

MEDIUM-TERM MANAGEMENT PLAN 2024

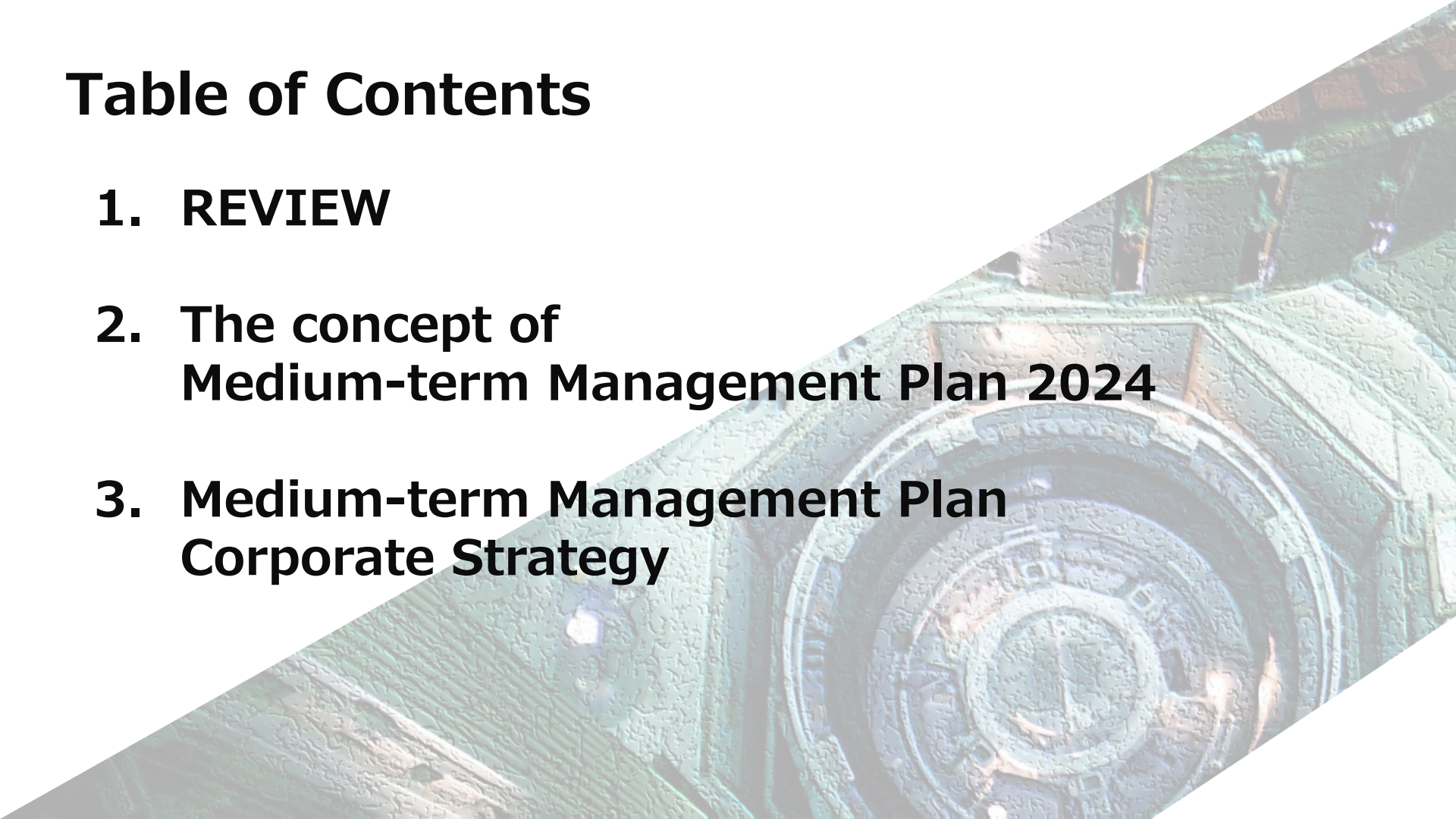
May 13, 2021
Meidensha Corporation

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1. Review: Progress of FY2018-2020 (Previous Medium-term Management plan) ^{3/18}

Achievements: Strengthen profitability of core business and prepared for future growth
Reconsideration: Delay in progress of T&D business strategy.

