ANNUAL REPORT 1999

For the year ended March 31, 1999

MEIDENSHA CORPORATION

PROFILE

As a heavy electric machinery manufacturer, Meidensha Corporation has steadily brought about its good business results, advancing toward total system engineering in a variety of technical fields. The noteworthy policy of the company is consistently focused on a new technical concept, to be referred to as POWERTRONICS, which is the fusion of heavy electric technology with electronics technology. This concept is further joined with MECHATRONICS and ELECTRONICS, thus creating three essential factors of business transactions.

CONTENTS

Financial Highlights 3
Message from the Management 4
Review of Operations 6
R&D Review 14
Financial Section 15
Overseas Offices and Affiliates 28
Consolidated Subsidiary Companies 30
Corporate Data 31
Board of Directors 31

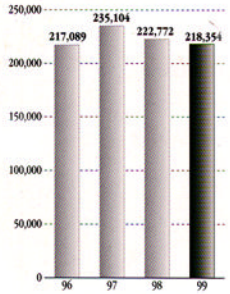
FINANCIAL HIGHLIGHTS

Years ended March 31

	1999	1998	1997	1999
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net Sales	¥218,354	¥222,772	¥235,104	$1,804,579
Net Income (Loss)	(16,912)	(4,767)	1,348	(139,769)
Net Income (Loss) Per Share (yen, U.S. dollars)	(83.71)	(23.60)	6.68	(0.69)
Cash Dividends Paid	—	1,818	1,616	—
Total Assets	235,911	253,671	245,003	1,949,678
Number of Employees	9,493	9,293	9,315	—

The consolidated figures in this Annual Report are expressed in yen and solely for the convenience of the reader, translated into United States dollars at the rate of ¥121= U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 1999. See No.1 of Notes to Consolidated Financial Statements.

Net Sales (¥ millions)



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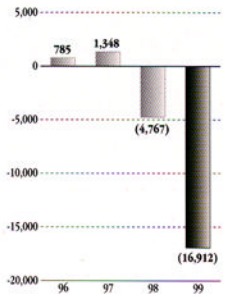
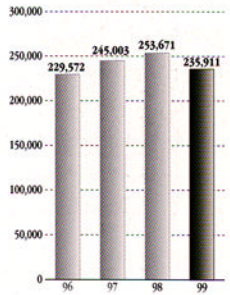


Total Assets (¥ millions)



Message from the Management

Japan's economy has been entangled in serious problems, such as the extreme decline in private demand and the functional regression of financial organizations. The Japanese government is taking constructive general and specific measures to stimulate Japan's economy as well as measures to reconstruct the financial systems. However, the managing environment surrounding each enterprise is still rigorous and there are harsh struggles for survival through restructuring and reorganization.

Despite such adverse economic circumstances, Meidensha Corporation developed more positive sales activities, but in consequence the overall order entries in fiscal 1998 totaled 166,377 million yen (unconsolidated basis), a 9.1% reduction compared with the previous period.

The total sales turnover was 169,367 million yen (unconsolidated basis), or 218,354 million yen (consolidated basis), resulting in the respective decreases of 8.2% and 2.0% compared with the previous term.

Regarding earnings, corporate efforts were focused on the reduction of costs, the improvement of productivity, and also the curtailment of expenses, which in fact resulted in an ordinary loss of 4,898 million yen (unconsolidated basis), or 3,483 million yen (consolidated basis), and a term-end loss of 18,777 million yen (unconsolidated basis), or 16,912 million yen (consolidated basis).

Concerning dividends for shareholders, the Management regrets that no dividends could be achieved.

In the 101st year after its foundation, Meidensha Corporation has just advanced by one step toward further development in the next century. Under a rigorous situation of domestic business depression and severer international competition, Meidensha's most important aim is the aggressive promotion of remarkable cost reduction and structural renovation suitable for the coming 21st century in order to create the enterprise structure that can assure stable profit. The company will strive for speedy and timely development of new products and techniques by foreseeing market needs so that the company can achieve the improvement of satisfaction for the customers and make a contribution to society.

We are deeply grateful to every shareholder as well as to our customers and those who are concerned with our business undertaking, for their kind support and guidance in such a long history of Meidensha Corporation. We always appeal to the people thus concerned, for their unchanged support, suggestions, and advice.

Keiji Kojima

Keiji Kojima, Chairman

Shigeo Seko

Shigeo Seko, President

Review of Operations POWERTRONICS

Meidensha's POWERTRONICS is a core field that supports our profit. For many years this field has offered its related facilities, systems, and services to a variety of customers in electric power, government, industrial, and overseas organizations.

We introduce below some technologies developed, as well as products manufactured and delivered in this field in fiscal 1998.

In the field of electric power generation, the company won the 46th Ohm Award for the "development of islanding equipment for synchronous generators interconnecting a distribution line" achieved through cooperation with Tokyo Electric Power Co., Inc. and Central Research Institute of Electric Power Industry.

The Company delivered a hydropower plant consisting of a pump-reversible water turbine and a simplified propeller type water turbine, as an achievement of cooperative research with a power company. This facility is based on a conventional technical idea that has been converted from the technologies of hydropower plants that generate clean energy.

Regarding turbine generators, the Company manufactured and shipped two 2-pole turbine generators of 67,875kVA each. They are Meidensha's record-breaking products for 2-pole turbine generators. Current-limiting reactors of 154kV and 23.9MVA were also shipped. Since the previous highest system voltage was 66kV, they are also Meidensha's record-breaking products for the current-limiting reactors applied to 154kV power systems.

In addition, the Company developed and delivered a 2,500kVA gas-turbine generator incorporated mobile power-source vehicle intended to be used as a power source for construction work for power distribution lines and distribution substations, which is to be accomplished in the no-service-interruption mode, or as a mobile-applied power source useful in emergency cases. For a self-running single-truck version, this mobile power-source vehicle has the largest capacity ever recorded in Japan.

