercial Sector Business Group



Vision for 2030

Value integrity and responsibility, and continuously support social infrastructure through people, technology, and digitalization

Quantitative targets FY2024

Orders ¥95.0 billion

(2021 result: ¥95.5 billion; 2022 forecast: ¥83.5 billion; previous announcement: ¥95.8 billion)

Net sales ¥94.6 billion

(2021 result: ¥94.7 billion; 2022 forecast: ¥87.4 billion; previous announcement: ¥92.8 billion)

Operating income ¥6.1 billion

(2021 result: ¥6.1 billion; 2022 forecast: ¥4.0 billion; previous announcement: ¥5.6 billion)

Major strategies

- ◆ Provide solutions and designs to water suppliers and sewage treatment operators through Water Cloud Computing Service
- ◆ Ensure efficient use of management resources and promote public-private partnerships
- ◆ Provide environmentally friendly products and services (water and sewage, railway)
- ◆ Reinforce management of overseas plants and large-scale railway projects

2. Business Strategy Update (2) Business Groups

Field Service Engineering Business Unit Group



Vision for 2030

Achieve innovation in maintenance through DX, and contribute to the maintenance of safe, secure social infrastructure through new solutions and enhanced experiential value for customers

Quantitative targets FY2024

Orders ¥42.0 billion

(2021 result: ¥41.8 billion; 2022 forecast: ¥41.0 billion; previous announcement: ¥42.0 billion)

Net sales ¥41.6 billion

(2021 result: ¥39.5 billion; 2022 forecast: ¥41.6 billion; previous announcement: ¥41.0 billion)

Operating income ¥6.0 billion

(2021 result: ¥5.9 billion; 2022 forecast: ¥6.0 billion; previous announcement: ¥6.0 billion)

Major strategies

- ◆ Further expand one-stop services
- ◆ Expand range of solutions services that prioritize energy-saving and reduced GHG emissions
- ◆ Expand service business for semiconductor manufacturing equipment (orders target for FY2024: ¥3.2 billion)
- ◆ Quickly develop fully capable engineers (plan for an annual increase of 30 engineers, provide locally rooted services, etc.)

Mobility & Electrical Components Business Group



Vision for 2030

Achieve an electrification- and digitalization-driven carbon neutral society through change-resistant manufacturing capabilities, and contribute to the spread of green mobility

Quantitative targets FY2024

Orders **¥97.0 billion**

(2021 result: ¥65.3 billion; 2022 forecast: ¥88.0 billion; previous announcement: ¥100.0 billion)

Net sales **¥96.0 billion**

(2021 result: ¥63.8 billion; 2022 forecast: ¥86.1 billion; previous announcement: ¥100.0 billion)

Operating income **¥7.1 billion**

(2021 result: -¥200.0 million; 2022 forecast: ¥3.6 billion; previous announcement: ¥8.1 billion)

Major strategies

- ◆ **Electric Motor Solutions:** Promote energy-saving and higher efficiency solutions, and proceed with partnership strategies
- ◆ **Mobility T&S:** Propose testing equipment for EVs and reinforce maintenance services
- ◆ **Electronic Equipment:** Retain customers through the provision of products suited to market needs