Quantitative targets

In 100 million yen	2018			2019			2020		
	Target	Result	Evaluation	Target	Result	Evaluation	Target	Result	Evaluation
Net sales	2,450	2,450	○	2,600	2,557	△	2,800	2,312	×
(%)	(4.7%)	(4.2%)		(4.8%)	(5.0%)		(5.0%)	(3.6%)	
Operating profit	115	103	×	125	127	◎	140	83	×
(%)	(3.0%)	(3.1%)		(3.2%)	(3.2%)		(3.4%)	(3.2%)	
Net profit *1	74	76	◎	84	82	△	94	73	×
ROIC		5.9%			6.7%		7.0%	4.2%	×
ROE		9.3%			9.6%		10.0%	8.0%	×
Net worth		837			871		1,000	965	×

*1 Net profit attributable to parent company shareholders

Corporate Strategy

Achievements

- **Investment in growth businesses**
 - Capital participation in local companies and establishment of local hubs (USA, Vietnam) in the T&D business
 - Increased investment in the EV business (Japan, China)
- **Business expansion to new areas of growth**
 - NPI: New company using pure ozone technology
 - ELMODIS: Partnership to promote digital solutions

Reconsideration

- Still room for improvement in **smart factory/workplace initiatives**
- **Expansion of substation business markets located west of India, including Africa**
 - PML (lawsuit issue)
- Expansion of electronic equipment business field
 - Creation and commercialization of products to come after VC

Achievements

- Record high earnings in FY2019
by Strengthen profitability of core business
 - Led by the public infrastructure and O&M businesses
 - High profit margins continued in the semiconductor equipment business

Reconsideration

- Under targets in the final fiscal year (due to COVID-19)
- **The increase in T&D business profitability is only half done**
- Lower than expected demand for semiconductor products

- ✓ Society is calling for companies to work harder to address global challenges, and this trend is likely to strengthen in the future.
- ✓ Technological innovation led by digitalization will accelerate further. Cross-industry collaboration also will advance.

Highly probable changes of the times

**Climate
change**

Digitalization

Diversification

Important global trends and keywords for Meidensha

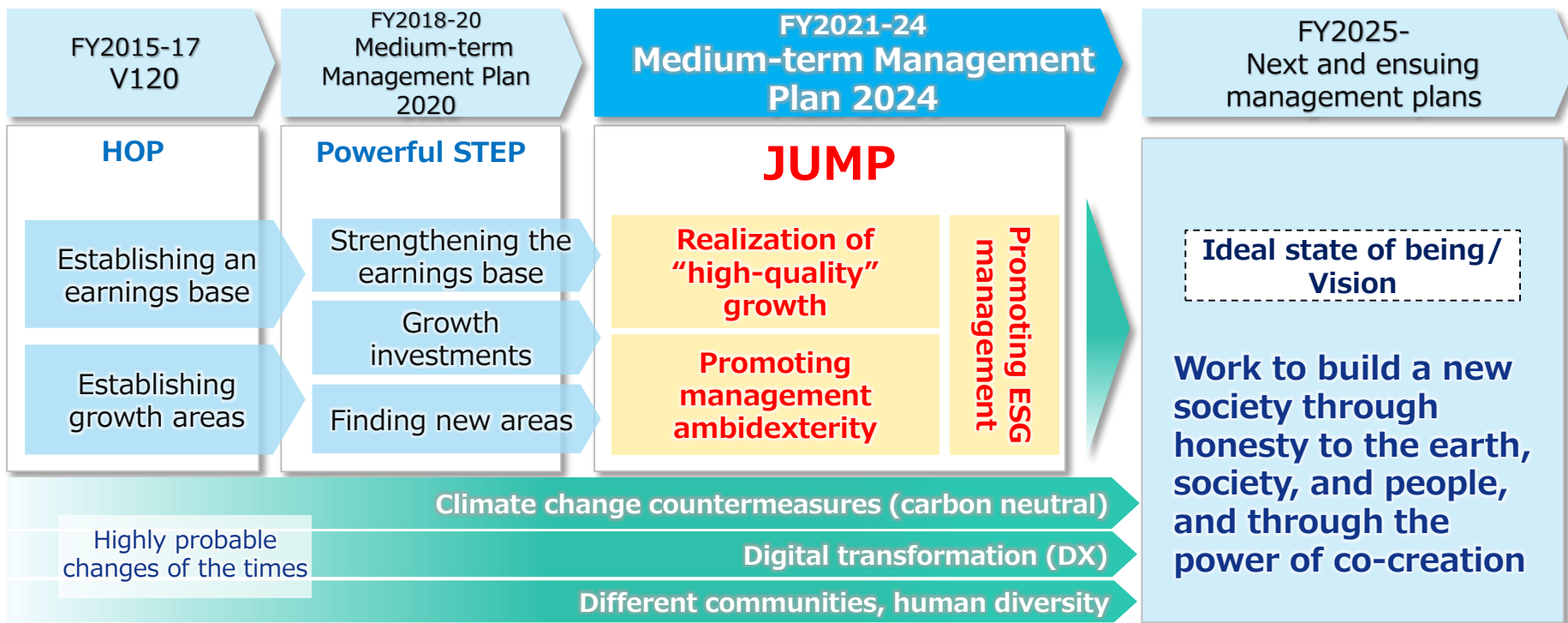
- Climate change countermeasures (Green New Deal, etc.)
- Sustainable growth that balances the environment and socioeconomics
- Collaboration and co-creation with other industries
- Development of a diversified society (infrastructure, cities, etc.)
- Diversification of attitudes toward employment and values
- Innovation from diverse human resources and experience