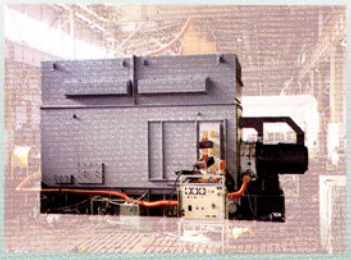
In the field of the zinc-oxide type surge arresters (SORESTERs) that are Meidensha's unique products, the Company delivered polymer type surge arresters (84kV, 28kV). Compared with the porcelain insulator type, they have excellent seismic and pressure-relief performance characteristics, and in addition they are arranged compactly and are light in mass.

Techniques of the second-generation digital relay equipment have extended the scope of application and they have yielded a variety of equipment units.

The Company delivered a digital supervisory control system for power distribution substations. It is the combined equipment of an integrated centralized unit and dispersed protection control units, all interlinked through an optical LAN for installation space saving.

The second equipment unit for the operation and maintenance support system was delivered to a trunk-line substation in March 1998, and the third one in June 1998. Each is an integrated operation and maintenance support system to be used for the establishment of operation program tables and charged-section check diagrams, the management of stop and work events, and the support of actions taken for line faults and measure-taking to eliminate errors. Currently, they are operating outstandingly.

In the field of public and environment-re-



67,875kVA 2-pole Turbine Generator

Polymer Type Surge Arresters

Maintenance Support System

lated facilities, the company delivered an ATM network system that uses optical fiber cables for sewage control. It is a wide-area supervisory control system to be administered from the Purification Center and the Municipal Office in order to supervise and control the quality of waste water discharged from the rain water drainage pumping sites, sewage water pumping sites, and specific enterprises (factories) scattered in the city. Supervision from the Municipal Office using a WWW browser has been realized.

The cable-saving, relay-saving, and space-saving local control system (the MEIFIT-LP) was delivered. For high-voltage facilities, Meidensha multi-function digital protective control units (the IPMAT-S) have been delivered. They are used in each feeder. The IPMAT-L units for control centers were also delivered. They are used for the protection, telemetering, and control of the respective facilities or loads.

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In the field of urban facilities, wide-area supervisory control systems were delivered to all the facilities (interchanges, tunnels, etc.) of highways located in Hokkaido.

A power dispatch command system was delivered. It realizes a remarkable space saving of more than 40% as compared with conventional equipment. Another power dispatch command system for existing lines was also delivered; it is regarded as a product of improved development suitable for the next-generation JR systems.

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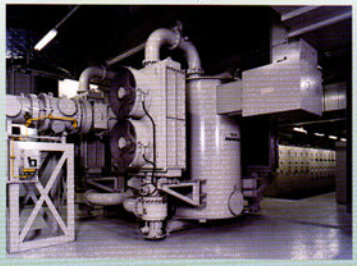
Supervisory Control System

55MVA Gas-Insulated Transformer



Photovoltaic Power Generating System

In the field of MECHATRONICS, Meidensha Corporation manufactures dynamometer-applied systems, FA systems, induction heating equipment, and many other products and systems for application to a variety of industrial fields.

We would now like to introduce some technologies developed, together with products manufactured and delivered in the MECHATRONICS field in fiscal 1998.

The Company delivered the inspection support system that incorporates software of the periodic inspection check list for electrical appliances; it is intended to improve the efficiency and reliability of SDM (shutdown maintenance). This system exactly enables the pass-fail judgment in the quantitative inspection with the use of general-purpose software that performs deterioration analysis processing based on the accumulated data.

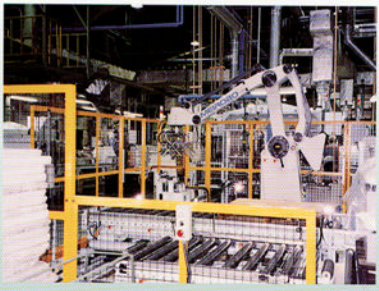
The Company delivered a gas-turbine generator, a steam-turbine generator, a set of special high voltage substation facilities, and a set of power station and substation supervisory control panels to the IPP (independent power producer) who supplies (sells) electrical energy to a power company as a private enterprise.

The Company delivered electrical appliances for annealing and acid cleaning lines, where high accuracy and high-speed response characteristics are realized by the use of Meidensha's latest powerful vector inverter (the THYFREC-VT310) installed as the central equipment on the processing lines.

The Company also delivered electrical appliances to the crash and sieving facilities for raw material handling processes. In this case, the EIC integration system, the micronet, was installed. This equipment is intended to perform the remote and automatic operation of many conveyor groups and crashers. In addition, in order to attain a favorable operationability, state-of-the-art general control equipment for raw materials (the UNISEQUE SB7000) has been applied to nut-coke straightforward transmission systems. Furthermore, the development of the programmable controller "the UNISEQUE P4000" was completed, and sales activities were started in January 1999.

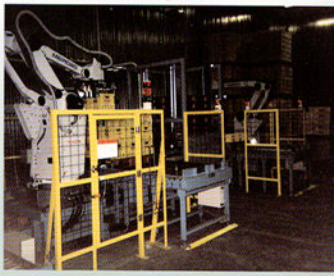
Recently, investment for the facilities of seam-welded tube production lines has been exposed to rigorous industrial atmospheres, nevertheless six sets of new facilities (including 250kHz, 600kW equipment) were delivered in fiscal 1998. The semiconductor (MOSFET) type induction heating power supplies can be expected to replace the conventional vacuum-tube type power supplies as they assure energy conservation and easy maintenance performance due to their high

Packet Palletizer and Depalletizer Robot System



Palletizer Robot System for Resin-Made Box-Shaped Articles

Case Palletizer Robot System



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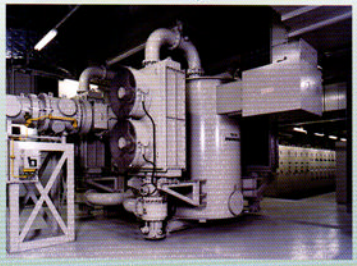

Photovoltaic Power Generating System

REVIEW OF OPERATIONS *ELECTRONICS*

ELECTRONICS is a new field for Meidensha Corporation in the past 100 years of business. However, the Company makes full use of the computer-applied technologies it evolved in the fields of POWERTRONICS and MECHATRONICS, and we have developed a variety of unique equipment and machines. Sales activities have been widely and positively carried out in industrial, governmental, power generating, and export fields.

