MEIDEN

MEIDENSHA CORPORATION
ANNUAL REPORT 2006

For the year ended March 31, 2006

Empower for new days

Profile

Ever since its founding in 1897, Meidensha Corporation has been working on the relentless pursuit of new technology and product developments and witnessed steady growth. Our product offerings cover a wide area, such as generators, substation equipment, electronic equipment and information equipment. Our mission is not only to provide these products but also to recommend the best solutions on the basis of what a customer values best. In order to realize these best solutions, we engage in the supply of various products and provide related services such as engineering, facility management (including operation and maintenance), repair and product-life support.

Contents

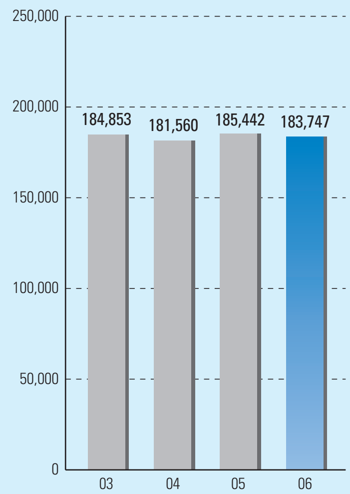
FINANCIAL HIGHLIGHTS

Years ended March 31

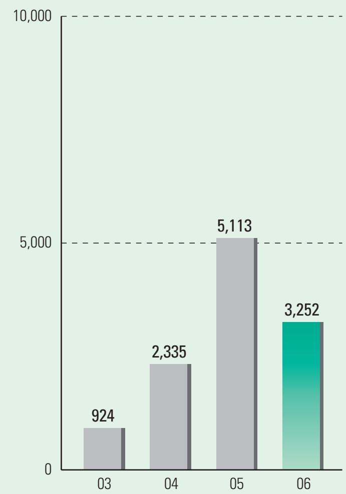
	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Net Sales	¥183,747	¥185,442	¥181,560	$1,570,487
Net Income	3,252	5,113	2,335	27,795
Net Income Per Share (yen, U.S. dollars)	14.12	22.33	10.14	0.12
Cash Dividends Paid	909	682	—	7,769
Total Assets	201,274	180,595	194,163	1,720,291
Number of Employees	6,561	6,662	7,278	—

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 ¥117 = U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2006. See Note 1 to Consolidated Financial Statements.

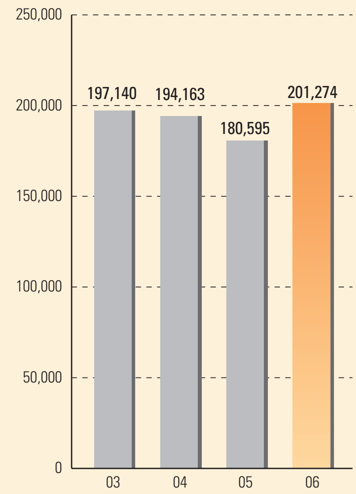
Net Sales (¥ millions)



Net Income (¥ millions)



Total Assets (¥ millions)



Message from Management

We, at Meidensha Corporation ("Meiden") and its Consolidated Subsidiary Companies (collectively the "Meiden Group" or "the Company"), share a common philosophy: "Constantly in pursuit of 'Innovation for New Technologies' and in Contributing to the Well-being of the Society at Large." We aim to do this by drawing on the engineering resources over a century of its history and to become an excellent company fit for the Twenty-first Century. Our basic principles are: (1) to provide the best product experiences to customers through new and innovative technologies of the highest quality, (2) to highly value the shareholder's interests, (3) to focus on profitability and (4) to utilize resources for the benefit of society. Our Group's core strategy is to drive business growth as an engineering company. The Meiden Group product portfolio includes a wide spectrum of offerings: generators, substation equipment, electronic equipment, and information and communications products. We not only offer such products, but also provide optimum customer-driven solutions using such products for the benefit of the customers. Our solutions business in Japan includes services such as engineering, operation, maintenance and management of facilities, which contributes to the enhancement of the asset values of our customers.

During fiscal year 2005, the Japanese economy showed export-led economic growth and corporate performance and job situation improvement due to the growth of the global economy. Against this backdrop, private business capital investment and consumer spending grew at a solid rate and the economic recovery was steady.

Under these economic circumstances, the Company made vigorous across-the-board efforts to boost sales. Sales for fiscal 2005 totaled 183,747 million yen (consolidated basis); 0.9% down from the previous fiscal year.