2. The concept of Medium-term Management Plan 2024

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(2) Positioning and thinking

- ✓ **Generate results from initiatives to increase growth and earning power, and realize “high-quality” growth.**
- ✓ **Respond to changes of the times and promote ESG-focused management to build a new society.**



In light of the effects of COVID-19, the period is 4 years (1 + 3 years). Quantitative targets in the final fiscal year are based on the assumption that COVID-19 will subside, and specific strategies will be established for recovery in the initial year and for after COVID-19.

FY2021 (with COVID-19):

Phase of establishing a concrete strategy for FY2022-24 while recovering from the effects of COVID-19

FY2022-24 (after COVID-19)

Respond to urgent issues

Consider for next fiscal year and beyond

Realization of
high-quality
growth

- Review supply chains
- Increase profitability, etc.

- Change the business model for after COVID-19
- Consider partnerships

Promotion of
ESG
management

- Strengthen internal control
- Set KPIs (FY2030 goals)

- Consider specific measures for KPIs
- Review evaluation system, etc. (corporate reform)

Promotion of
management
ambidexterity

- Get newly established companies on track

- Consider specific measures for KPIs
- Look for next generation businesses (after EV)

ESG-focused
management and
business strategy
(execution phase)

(1) Quantitative targets, ESG indicators, etc.

Quantitative targets (FY2024)

Orders	¥300 billion
Net sales	¥300 billion
Operating profit	¥18 billion
Operating Margin	6.0%
Net profit	¥12 billion
Overseas sales	¥73 billion
ROIC	8.0%
ROE	10.0%



Investment (cumulative over 4 years)

Capital investments	¥60 billion
(Growth investments	¥20 billion)
R&D investments	¥40 billion



Financial indicators: raise rating (A rating level)

Net worth	¥120 billion
Dividend payout ratio	stable at 30.0%

ESG indicators

Second Meiden Environmental Vision: Target for cutting greenhouse gases by 2030
(vs. FY2019)

Emissions from business activities (Scope 1 + 2): 30% reduction
Emissions from product use (Scope 3): 15% reduction