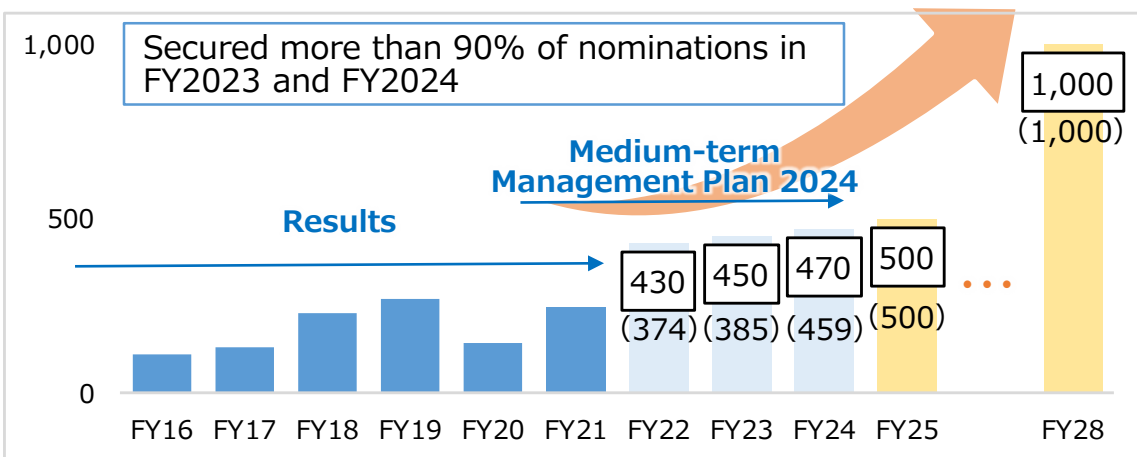
2. Business Strategy Update (2) Business Groups

We are struggling with the progress of OEM sales and production, but we will rebuild the system to recover from the progress delay and secure sales.

Key initiatives for the EV business

- ◆ **Secure nominations:** Incorporate load from FY2025 onwards, develop new products for the future
- ◆ **Improve and reinforce production capacity:** Organize production capacity in China
- ◆ **Develop new markets and acquire new customers:** Develop new markets and acquire new customers to ensure stable acquisition of load

<Meiden Hangzhou Drive Technology Co., Ltd.> <Historical net sales>



*Numbers in brackets are those announced in May 2021

At the core of offense-minded business strategies are growth strategies. Defense-minded strategies involve the rebuilding of overseas locations from a medium- to long-term perspective.

Offense-minded business strategies

- **Generate results from investments in overseas Power T&D business**
- **Launch and expand lineup of environmentally friendly products**
 - **Mainly Power T&D products**
- **Roll out EV products overseas**
- **Move into new areas and capture new demand**
 - **Expand sales of VC in the US, etc.**

Defense-minded business strategies

- **Optimize overseas production locations and reinforce SCM***
 - *Supply chain management
- **Reinforce organizational capabilities**
 - **Reinforce financial structure of overseas subsidiaries**
(Reinforce asset and CF management)
 - **Strengthen corporate governance**
(Strengthen security export control, etc.)
 - **Acquire and develop local management personnel**

3. Promoting Sustainability Management and Management Ambidexterity

Focus on developing corporate culture and reforming awareness, etc., from FY2022 onwards, and promote behavioral changes.

Main initiatives

Environmental management

- Upgrade to energy-saving equipment and introduce renewable energy to accomplish Second Meiden Environmental Vision
 - ⇒ Achieved GHG emissions reduction targets for FY2021 (Scope 1 and 2; compared to FY2019) thanks to introduction of renewable energy, etc.
Moving forward, plan for introduction of renewable energy and other initiatives at Kofu Meidensha and Nagoya Works.
 - ⇒ Promote environmentally friendly design

Diversity and inclusion

- Through employee NPS®* and employee surveys, review systems and improve workplace environments to improve engagement
 - ⇒ Upgrade general affairs equipment to improve factory workplace environments
- Actualize diverse human resource requirements and examine development policy to achieve sustainability management

*Net Promoter Score
→ NPS® is a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Innovation

- Create new business themes and promote commercialization through co-creation
 - ⇒ Promote partnerships with companies from other industries, change behavior in idea contests, etc. (from interest to action)
 - ⇒ Expand pure ozone business through Meiden Nanoprocess Innovations, Inc.
 - ⇒ Invest in and work with Elmodis to establish asset monitoring service business

4. Numerical Milestones (Financial and Non-financial Indicators)

Financial indicators

In billion yen

	FY2021 (Results)	FY2022 (Forecast)	FY2024 (Targets)
Orders	259.6	270.0	300.0
Net sales	255.0	270.0	300.0
Operating income	9.4	12.0	18.0
Ordinary income	10.2	12.0	17.5
Net income	6.7	8.4	12.0