We made efforts across-the-board to cut expenses, reduce costs, and improve productivity. As a result, net income before taxes and adjustments came to 4,322 million yen (consolidated basis), and net income for the year came to 3,252 million yen (consolidated basis).

A year-end dividend of 5 yen per share was declared. This was an increase of 1 yen per share from the previous fiscal year.

Under these conditions, the Meiden Group is working to increase sales and profitability. The Meiden Group has adopted a corporate focus as an "engineering and service company." We have developed power, transmission and distribution technology, drive application technology through the experience gained through individual product sales. By combining these technologies with next generation technologies, we are now providing solutions for optimized product life cycles in the area of social infrastructure for the environment, energy and disaster prevention and for such solutions in private industries and overseas markets. At the same time, we are optimizing the systems and services that cater to the individual needs of the customers. We intend to capitalize on the new business opportunities brought by the renewed interest in new energy caused by the oil price hikes from last year. We are putting our management resources into new business and product development. One example is our alliance discussions with Siemens Power Generation Corporation (SPGC), a company based in Orlando, Florida, U.S. We are exploring the alliance possibility with SPGC in the area of Solid Oxide Fuel Cell (SOFC) Business in Japan. In line with these talks, we are also exploring the project development using the SOFC system for the early release of SPGC SOFC in the Japanese market. In order to meet business demand for our products in overseas markets, we are increasing our sales and production bases. Another example is the electric motor production plant that we are building in Hangzhou, China, as part of the reorganization of our electrical motor business.

While shifting some of our management resources into new business development and overseas market operations, we intend to promote and strengthen existing alliances, such as our two joint ventures with Hitachi, Ltd. and Fuji Electric Systems Co., Ltd., and a joint venture with ABB Ltd. of Switzerland. In April 2006, as a realignment of our motor business, we merged our motor manufacturing business with Kofu Meidensha Electric Mfg. Co., Ltd. (a company registered in Kofu City, Yamanashi Prefecture and dissolved in June 2006) by establishing Kofu Meidensha Electric Mfg. Co., Ltd. (a company registered in Chuo City, Yamanashi Prefecture) as a new motor business company as of April 1, 2006. The new company will further consolidate the motor business, which is one of the core businesses of the Meiden Group. It will strive to bring down costs and improve efficiency and will introduce new technologies and promote innovation. To meet these challenges, the Meiden Group has formulated a new medium-term management plan for the three-year period from fiscal 2006 to 2008, known as the "Value Up Plan." The entire Group embarked on the plan on April 1, 2006. This "Value Up Plan" means increase the value on three fronts: Technology, Human Resources and Business Value. The Meiden Group aims to become a company with high credibility from society and to maximize corporate value by securing high levels of profit. The Group will implement the various policies discussed below.

"Value Up Plan"

a. Basic Policy

1. We will promote technology-driven management in a cross-functional manner among Sales, Engineering and R & D. We would like to make already strong businesses and products stronger. We will develop and promote the new products.

2. Our objective is to free all management resources from existing non-core businesses and to invest in our core and strategic businesses, such as new business development, overseas market business, engineering & service business, etc.

3. We will promote corporate social responsibility (CSR). We will cultivate personnel with high social contribution and eco-consciousness. We will strengthen corporate governance.

b. Key Action Plan:

(1) Promote Technology-driven Management

We will put human and financial resources into R & D, We will develop solid technical bases by reinforcing our R & D organization, intellectual property strategy and human resources development. These reinforcement actions will be done in line with our marketing strategy. We intend to produce high value-added products.

(2) Develop New Businesses

The Meiden Group will work on the development of new businesses relating to our core business of Meiden Group. We will reinforce our ability to find the new business possibility and our support to the business incubation. These actions will lead to the efficient creation and fostering of new businesses.

(3) Strengthen Overseas Market Businesses

We will reinforce efforts to develop new products for the overseas market, and improve overseas production, after-sales service, and maintenance service offerings, and promote human resources development for overseas market business operations. In doing so, we would like to increase revenues from overseas and make our overseas market business operations a key pillar of our business.

(4) Promote CSR-based Management

We will review the Group's business activities in light of compliance (with laws, rules and regulations), environmental conservation, labor safety and health, customer satisfaction (CS), quality control, etc. We will improve Group-wide CSR initiative and promote CSR activities as an integral part of corporate strategy.