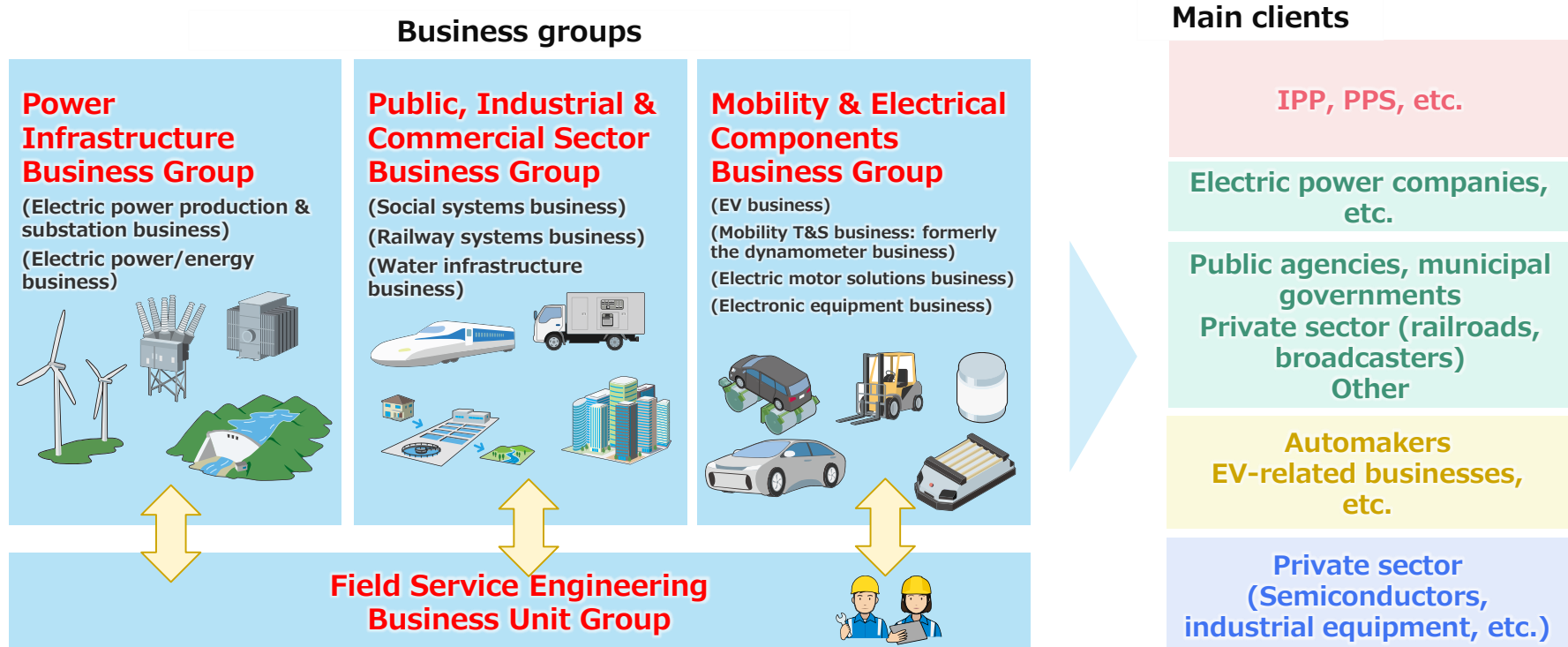


3. Medium-term Management Plan Corporate Strategy

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(2) Strengthen business management capabilities: Organizational reform

The objectives of organizational reform are (1) clarification of responsibilities and authority, (2) quick decision-making and generation of business synergies, (3) quick response to environmental changes and diverse needs.



3. Medium-term Management Plan Corporate Strategy

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(2) Strengthen business management capabilities: Business reform and capacity-building

Establish committees and projects, and strengthen necessary management bases along with new trends of the times.



**Management
bases/structure**

Business reform and function optimization through digitalization

Review processes and core systems

Strengthen inter-organizational collaboration
(group and large factory system)

Organize the functions of group companies



**Manufacturing
capabilities
/R&D**

Stronger product competitiveness, ambidextrous R&D

Build low-cost, high-quality mass
production lines

Reduce cost of made-to-order
production

Accomplish the Second Meiden Environmental Vision



**Corporate
culture/personnel
training/innovation**

Promotion of ESG and development of innovative solutions

Use diverse human resources

Implement carbon neutral measures

Build an organization that supports innovation

- Increase the efficiency and productivity of indirect divisions
(FY2024 target)
SG&A no more than 19% of net sales
(FY2021: 20%)
- Increase added value and control/reduce fixed costs
(FY2024 target)
Gross profit margin 25% or more
(FY2021: 24%)
- Reduce GHG
(FY2030 target vs. FY2019)
Scope 1+2: 30% reduction
Scope 3: 15% reduction
- Female executives (proper)
(FY2024 target) at least 1

Power Infrastructure Business Group

Electric power production and substation equipment business:
produce investment results and expand business size

India

- **Expand business in India** and into west of India
- Supply products to Japan and ASEAN

ASEAN/China

- **Expand business in the Vietnam market**
- Maintain top share in Singapore market and capture O&M demand

North America

- **Capture demand for environmental measures and expand business via the new company**

Japan

- **Strengthen the mother factory function**
- Enhance and expand sales of specialty products with an environmental theme