Operating margin	3.7%	4.4%	6.0%
ROE	6.8%	8.0%	10.0%
ROIC	4.5%	5.5%	8.0%
Capital investments	Accumulated 4-year total: ¥60.0 billion (of which growth investments: ¥20.0 billion) (2021 results: ¥10.7 billion; 2022 forecast: ¥16.5 billion)		
Research and development	Accumulated 4-year total: ¥40.0 billion (2021 results: ¥9.8 billion; 2022 forecast: ¥11.0 billion)		

Net worth	101.9	March 31, 2025: ¥120.0 billion
Consolidated dividend payout ratio	Stably at 30% level (FY2021: 33.7%)	

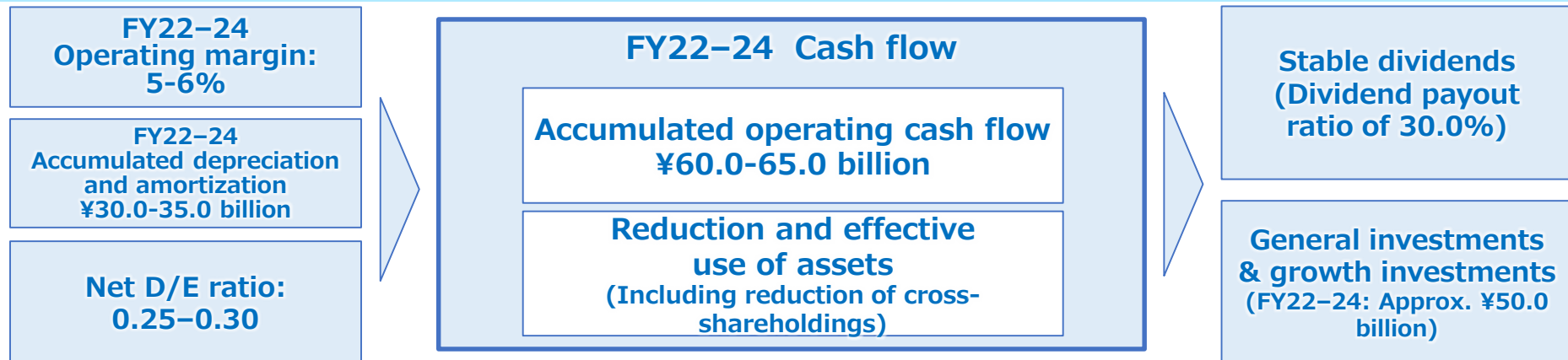
Non-financial indicators

(Figures in red show changes from May 2021 announcement)

	Targets
GHG emissions from business activities: Scope 1 and 2 (Compared to FY2019)	FY2024: 6% reduction FY2030: 30% reduction
GHG emissions from product use: Scope 3 (Compared to FY2019)	FY2024: 6% reduction FY2030: 15% reduction
2040: RE100; 2050: Achieve carbon neutrality	
Female executives (proper)	FY2024: At least 1 FY2030: At least 3 (of which 1 is an executive officer)
Presidents of local subsidiaries who are foreign nationals	FY2024: At least 3 FY2030: At least 5 (of which 1 is an executive officer)
Employee NPS® (Compared to FY2021)	FY2024: 10% improvement
New businesses	Net sales: ¥5.0 billion

5. Cash Flow Allocation

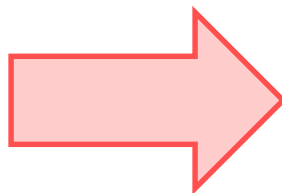
Accumulated operating CF for the next 3 years is expected to be between ¥60.0-¥65.0 billion. In addition to the above, we will implement investment, shareholder returns, and financial strengthening by reducing and effectively utilizing assets.



FY2021
Net worth: ¥101.9 billion

ROE 6.8%

ROIC 4.5%



FY2024
Net worth: ¥120.0 billion

ROE 10.0%

ROIC 8.0%

MEIDEN

Quality connecting the next

Notes

The business results and forecasts described in this PPT material are based on Meidensha's own evaluation of pertinent information available at the time of publication, and contain latent risks and uncertainties.

Please note that the actual business results may differ from our forecast.