(5) Strengthen Group Strategy

Each Meiden Group company will promote its organization to efficiently promote synergy among Meiden Group's businesses and thereby maximize the overall corporate value of the Meiden Group. We will define the inherent challenge that each Meiden Group company has in terms of (1) the synergy level among Meiden Group's businesses and (2) the profitability level. We will implement policies, including the reform and consolidation of the Group business, to realize the efficient management of all Meiden Group companies.

c. Earnings Targets

	Fiscal 2008 consolidated	Fiscal 2008 non-consolidated
Sales	210,000 million yen	173,000 million yen
Operating income	11,500 million yen	7,000 million yen
Ratio of current profits to sales	4.8%	4.0%
Current profits	10,000 million yen	7,000 million yen
Net income	6,000 million yen	4,500 million yen

By firmly executing the Key Action Plan, the Meiden Group will be able to address to the management climate changes in a flexible manner and aims to establish a solid presence in the various markets. We ask every shareholder, as well as our customers and business partners, to give us your continued guidance and support.

Keiji Kataoka, President

Operating Performance Highlights

Outline of Meiden Group Profits and Losses

During this fiscal year, the Japanese economy continued to recover as private sector capital investment and consumer spending remained steady, driven by export growth as well as improved corporate performance and job market conditions.

Against this background, the Meiden Group made vigorous across-the-board efforts to boost sales. Sales for fiscal 2005 totalled 194,127 million yen (consolidated basis), up 1.5% from the previous fiscal year.

Social Infrastructure Systems Business Sector

In the Power, Railways & Private Sector Business Segment, we received orders for the first units of our electric double layer capacitor (EDLC)-based dynamic voltage compensator and graphic image analysis system unit, which identifies pantagraph-alignment abnormalities and analizes trolley lines using train on-board cameras. We completed our EDLC production plant in March 2006, and it will have a manufacturing capacity of 10,000 units per year by August 2006.

In the Eco & Social Infrastructure Business Segment, we received orders for the first units of our wide-area monitoring control systems. These control systems use the MEISVY-VS series and the TELEMOT-cdma monitor control terminals, which utilize CDMA mobile phone networks to reduce the data transmission-related running costs of the monitoring system.

Industrial Systems Business Sector

In the Information and Communications Business Segment, sales were brisk for our Wholesale-Flowermarket Information System and vacuum capacitors for semiconductor manufacturing equipment. As a new business, we commercialized an IC tag-based rental bridal dress inventory management system and network gear for Internet security ("Secure Gateway").

In the Motor Drive Application Business Segment, there was an increase in orders for automatic guided vehicles (AGVs) and motors for forklifts, which are increasingly going motorized. We are expanding our production capacity for these products to meet the increase in demand.

In the Dynamometer System Business Segment, we expanded our dynamometer system production plant to meet active R &D-related business capital investment by the automotive industry.

Engineering System Business Sector

In the Maintenance Service Segment (for heavy electric machinery), we improved our servicing capability by increasing the number of facility-assessment vehicles and improving our deterioration and energy conservation diagnosis capabilities. We also worked to improve our offerings in terminal equipment for remote monitoring systems to expand monitoring applications as well as our capability to monitor more facilities. Orders have risen as a result.

In the area of Maintenance Service for semiconductor manufacturing equipment, we are developing our maintenance service offerings not only for specific models but also by outsourcing services for entire semiconductor manufacturing production lines.

Other Business Sectors

Other Meiden Group businesses and companies include our medical and welfare businesses as well as marketing companies that cover a vast array of business areas, and our business process outsourcing services, such as accounting and welfare program services for Meiden Group associates. Orders and sales have generally remained steady in all these business sectors.

R & D Highlights

Social Infrastructure Systems Business Sector

Relating to our Energy Business Segment, we are participating in the Eco-Energy Web Kenkyukai (EEWK), a research and development group studying a regional network for natural energy. EEWK is working on a model project, funded by the Ministry of Environment, to develop Global Warning Prevention Technology. Under this project, EEWK aims at the establishment of a microgrid network that will eventually provide all energy required at the Kanazawa Industrial Complex Area in Yokohama, Kanagawa Prefecture. It will do this without depending on existing electric utilities by utilizing existing waste heat and energy through use of solar cells, wind power and other power resource recovery methods. The Company is a key project member and is playing an important role with respect to comprehensive overall control of the Eco Energy Web System.

For quality power supply products, we developed a power conversion system (PCS) for NaS (sodium-sulfur) batteries that incorporates a dynamic voltage compensator as well as a load-leveling feature. We developed a system to reduce voltage fluctuations in traction power lines by absorbing the fluctuations using EDLC.