Quantitative targets

	FY2024	(FY2021)
Orders	¥58.0 billion	(¥51.5 billion)
Net sales	¥55.5 billion	(¥47.5 billion)
Operating profit	¥2.0 billion	(¥-1.0 billion)

Electric power/energy business

Use diversified society and carbon neutrality as an opportunity to expand business

Electric power

- **Participation in new T&D networks project by the power companies etc.**
- Next-generation substation system + eco-friendly developments using DX

Renewable energy

- **Hydropower maintenance (remote maintenance, labor-saving)**
- **Expand windpower business (expand O&M)**
- Expand small and medium-sized hydropower generation businesses

Public, Industrial & Commercial Sector Business Group

Public infrastructure related business

Contribute to diversified society and the environment through technology, products, services, and solutions using DX

- **Expand the business scope (partnerships and PPP businesses)**
- Develop water and sewer facility products that consider the environment
- **Save labor on maintenance and management by using DX**
- Enhance earnings power in the ceramic membrane business

Social systems related business

Contribute to decarbonization and a resilient society through products and maintenance

- **BCP products (mobile power source vehicles) and increased servicing**
- Increase the value provided by applying ICT technology products
- Strengthen overseas EPC project risk management for Japanese companies

Quantitative targets

	FY2024	(FY2021)
Orders	¥95.8 billion	(¥79.5 billion)
Net sales	¥92.8 billion	(¥91.3 billion)
Operating profit	¥5.6 billion	(¥3.8 billion)

Railway systems business

Support railroad infrastructure, contribute to carbon neutrality

In Japan

- **Propose labor-saving measure: (Expand Overhead Catenary System sales, measures without patrol inspection, etc.)**
- Expand sales of specialty products (impedance bonds, etc.)

Overseas

- **Reduce project risk and increase earning power**
- Efforts in new projects (ASEAN)
- Strengthen collaboration with Japanese trading companies and engineering firms

Power Infrastructure Business Group and Public, Industrial & Commercial Sector Business Group

Generate new value through synergies between the Power Infrastructure Group and the Public, Industrial & Commercial Sector Business Group, and build resilient and sustainable regional bases.

◆ Case study 1

Joint demonstration experiment for smart rainwater management using IoT (Moriya City)

◆ Case study 2

Demonstration experiment for flood-control support service (Tsukubamirai City)



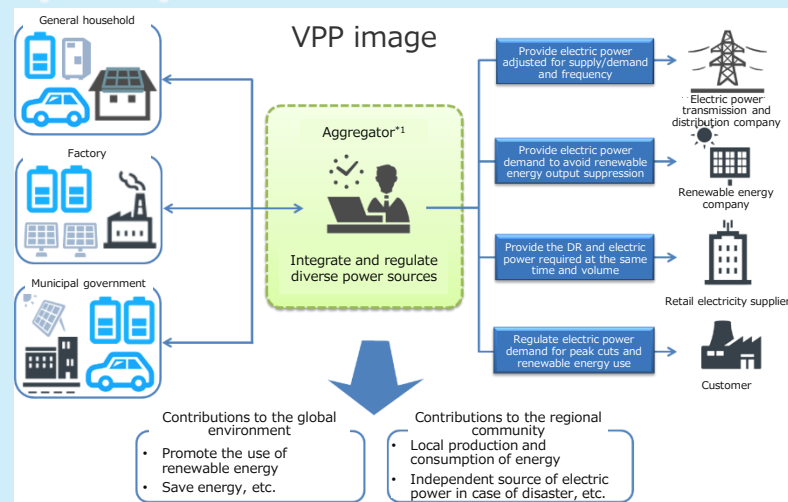
Agreement signing ceremony
(Moriya City)



Agreement signing ceremony
(Tsukubamirai City)

◆ Case study 3

Demonstration experiment for a virtual power plant (VPP) that uses technology for reusing EV batteries (The Chugoku Electric Power Co., Inc. and Mazda Motor Corporation)



Mobility & Electrical Components Business Group

Electric motor solutions business

Contribute to saving energy, human resources, and labor through motorization and digitalization

- **Motors/inverters:** Maintenance/servicing solution using IoT (partnership with Elmodis)
- Industrial vehicles: FL market share and expansion to electric construction equipment and other fields
- **Industrial Logistics Systems: Expand collaboration with SI and robot makers**