Some of the outstanding technologies for the related products manufactured and delivered in the ELECTRONICS field in fiscal 1998 are introduced below.

The mirror-disk models were commercialized and added to the industrial computer, the μPORT-M2 Series, in order to increase reliability.

As the highest-performance model of the μPORT Series, the μPORT-A2 Model 100 (UNIX-based) has been developed and favorably accepted.

To improve performance and functions, the μPIBOC-II Model 400 was developed as a compact and wall-hung type industrial controller. Many other versatile features have been realized, such as Pentium233MHz processor, front-access maintenance, the reinforced power supply with the durability life of 7 years, the casing with the improved noise-durable characteristic, the RAS function, and so on.

The Company has developed a "portable video distribution system (PVDS)". It is useful for the facility management of substations and plants, or the transmission of local video signals at the time of an accident via the PHS system (analog telephone also acceptable) that is commercially available. It can transmit still pictures, moving pictures (160 × 120, and 4 frames/second Max.), and audio signals. It enables the construction of a picture distribution system by the use of a server on the receiving side.

μPORT-A2 Model 100 (UNIX-based)

Programmable Controller, the UNISEQUE P4000

Portable Video Transmission System (Example of Receiving Picture)

lated facilities, the company delivered an ATM network system that uses optical fiber cables for sewage control. It is a wide-area supervisory control system to be administered from the Purification Center and the Municipal Office in order to supervise and control the quality of waste water discharged from the rain water drainage pumping sites, sewage water pumping sites, and specific enterprises (factories) scattered in the city. Supervision from the Municipal Office using a WWW browser has been realized.

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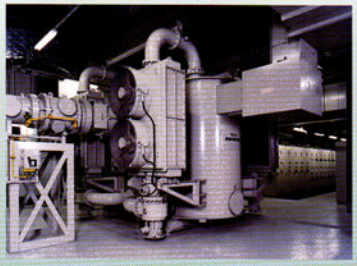


Photovoltaic Power Generating System

Review of Operations

Overseas Operation

Regarding overseas operations in fiscal 1998, the currency crisis has greatly affected the major countries of Southeast Asia throughout the fiscal year, which is an important market for Meidensha Corporation. Because of such an adverse business situation, order entries amounted to 15,577 million yen and the sales turnover was 16,920 million yen (unconsolidated basis), a 24.0% and a 24.7% decrease respectively, as compared with achievements in the previous year.

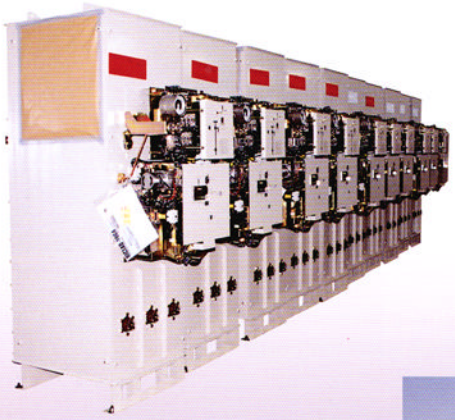
Major products ordered in fiscal 1998 is introduced below.

In the field of power generation, we received an order for one each of 39MVA and 20MVA water-turbine generators and others to be shipped to PT. PLN of Indonesia for turnkey-basis project for the Sipansihapolus Hydropower Station. We also received an order for 36.7MVA steam turbine power generating facilities (STG) from Inchon Airport Energy Co., Ltd., Korea, to be installed at the Inchon New Airport.

In the field of power distribution and substations, we received an order for 1700 sets of the improved 22kV C-GIS plus one unit of 150MVA 220/66/22kV transformer from PowerGrid Pte., Ltd. of Singapore. We also accepted an order from the TNB of Malaysia for one each of 132kV 20MVA and 15MVA shunt reactors.

In the field of dynamometers for automobiles, we recorded increased order entries for A/T line testers and testing machines for electric vehicles. We received an order for exhaust gas test facilities chassis dynamometer from Japan Automobile Transport Technology Association. We also received an order for the agricultural engine benches from Institute of Agricultural Machinery (IAM) of Bio-oriented Technology Research Advancement Institution.

Regarding standard equipment and components, indoor general-purpose VCBs of



22kV Cubicle Type Gas-Insulated Switchgear (C-GIS)

Aluminum Tube Production Facilities

Crash and Sieving Facilities in Raw Material Handling Processes

lated facilities, the company delivered an ATM network system that uses optical fiber cables for sewage control. It is a wide-area supervisory control system to be administered from the Purification Center and the Municipal Office in order to supervise and control the quality of waste water discharged from the rain water drainage pumping sites, sewage water pumping sites, and specific enterprises (factories) scattered in the city. Supervision from the Municipal Office using a WWW browser has been realized.

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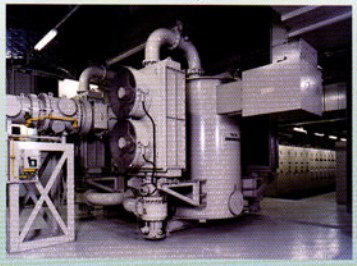


Photovoltaic Power Generating System

Development of the QCM sensor

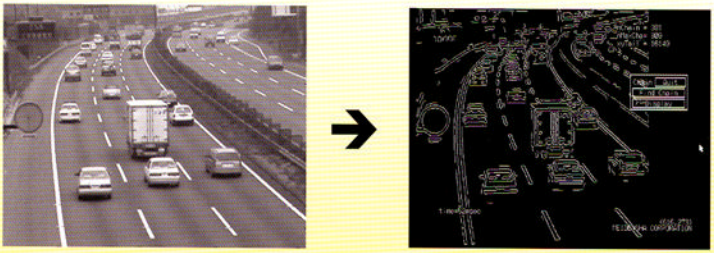
The quartz crystal microbalance (QCM) is now attracting industry's attention as an approach for the monitoring of a slight mass changes on solid surface. We have developed the QCM sensor consists of an 10MHz AT-cut, using the micromachining technique that is utilized for the production of semiconductor devices. Since the overall size is extremely compacted and high performance is attained, it has been possible to obtain a new liquid-immersed type QCM sensor, which is Meidensha's unique version, offering a wide application range and high sensitivity. The figure shows the external dimensions of the QCM sensor obtained from trial production. The sensor size is 58 × 13 × 1.1mm and the actual measuring sensitivity is about 4.4ng/cm^2·Hz.

