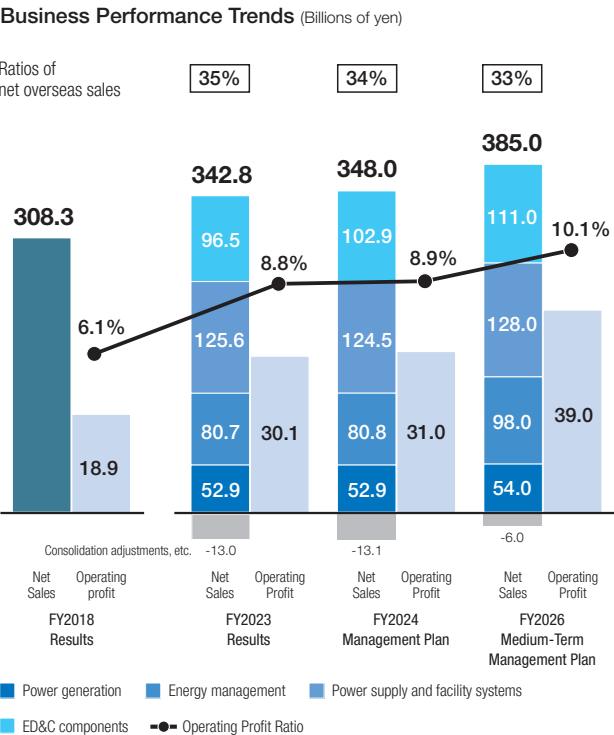


Energy

We aim to expand our business through technologies that ensure the stable supply, optimization, and stabilization of energy.



Masashi Kawano  
Managing Executive Officer  
Corporate General Manager,  
Energy Business Group



Q.What were the achievements and challenges of the FY2023 Medium-Term Management Plan?

Steady operation of the comprehensive electrical equipment business has led to greater performance. However, accelerating the development of competitive products in the energy management and power supply and facility systems businesses remains a challenge.

Under the FY2023 Medium-Term Management Plan, we focused on the comprehensive electrical equipment business, offering comprehensive proposals from system design to maintenance services for internet data centers (IDC) and semiconductor factories. This contributed to shortening customers' construction periods and reducing equipment management personnel, resulting in a nearly twofold increase in net sales in fiscal 2023 compared to fiscal 2018. Structural reforms undertaken in the ED&C components business also significantly contributed to overall energy business performance. In October 2023, we took the first step toward further business expansion under the FY2026 Medium-Term Management Plan by integrating the former Power Generation and Energy segments. This integration aims to offer unified proposals covering everything from energy generation to stabilization. The challenges ahead include being among the first to launch competitive new products and strengthening our proposal capabilities, particularly in the decarbonization market and other growth markets.

Q.What are the key policies and initiatives of the FY2026 Medium-Term Management Plan?

We aim to expand our business by being among the first to develop new products that contribute to the stable supply and optimization of energy in growth markets, including those related to decarbonization, and by strengthening our proposal capabilities.

► Expansion of renewable energy-related businesses  
We will place more focus on renewable energy-related businesses, which are expected to see further market growth due to increased investment in decarbonization. This includes our current areas of focus, namely expanding the capacity range of our geothermal power equipment and enhancing our hydropower generation business, including pumped storage. In response to rising demand for power

generation equipment upgrades, we will expand our service offerings, such as degradation diagnostics and remaining life diagnostics to improve equipment utilization rates.

► Comprehensive renewable energy proposals and enhanced development of new products for substation systems business

As the medium- to long-term markets for decarbonization in large-scale factories and grid storage businesses continue to grow, we will enhance our comprehensive renewable energy proposal capabilities in the energy management business. By collaborating with storage battery manufacturers and PPA operators\*, we will offer comprehensive solutions that encompass renewable energy, electricity storage systems, and energy management systems (EMSs), thus helping customers to shorten their project timelines while supporting decarbonization. We expect this to drive growth in orders and sales.

In the substation systems business, we will develop new products, including gas insulated switchgear without using any greenhouse gases in response to stricter environmental regulations as well as power supplies for hydrogen production equipment, which are seeing increased demand due to growing needs for hydrogen production. We will introduce these products one after another starting in fiscal 2025.

\* PPA operators: Businesses that install solar power generation systems and other equipment on behalf of customers and sell the resulting generated electricity under a Power Purchase Agreement (PPA).

Development Plans for the Substation Systems Business and IDCs/Semiconductor Factories

	Models	2023	2024	2025	2026
For the substation systems business	Global transformers	Development			
			High heat resistance technology development		
	Global GIS	Development			
				Development (ultrahigh)	
	Dry air switchgear (free of SF 6 gas)	Development (C-GIS)			
			Standalone VCB development		
				GIS development	
	New JIS/IEC-compliant switchboards	Development (high)			
					Development (ultrahigh)
	Power supplies for hydrogen production equipment	Development (Parallel)			
For IDCs & Semiconductor factories				Development (Series)	
	Long-life UPSs	Development			
	Next-generation UPSs			Development	
	Molded case transformers for overseas			Development	
	3rd-generation top runner transformers			Development	

► Expansion of business for IDCs and semiconductor factories

As demand for IDCs and semiconductor factories grows in line with the spread of generative AI, we will accelerate the development of new products, such as uninterruptible power systems (UPSs) and molded transformers—for both of which we hold the highest domestic market share. Specifically, we will develop long-life UPSs with higher capacities and reduced lifecycle costs to meet market needs and will strengthen our efforts to acquire new customers.

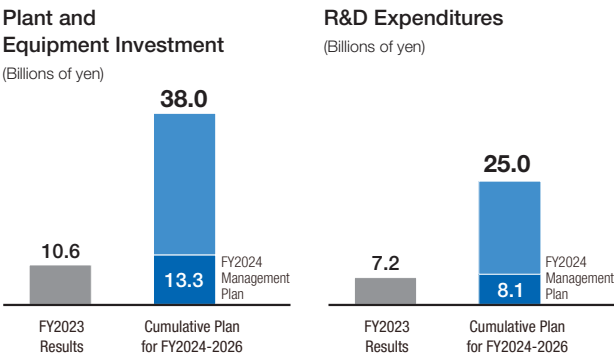
For a UPS, which has seen significant growth in deliveries in recent years, we will enhance our service structure to expand service-related sales.

► Further improvement of profitability in the ED&C components business

We will capitalize on the cost reduction effects of promoting sales of and transition to our newly launched core products in fiscal 2023, such as more compact, longer-life, and more environmentally friendly electromagnetic contactors and magnetic switches. In addition, we will develop new molded-case circuit breakers and establish a competitive edge in the power distribution market.

On the manufacturing side, we aim to further improve profitability by consolidating production bases by model to achieve local production for local consumption and by improving production efficiency.

Plant and Equipment Investment and R&D Expenditures



Key Plant and Equipment Investment Plans

- Introduction of development and testing apparatuses in the energy management business
- Installation of production equipment for new products in the ED&C components business

Key R&D Plans

- Decarbonization, environmentally friendly products, and global products for the power generation and energy management businesses
- Expansion of the long-life UPS and next-generation UPS product series for the power supply and facility systems business

\* Figures for R&D expenditures are classified by segment according to theme and therefore differ from the figures stated in the consolidated financial report.