Electronic equipment businesses

Contribute to future enrichment through the digitalization of society

- **VC products:** Expand sales to North America
Develop and expand sales of custom products
- X-ray tube/source: Shift to large current and high voltage

Quantitative targets

	FY2024	(FY2021)
Orders	¥100.0 billion	(¥65.3 billion)
Net sales	¥100.0 billion	(¥65.9 billion)
Operating profit	¥8.1 billion	(¥1.5 billion)

Mobility T&S (Testing & Solution) Businesses

Contribute to the promotion of next-generation mobility development through product engineering

- **EV testing equipment (high-speed motor testing equipment) + HILS* package sales**
- EV motor certification testing
- **Expansion of vehicle development engineering that uses model-based development (MBD) to the fullest**
- Expand sales of electrified products to China and the U.S.

* HILS (Hardware-In-the-Loop-Simulation)
Equipment simulator that quantifies engine function and vehicle behavior for development purposes

Mobility & Electrical Components Business Group

EV business: Contributes to the spread of electric vehicles for a decarbonized society

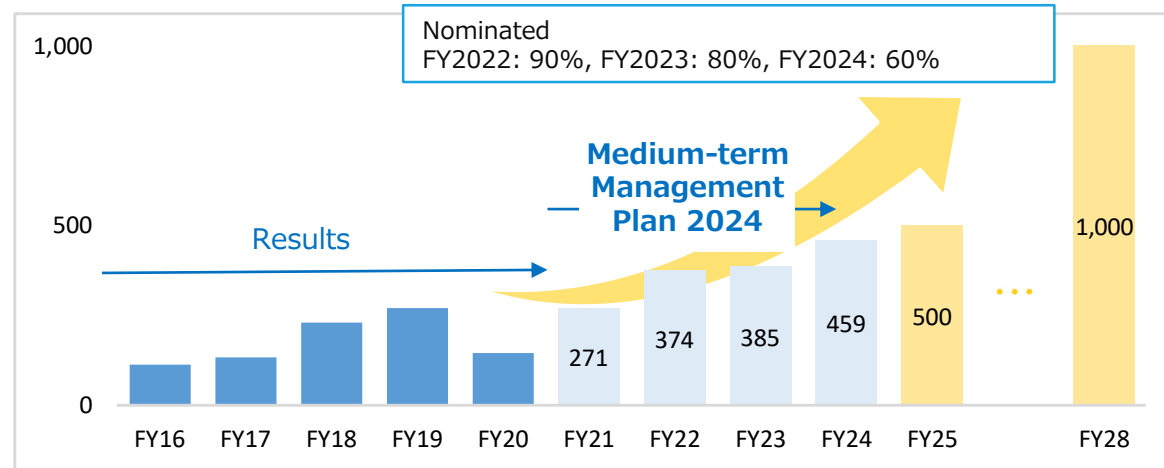
- Local production for local consumption business development and share expansion
(Generate results from capital investments)
- Strengthen next-generation mobility products
(Cooling technology, high-speed, noiseless technology)
- Smaller, lighter, more efficient e-Axles
- **Cultivation of new customers (China + Japan)**
- **Increase production capacity to a business scale of 100 billion yen**

<Annual production volume of motors and inverters>

	Annual production
Locations in Japan (Numazu, Nagoya, Kofu)	790,000
Location in China (Hangzhou)	200,000* (Max 340,000)

* Scheduled to start production in FY2021 for 100,000 (max 170,000).
Scheduled to start production in FY2023 for the remaining 100,000 (max 170,000).

<Historical net sales>



Field Service Engineering Business Group

Provide smart solutions service with a focus on life cycle engineering (LCE)