Now the micromachining technique enables easy production of laminations that are indispensable to the ultra-sensitive 30MHz QCM sensor.

Exterior View of the QCM Sensor

Development of Traffic Flow Measurement Technique Using Image Processing

We have developed a new image processing technique to detect traveling vehicles and measure traffic flow including locations and speeds of them using CCD camera images of the road. Most of ordinary image processing technique is greatly sensitive to changes of the brightness in the camera images and has been applied mainly in highway tunnels where the lighting conditions were uniformly arranged. Then, we have applied our unique edge detection algorithm that is insensitive to changes of light conditions and model based matching algorithm to detect vehicles directly, so that we have improved the reliability of detection and the accuracy of measurement of vehicles. In the future, the technique is expected to be applied not only to the inside the highway tunnels but also the outside and to be explored to the surveillance of traffic, including detection of bumper to bumper traffic or abnormally traveling vehicles.



Edge Image of the Vehicles Traveling on the Road

FINANCIAL SECTION

Consolidated Financial Review 16
Five-Year Summary 16
Operational Review 17
Consolidated Balance Sheets 18
Consolidated Statements of Operations and
Retained Earnings 20
Consolidated Statements of Cash Flows 21
Notes to Consolidated Financial Statements 22
Report of Independent Public Accountants 27

Consolidated Financial Review

Outline of Profit and Loss Situation

During the fiscal year ended March 31, 1999, Japanese economy witnessed (1) continued sluggishness in the individual consumption and housing investment, (2) spending cut in the private sector capital investment reflecting the shrinkage of corporate profit level and (3) significant increase in deteriorated jobless rate. All these factors shaped the extremely serious economic recession all year around. Despite that Meidensha Corporation focused its complete power on sales transactions, both consolidated net sales and consolidated term-end net income decreased.

Net sales was 218,354 million yen, a 2.0% decrease compared with the previous term. Composition rates for machine types were 35.5% for control equipment, 11.7% for transmission and distribution equipment, 10.3% for rotary machine, 13.3% for construction and wiring, and 29.2% for others.

Cost of sales was 175,308 million yen, which is a 0.3% decrease. Selling, general and administrative expenses were 44,979 million yen in total, a 7.4% decrease. As a result,operating loss was 1,933 million yen. Other income and expenses showed decrease of 11,675 million yen.

As a result, net loss for this term was 16,912 million yen.

Financial Conditions

Total assets at the end of March 1999 were 235,911 million yen, a decrease of 17,760 million yen. Current assets out of these were 176,533 million yen, a decrease of 17,981 million yen, as a result of a decrease in marketable securities and inventories. Property, plant and equipment was 47,057 million yen, a decrease of 334 million yen. Total current liabilities were 163,912 million yen, a decrease of 10,222 million yen,and shareholders' equity was 36,810 million yen, a decrease of 16,990 million yen. As a result, shareholder capital ratio moved from 21.2% to 15.6%, a decrease of 5.6 points.

Five-Year Summary

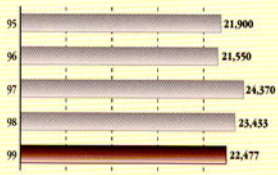
Meidensha Corporation and its consolidated subsidiaries
Years ended March 31

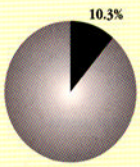
	1999	*1998*	*1997*	*1996*	*1995*
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	¥218,354	¥222,772	¥235,104	¥217,089	¥216,059
Net income (loss)	(16,912)	(4,767)	1,348	785	1,604
Net income (loss) per share (Yen)	(83.71)	(23.60)	6.68	3.89	7.94
Cash dividends paid	—	1,818	1,616	808	1,616
Depreciation and amortization	6,588	6,666	6,538	6,482	6,849
Total assets	235,911	253,671	245,003	229,572	220,243
Net property, plant and equipment	47,057	47,391	47,932	47,769	46,307
Shareholders' equity per share (Yen)	182.21	266.30	300.11	301.05	302.24

Rotary machine

Net sales ¥22,477 million ($185,760 thousand)

Main products: *Dynamometers*
Electric motors
Generators

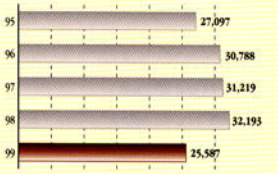


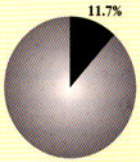


Transmission and distribution equipment

Net sales ¥25,587 million ($211,463 thousand)

Main products: *Transformers*
Circuit-breakers
Surge arresters

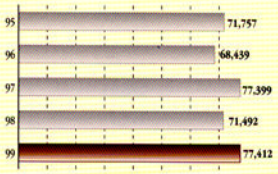


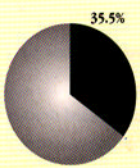


Control equipment

Net sales ¥77,412 million ($639,769 thousand)

Main products: *Programmable controllers*
Static power inverters and converters
Cubicle and switchgear

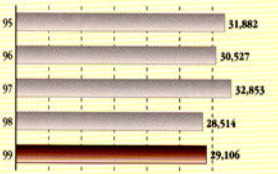


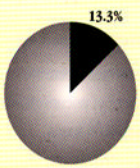


Construction and wiring

Net sales ¥29,106 million ($240,545 thousand)

Main products: *Plant construction*

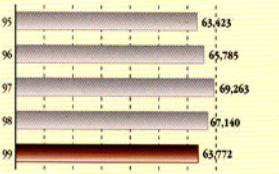


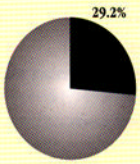


Others

Net sales ¥63,772 million ($527,041 thousand)

Main products: *Electric hoists and cranes*
Quartz crystal units
Manipulator, palletizing, etc.