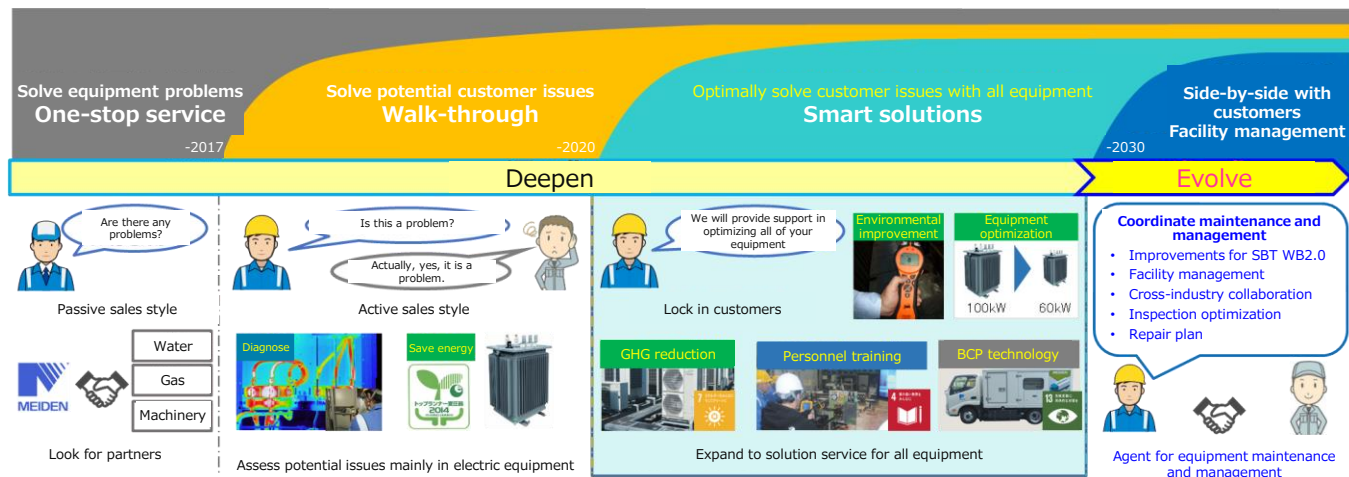
- Integration of one-stop service and environmental preservation (energy savings and GHG reduction)

- **Promotion of smart security (remote maintenance, status monitoring, etc.)**

- Creation of a workplace that can train young engineers and use experienced engineers

Quantitative targets

	FY2024	(FY2021)
Orders	¥42.0 billion	(¥39.5 billion)
Net sales	¥41.0 billion	(¥39.4 billion)
Operating profit	¥6.0 billion	(¥5.8 billion)



Shift earnings obtained in existing fields to investment in new fields, and accelerate the creation of a new society.

Promotion of management ambidexterity

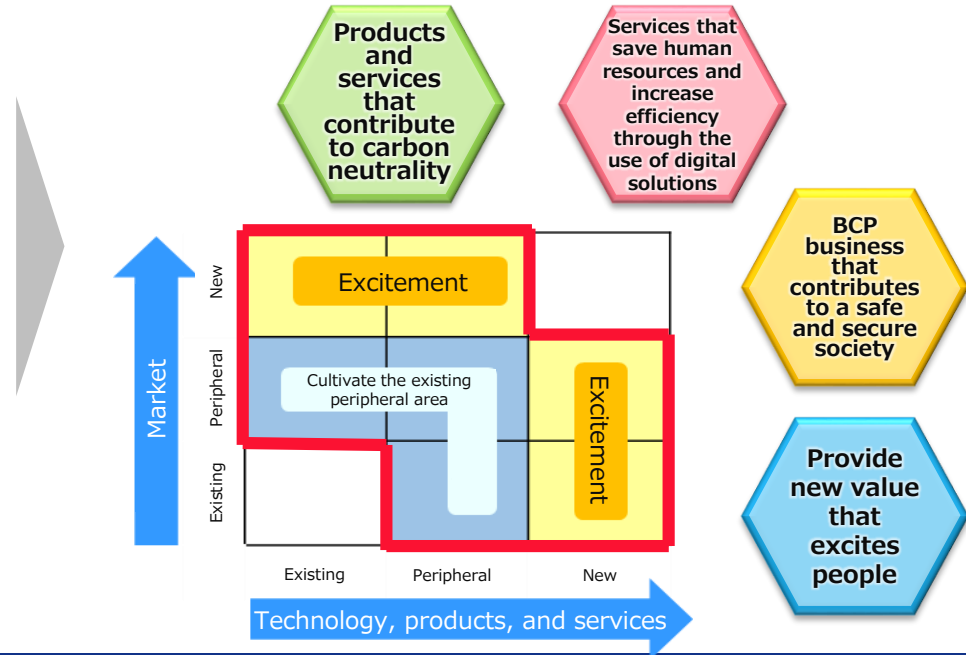
by shifting earnings obtained in existing businesses to active exploration of and investment in new fields

Establish a budget for investment in new fields, and develop and commercialize organizational and individual ideas