Consolidated Balance Sheets

As of March 31, 1999 and 1998

	1999	1998	1999
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets			
Current assets			
Cash and time deposits	¥19,480	¥19,080	$160,992
Marketable securities	26,941	35,155	222,653
Receivables:			
Trade notes	14,471	17,357	119,595
Trade accounts	78,405	84,857	647,975
Loans and advances	1,043	766	8,620
Due from unconsolidated subisidiaries and affiliates	1,386	671	11,454
Less: Allowance for doubtful accounts	(581)	(775)	(4,802)
Inventories (Note 3)	32,952	34,675	272,331
Deferred income taxes	273	551	2,256
Other current assets	2,163	2,177	17,876
Total current assets	176,533	194,514	1,458,950
Property, plant and equipment			
Land	6,996	5,846	57,818
Buildings and structures	43,395	39,864	358,636
Plant and equipment	82,958	80,466	685,603
Construction in progress	554	1,194	4,579
Less: Accumulated depreciation	(86,846)	(79,979)	(717,735)
	47,057	47,391	388,901
Investment and other assets			
Investment securities	1,206	1,161	9,967
Shares of unconsolidated subsidiaries and affiliates (Note 4)	1,259	1,378	10,405
Long-term loans	330	384	2,727
Deferred income taxes	207	233	1,711
Other assets	9,067	8,605	74,934
Less: Allowance for doubtful accounts	(19)	(15)	(157)
	12,050	11,746	99,587
Foreign currency translation adjustment	271	20	2,240
Total assets	**¥235,911**	**¥253,671**	**$1,949,678**

	1999 Millions of yen	1998 Millions of yen	1999 Thousands of U.S. dollars (Note 1)
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings (Note 5)	¥46,562	¥40,561	$384,810
Commercial paper	23,000	27,000	190,083
Current portion of long-term debt (Note 6)	6,130	8,047	50,661
Payables:			
Trade notes	17,591	17,334	145,380
Trade accounts	34,757	42,402	287,248
Due from unconsolidated subisidiaries and affiliates	388	86	3,207
Employees' savings deposits	6,388	7,689	52,793
Advances received from customers	11,284	12,139	93,256
Accrued income taxes	845	1,055	6,984
Other current liabilities	16,967	17,821	140,223
Total current liabilities	163,912	174,134	1,354,645
Long-term liabilities			
Long-term debt (Note 6)	19,802	16,877	163,653
Reserve for retirement allowance (Note 7)	1,911	1,505	15,793
Other long-term liabilities	5,336	110	44,099
	27,049	18,492	223,545
Minority interests	8,140	7,245	67,273
Contingent liabilities (Note 10)			
Shareholders' equity			
Common stock, par value ¥50 per share			
Authorized — 576,000,000 shares	17,070	17,070	141,074
Issued and outstanding — 202,025,158 shares			
Capital surplus (Note 8)	12,751	12,751	105,380
Retained earning (Note 9)	6,990	23,980	57,769
Less: Treasury stock	(1)	(1)	(8)
Total shareholders' equity	36,810	53,800	304,215
Total liabilities and shareholders' equity	**¥235,911**	**¥253,671**	**$1,949,678**

Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 1999, 1998 and 1997

	1999 Millions of yen	1998 Millions of yen	1997 Millions of yen	1999 Thousands of U.S. dollars (Note 1)
Net Sales	**¥218,354**	**¥222,772**	**¥235,104**	**$1,804,579**
Cost of sales	175,308	175,905	181,475	1,448,827
Selling, general and administrative expenses	44,979	48,578	48,341	371,727
Operating income (loss)	**(1,933)**	**(1,711)**	**5,288**	**(15,975)**
Other income (expenses):				
Interest, dividends and other income	786	776	1,324	6,495
Interest expense and notes receivable discount charges	(1,623)	(1,582)	(2,303)	(13,413)
Profits on securities sold	91	3,814	1,991	752
Write-down of securities	(1,520)	(3,992)	(959)	(12,562)
Special retirement benefits to employees	(2,118)	—	—	(17,504)
Provision for employees' pension liability	(5,661)	—	—	(46,785)
Loss on disposal of fixed assets	(1,107)	—	—	(9,149)
Miscellaneous, net	(1,464)	43	728	(12,099)
Income (loss) before income taxes	**(1,464)**	**(2,652)**	**6,069**	**(120,240)**
Income taxes (Note 2)	1,629	1,698	4,333	13,463
Minority interests	734	463	444	6,066
Equity in earning of affiliates	—	46	76	—
Amortization of consolidation difference	—	—	20	—
Net income (loss)	**(16,912)**	**(4,767)**	**1,348**	**(139,769)**
Retained earnings:				
Balance at the beginning of the year	23,980	30,809	30,999	198,182
Decrease due to change in consolidation of subsidiaries	—	—	(25)	—
Increase due to change in equity methods of affiliates	15	—	258	124
Cash dividends paid	—	(1,818)	(1,616)	—
Bonuses to directors and statutory auditors	(93)	(244)	(155)	(769)
Balance at the end of the year	6,990	23,980	30,809	57,769

	1999 Yen	1998 Yen	1997 Yen	1999 U.S. dollars
Amounts per share of common stock				
Net income (loss)	(¥83.71)	(¥23.60)	¥6.68	($0.69)
Cash dividends applicable to the year	—	4.00	9.00	—