Three-pronged structure supporting innovation to strengthen both individuals and the organization

1. Organization of the innovation process
2. Training of diverse personnel to handle new development
3. Exploration and co-creation of new social needs

**Create new value that supports a new society
(Targets: Net sales of ¥5 billion in 2024)**



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(5) Promotion of ESG management

Imagine the society aimed for in 2030, and establish an ideal state of being/vision. Back-calculate what should be done this year, and **deepen management and business strategy by focusing on ESG management.**

Hypothetical social changes

Climate change

Digitalization

Diversification



Meidensha's 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



Meidensha's DNA (strengths)

Honesty, responsibility, social contribution

DNA that must not be lost

Innovative spirit, independence

Ideal state of being,
vision

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

Focus areas toward
the ideal society

Renewable
energy

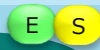
Sustainable
infrastructure

Green
mobility

Smart
industry

Important
values

Sustainability



Diversification



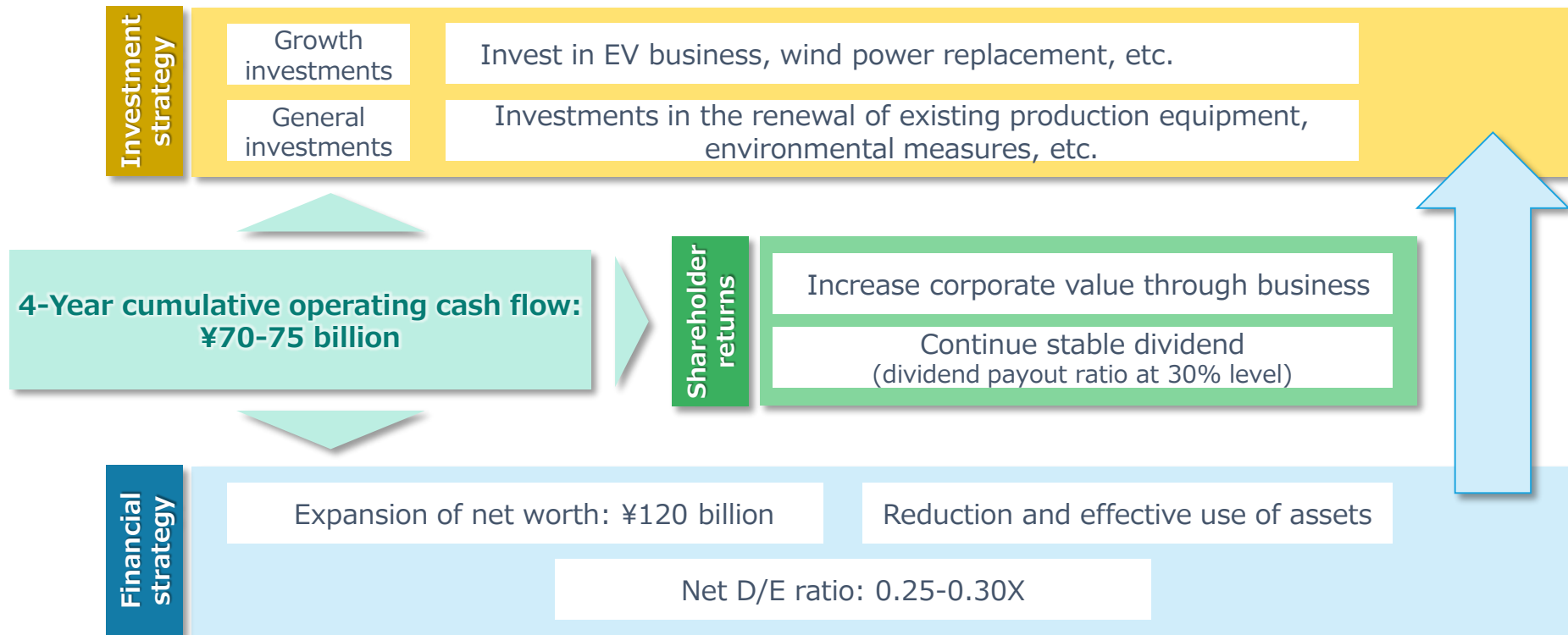
Honesty and
responsibility



Future-
oriented



Invest in growth and make shareholder returns after improving financial soundness.



MEIDEN

Quality connecting the next