Consolidated Statements of Cash Flows

Years ended March 31, 1999, 1998 and 1997

	1999	1998	1997	1999
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash flows from operating activities:				
Net income (loss)	(¥16,912)	(¥4,767)	¥1,348	($139,768)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	7,590	8,046	6,863	62,727
Change in receivables-trade	10,438	9,109	(12,515)	86,264
Change in inventories	3,808	(3,478)	(1,424)	31,471
Change in payable-trade	(7,515)	(1,649)	8,383	(62,107)
Increase in cash due to newly consolidation	1,303	—	40	10,769
Other	1,222	917	298	10,099
Net cash provided by (used in) operating activities	(66)	8,178	2,993	(545)
Cash flows from investing activities:				
Additions to marketable securities	(150,845)	(274,063)	(245,603)	(1,246,653)
Proceeds from sale of marketable securities	159,059	266,332	243,270	1,314,537
Additions to investments in securities and advances to affiliates	(1,533)	(1,248)	(3,102)	(12,669)
Additions to property, plant and equipment	(5,520)	(6,122)	(4,309)	(45,620)
Net cash provided by (used in) investing activities	1,161	(15,101)	(9,744)	9,595
Cash flows from financing activities:				
Change in short-term debt	6,082	2,988	2,211	(50,264)
Proceeds from long-term debt	5,476	5,021	2,311	45,256
Repayment of long-term debt	(2,253)	(2,041)	(3,855)	(18,620)
Proceeds from issuance of commercial paper	43,000	75,000	21,000	355,372
Repayment of commercial paper	(47,000)	(65,000)	(9,000)	(388,430)
Repayment of bonds	(6,000)	—	(8,000)	(49,586)
Cash dividends paid	—	(1,818)	(1,616)	—
Net cash provided by (used in) financing activities	(695)	14,150	3,051	(5,744)
Net increase (decrease) in cash	**400**	**7,227**	**(3,700)**	**3,306**
Cash and time deposits at beginning of year	**19,080**	**11,853**	**15,553**	**157,686**
Cash and time deposits at end of year	**19,480**	**19,080**	**11,853**	**160,992**
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	1,710	1,608	2,345	14,132
Income taxes	1,444	3,640	3,521	11,934

Notes to Consolidated Financial Statements

1. Basis of consolidated financial statements

MEIDENSHA CORPORATIION and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accpeted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with MOF.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 1999, which was ¥121 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 21 consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation. The Company's remaining subsidiaries, whose net and gross assets and net sales are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated.

Investments in unconsolidated subsidiaries and affiliates (i.e. companies owned 20 percent to 50 percent) are carried at cost or less. Accordingly, income from unconsolidated subsidiaries and affiliates is only recognized on the receipt of dividends, and unrealized profits arising from transactions between consolidated companies and unconsolidated subsidiaries and affiliates, if any, have not been eliminated on consolidation.

The excess of the company's investments in consolidated subsidiaries over its equity in the net assets at the date of acquisition was not material and has been fully amortized.

b) Marketable securities and investments in securities

Marketable securities and investments in securities listed in Japanese stock markets are mainly valued at their cost or at their listed stock exchange price at the end of the financial year, whichever is the lower. Investments in securities unlisted in stock markets are stated at cost. Investment income is recognized when dividends or interest are received.

c) Inventories

Inventories are stated at cost, which is mainly determined by the average method as to raw materials and plant supplies and the specific identification method as to finished products, semi-finished products and work in process.

d) Property plant and equipment and depreciation

Depreciation is computed using the declining-balance method over their estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method. (There was no material effect due to the change.)

e) Investments in unconsolidated subsidiaries and affiliates

The equity method is applied to the investments in THAI MEIDENSHA CO., LTD. MEIDEN ELECTRIC ENGINEERING SDN. BHD. and JARDINE-MEIDEN ENGINEERING CO., LTD. Investments in all other unconsolidated subsidiaries and affiliates are carried at cost.

f) Reserve for retirement allowance

Under the terms of the Company and certain consolidated subsidiaries' retirement plan, substantially all employees are entitled to a non-contributory funded pension plan. Annual contributions, which consist of current period costs and amortization of prior service costs over years, are determined on an actual method and charged to income when paid. The Company and consolidated subsidiaries provide severance benefits for the directors and statutory auditors based on established guidelines.

g) Income taxes

Income taxes are based on taxable income and charged to income for the year to which it relates. Tax effects of temporary difference between tax and financial reporting purpose are generally not recorded. However, the Consolidated Financial Statements reflect the tax effect only resulting from the elimination of intercompany profit and the adjustment of allowance for bad debt.

h) Amounts per share of common stock

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share presented in the consolidated statements of income and retained earnings represent the cash dividends declared applicable to each respective year, including dividends paid after the end of the year.

i) Reclassifications

Certain prior year amounts have been reclassified to conform to 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Inventories

Inventories as of March 31, 1999 and 1998 were as follows.

	1999	1998	1999
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
Finished products	¥2,314	¥2,466	$19,124
Semi-finished products	3,489	3,575	28,835
Work-in-process	25,195	26,628	208,223
Materials and supplies	1,954	2,006	16,149
Total	**¥32,952**	**¥34,675**	**$272,331**

4. Investment securities in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates in which the company had direct equity ownership as of March 31, 1999 and 1998 were as follows.

	1999	1998	1999
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
Equity in net assets			
Subsidiaries	¥467	¥1,055	$3,860
Affiliates	2,179	1,031	18,008
Total	**¥2,646**	**¥2,086**	**$21,868**
Book value			
Subsidiaries	¥728	¥1,038	$6,017
Affiliates	531	340	4,388
Total	**¥1,259**	**¥1,378**	**$10,405**

5. Short-term borrowings

Short-term borrowings are represented by notes.

Short-term borrowings as of March 31, 1999 and 1998 were as follows.

	1999	1998	1999
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
Bank loans	¥46,562	¥40,561	$384,810

6. Long-term debt

Long-term debt as of March 31, 1999 and 1998 consisted of the following.

	1999	*1998*	*1999*
	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 1)
4.8% to 6.5% mortgage bonds	¥4,000	¥10,000	$33,058
1.75% to 5.5% loans from government owned banks	—	1	—
1.45% to 7.5% loans from banks and insurance companies	19,818	12,624	163,785
2.2% to 4.6% loans from agricultural cooperative organizations	2,114	2,299	17,471
Less: Current portion	(6,130)	(8,047)	(50,661)
Total	**¥19,802**	**¥16,877**	**$163,653**

The annual maturities of long-term debts are as follows.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year ending March 31		
2000	¥2,130	$17,603
2001	6,551	54,140
2002	1,194	9,868
and thereafter	12,057	99,645

7. Reserve for retirement allowance

Unamortized prior service cost under the non-contributory funded pension plan amounted to ¥12,689 million ($104,868 thousand) at March 31, 1999.

8. Capital surplus

Capital surplus consisted of the following.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Capital in excess of par value of common stock	¥12,329	$101,892
Reevaluation surplus	422	3,488
Total	¥12,751	$105,380

Under Japanese law, previously in force, companies were permitted to carry out a partial reevaluation of certain assets to take account of the decline in the value of money. In the years 1950 to 1954 the property, plant and equipment accounts were increased by a total of ¥695 million as a result of these evaluations and a corresponding amount was credited to capital surplus. The depreciation of revalued assets charge to operations, and deductible for tax purposes, is based on the higher amounts.

9. Retained earnings

Under the Japanese Commercial Code, the Company is required to appropriate as a legal reserve a portion of retained earnings equal to at least 10 percent of cash dividends and of bonuses to directors and statutory auditors in each financial period until the reserve equals 25 percent of the par value of common stock issued and outstanding. This reserve is not available for dividends, but may be used to reduce a deficit by resolution of a shareholders' meeting or may be capitalized by resolution of the Board of Directors.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, legal reserve is included in retained earnings for 1999. Previously it was presented as a separate component of the shareholders' equity. The accompanying consolidated financial statements for the year ended March 31, 1998 have been reclassified to conform to the 1999 presentation.

10. Contingent liabilities

Contingent liabilities at March 31, 1999, were as follows.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Repurchase of note discounted and endorsed	**¥980**	**$8,099**
Guarantees of loans from banks to		
Unconsolidated subsidiaries and affiliates	225	1,860
Others	2,565	21,198
Total	**¥2,790**	**$23,058**

Report of Independent Public Accountants

To the Shareholders and the Board of Director of Meidensha Corporation:

We have audited the accompanying consolidated balance sheets of MEIDENSHA CORPORATION (a Japanese corporation) and subsidiaries as of March 31, 1999 and 1998 and the related consolidated statements of income and retained earning and cash flows for each of the three years in the period ended March 31, 1999, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of MEIDENSHA CORPORATION and subsidiaries as of March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with accounting principles generally accepted in japan applied on a consistent basis.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Tokyo, Japan
June 29, 1999

Asahi & Co.

Asahi & Co.

Statement on Accounting Principles and Auditing Standards:

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Overseas Offices and Affiliates (As of Oct., 1999)

For inquiries, please contact the office/company marked ※.

● Overseas office / ● Affiliate

Hong Kong

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● **MEIDEN PACIFIC (CHINA) LTD.**
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Phone: 2503-2468
Facsimile: 2887-8046

● **JARDINE-MEIDEN ENGINEERING CO., LTD.**
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Phone: 2481-2881
Facsimile: 2487-5039

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※ ● **P.T. MEIDEN ENGINEERING INDONESIA**
19th Floor, Summitmas I,
Jl. Jenderal Sudirman Kaveling 61-62
P.O.BOX 6920/KBY/Summitmas I
Jakarta Selatan 12069, Indonesia
Phone: 21-520-0612/1584
Facsimile: 21-520-0240
Telex: 66780 MEIDEN IA

Korea

※ ● **MEIDENSHA CORPORATION**
Royal Building, No.410,
5 Dangju-Dong,
Chongro-ku, Seoul, Korea
Phone: 2-736-0232~3
Facsimile: 2-736-0234

Malaysia

※ ● **MEIDEN ELECTRIC ENGINEERING SDN. BHD.**
22nd Floor, Menara Boustead,
69 Jalan Raja Chulan,
50200 Kuala Lumpur, Malaysia
Phone: 3-2411424/2427388/2420788
Facsimile: 3-2481613
Telex: 30191 MEIDEN MA

● **MEIDEN METAL ENGINEERING SDN. BHD.**
Lot 6, Peringkat 3,
Kawasan Perindustrian Alor Gajah,
78000 Melaka, Malaysia
Phone: 6-5568790~2
Facsimile: 6-5568795

Singapore

※ ● **MEIDEN SINGAPORE PTE. LTD.**
5, Jalan Pesawat,
Jurong Industrial Estate,
Singapore 619363
Phone: 268-8222
Facsimile: 264-4292
Telex: MEITRA RS 34494

Taiwan

※ ● **MEIDENSHA CORPORATION**
Room 1103, 11th Floor,
No.142 Chung Hsiao East Road,
Sec.4, Taipei, Taiwan, R.O.C.
Phone: 2-2775-3337~8
Facsimile: 2-2775-3339

Thailand

※ ● **THAI MEIDENSHA CO., LTD**
Floor 11, TST Tower Building, No.21,
Vibhavadi-Rangsit Road,
Soi Chuei Phung, Ladyao, Jatujak,
Bangkok 10900, Thailand
Phone: 2-273-8954~61
Facsimile: 2-273-8966
Cable Address: THAI MEIDEN BANGKOK

● **MEIDEN ELECTRIC (THAILAND) LTD.**
896 Moo 2,
Bangpa-in Industrial Estate,
Udomsorayuth Rd., Klongjig,
Bangpa-in, Ayudhaya 13160,
Thailand
Phone: 35-258258~262
Facsimile: 35-221388

The United Kingdom

※ ● **MEIDEN EUROPE LTD.**
New Wave Complex,
Bradbourne Drive, Tilbrook,
Milton Keynes MK7 8BN,
England, U.K.
Phone: 1908-276000
Facsimile: 1908-276010

The United States

※ ● **MEIDENSHA CORPORATION**
The American Center Building,
Suite 1110
27777 Franklin Road,
Southfield Michigan 48034, U.S.A.
Phone: 248-353-2540
Facsimile: 248-353-3150

CONSOLIDATED SUBSIDIARY COMPANIES

(AS OF OCT., 1999)

MEIDEN ENGINEERING CO., LTD.
Capital ¥2,360 million
Engineering service an dother service affairs
7-9, Osaki 3-chome, Shinagawa-ku,
Tokyo 141-8607 Japan
Phone: 3-3490-7201 Fax: 3-3490-5550

MEIDEN TSUSHIN KOGYO & Co., Ltd.
Capital ¥1,400 million
Quartz crystal units
1-37, Tori-machi 1-chome, Yonezawa-shi,
Yamagata 992-0025 Japan
Phone: 238-23-3305 Fax: 238-23-3308

SHINKO SEISAKUSHO CO., LTD.
Capital ¥800 million
Manufacture, sales, and maintenance servicing of communication equipment, peripherals and terminals
Kokuryu Shibakoen Building,
6-15, Shibakoen 2-chome,
Minato-ku, Tokyo 105-0011 Japan
Phone: 3-3436-1211 Fax: 3-3436-1881

MEIDEN SHOJI Co., Ltd.
Capital ¥300 million
Sales of electric products and components
Mitomi New Building, 20-18,
Ebisu 1-chome, Shibuya-ku,
Tokyo 150-0013 Japan
Phone: 3-5449-3700 Fax: 3-5449-3701

KOFU MEIDENSHA CORPORATION
Capital ¥200 million
Manufacture and sales of electric motors, mainly
15-11 Joto 3-chome, Kofu-shi,
Yamanashi 400-0861 Japan
Phone: 55-233-5161 Fax: 55-233-5171

Meiden Plant Engineering & Construction Co., Ltd.
Capital ¥150 million
Constructing service
Meiko Building, 5-5, Osaki 5-chome,
Shinagawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6426 Fax: 3-5487-6487

MEIDEN CHEMICAL CO., LTD.
Capital ¥95 million
Insulating varnisb and molded instrument transformer
1-17, Osaki 2-chome, Shingawa-ku,
Tokyo 141-0032 Japan
Phone: 3-3492-5251 Fax: 3-3492-5280

Meiden Kohsan Co., Ltd.
Capital ¥80 million
Sales of products and materials and agent service of insurance
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-3490-3737 Fax: 3-3490-3906

MEIDEN SOFTWARE CORPORATION
Capital ¥70 million
Engineering and programming of software
809, Oka-Isshikitorimachi, Numazu-shi,
Shizuoka 410-0012 Japan
Phone: 559-23-4966 Fax: 559-23-1191

MEIDEN FOUNDRY INDUSTRIAL Co., Ltd.
Capital ¥50 million
Casting
4, Nyogetsu, Heisaka-cho, Nishio-shi,
Aichi 444-0305 Japan
Phone: 563-59-6181 Fax: 563-59-4132

MEIDEN SYSTEM ENGINEERING Co., Ltd.
Capital ¥50 million
System engineering of plant
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6500 Fax: 3-5487-6516

Numazu Meiden Kohsan Co., Ltd.
Capital ¥30 million
Sales of products and materials and buildings maintenance service
515, Kaminakamizo, Higashi-makado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 559-21-1140 Fax: 559-24-1474

Meiden Kankyo Service Co., Ltd
Capital ¥30 million
Maintenance and control service of water treatment equipment
Meiko Building, 5-5, Osaki 5-chome,
Shinagawa-ku, Tokyo 141-8616 Japan
Phone: 3-3490-0630 Fax: 3-3490-0623

HOKUTO DENKO CORPORATION
Capital ¥25 million
Manufacture and sales of electric sensors
22-13, Himonya 4-chome, Meguro-ku,
Tokyo 152-0003 Japan
Phone: 3-3716-3235 Fax: 3-3793-8787

MEIDEN SYSCON Co., Ltd.
Capital ¥20 million
Manufacture and sales of switchgear and relays
726-1, Osuwa, Numazu-shi,
Shizuoka 410-0873 Japan
Phone: 559-24-4630 Fax: 559-22-4013

Meiden Kiden Kogyo Co., Ltd.
Capital ¥20 million
Machining and repairing service
1-17, Osaki 2-chome, Shinagawa-ku,
Tokyo 141-8565 Japan
Phone: 3-3491-2611 Fax: 3-3490-4226

MEIDEN PRINTING CORPORATION
Capital ¥20 million
Printing and copy service
Maruki Building, 13-7, Nishigotanda 1-chome,
Shinagawa-ku, Tokyo 141-0031 Japan
Phone: 3-3490-4767 Fax: 3-3490-4910

Nagoya Meiden Kohsan Co., Ltd.
Capital ¥10 million
Sales of products and materials and buildings maintenance service
496-1, Ittan-gosewari, Nishi-biwajima-cho,
Nishikasugai-gun, Aichi 452-0007 Japan
Phone: 52-503-7016 Fax: 52-504-2785

MEIDEN SINGAPORE PTE. LTD
Capital S$10 million
Manufacture of transformer and constructing service
5, Jalan Pesawat Jurong Industrial Estate,
Singapore 619363
Phone: 268-8222 Fax: 264-4292

Corporate Data

Corporate Name
MEIDENSHA CORPORATION
(Kabushiki Kaisha Meidensha)

Head Office
Riverside Building, 36-2, Nihonbashi
Hakozakicho, Chuo-ku,
Tokyo 103-8515 Japan

Founded
1897

Common Stock

Par Value	¥50 ($0.41)
Authorized	576,000,000 shares
Issued	202,025,158 shares
	¥17,070 million
	($141,074 thousand)

Shareholders
15,863

Average Holding
12,736 shares

Transfer Agent
The Chuo Trust and Banking Co., Ltd.

Board of Directors

(As of June 29, 1999)

Chairman
Keiji Kojima

President
Shigeo Seko

Executive Vice President
Keiji Kataoka

Executive Vice President
Tomoyasu Ichikawa

Senior Managing Director
Mineo Itakura

Senior Managing Director
Kôji Yano

Senior Managing Director
Tôru Nakamura

Managing Directors	*Toyoaki Ishii*	*Harumichi Yamashita*
	Takao Shibue	*Tatsuji Matsui*
	Kensuke Ikuji	*Nobuo Takahashi*
Directors	*Masao Kamei*	*Kenzô Nakamura*
	Hiroyasu Yagi	*Masaaki Ôishi*
	Masaoki Hino	*Hisao Takeuchi*
	Jirô Iwashita	*Tôru Niwa*
Senior Corporate Auditors	*Takamasa Hasebe*	*Masaaki Obana*
	Junji Hashimura	
Corporate Auditors	*Yasuo Yoshino*	*Haruhisa Kawabe*