In the Environmental Business Segment, we developed a medium voltage direct inverter for air blowers and pumps to promote energy conservation in the water supply and sewage business.

Industrial Systems Business Sector

In the Information and Communications Business Segment, we improved our industrial controller and μPIBOC series offerings and increased the functionality of our package software. These actions were taken with the semiconductor manufacturing segment in mind. In the Solutions Business Segment, we improved our large- and medium-scale Wholesale Flower Market Information System offerings. We also developed an auction system for pre-owned construction equipment using wireless bidding equipment.

In the Motor Drive Application Business Segment, we established a sensorless control technology for the permanent magnet (PM) motors installed in hybrid automobiles. We are promoting R & D of this technology with the aim of seeing it used in mass production hybrid cars.

In the area of our Logistics Systems Business Segment, we have developed AGVs in kit form. Customers can assemble these kits to suit their carrying product needs and build unique AGV systems.

In the Dynamometer Systems Business Segment, we developed high-precision chassis dynamometer systems for use in testing four-wheel drive vehicles. Other products being developed include the Plus SV engine tester, which makes it possible to conduct engine bench tests that rival chassis dynamometer testing. We developed technology that is related to the optimization of electronic control units (ECUs), which are vital for engine development.

Engineering System Business Sector

In the Maintenance Service and Facility Management Service Segment, we are carrying out research on diagnostic technology aimed at realizing longer facility life. We developed an upgraded or retrofit SCADA System, which replaces the outdated legacy SCADA System. We also developed the circuit-breaker performance testing unit, which combines various circuit-breaker testing functions for more efficient maintenance work. The testing unit integrates required testing functions, and allows users to more efficiently maintain and replace monitoring and control systems that are becoming obsolete.

Other Business Sectors

In the Medical and Welfare Business Segment, we developed an electronic medical chart system for small to medium-sized hospitals.

Overseas Operations

During the fiscal year 2005 the global economy achieved a continued solid economic growth but at a slightly slower pace than fiscal year 2004. In the United States, despite high oil prices, monetary tightening and hurricane hits, the economy showed the resilience to such impacts and produced a steady growth. China's economy grew, driven by growth in exports, at the rate of more than 9% in fiscal year 2005.

The East Asian economy, which is Meidensha Corporation's major market, posted an over 6% growth in fiscal 2005. The East Asian economy faced the stagnant economic growth in developed countries and a global slowdown in demand in IT and other high-tech industry sectors during the first half of 2005.

In the US power sector, it showed a 1.8% level decrease in total net power generation due to warmer weather than normal winter. The power retail prices increased more than 10% due to steady economic growth and the higher oil prices.

In the automotive market in the US, which has a big impact on our dynamometer systems sales, the industry showed the further sales decline of trucks and truck-based sport utility vehicle (SUV) in the face of high gas prices. The consumers opted for crossover (a car-based SUV) and mid-size and smaller fuel-efficient vehicles. The US auto sales of fiscal year 2006 will be at the level of 17 million vehicles.

The major products ordered in the fiscal year 2005 were as follows:

In the field of electric railroad substations, we received an order for traction substations for Dubai Municipality Head Quarters, U.A.E., and from Civil Aviation Authority Singapore in Singapore.

In the power generation field, GE Aero Energy Products in Texas placed orders for generator for GE LM6000 gas turbine. We received an order for a 9.9 MW biomass power generation plant (using rice husk as resource) for Surat Thani Green Energy Co., Ltd., in Thailand.

In the North American automotive market, a Japanese transplant placed orders for 2 sets of torque converter end-of-line tester.

The major products manufactured and shipped during fiscal year 2005 were as follows:

In the field of substations, we supplied 23 units of mobile substations from a power utility in the Middle East.

In the power generation field, we supplied and installed generators for GE LM6000 gas turbine for GE Aero Energy Products in Texas.

In the automotive test systems market in the North America, we supplied and installed 8 sets of test systems for automaker's technical centers and transplants.

In South Korea, we supplied and installed a power train tester for Hybrid Electric Vehicles to Seoul National University.

As for other Asian market of dynamometers, we supplied and installed 5 sets of test systems.

Another noteworthy events in our overseas operations, we established Meiden Hangzhou Drive Systems Co., Ltd. in December, 2005 in Hangzhou, China to manufacture permanent magnet motors and other industrial motors. We also established Meiden Korea Co., Ltd. for the business development of various MEIDEN products in South Korea in January, 2006. Meiden Shanghai Co., Ltd. was established in March, 2006 for business development of various MEIDEN products as well as services (sourcing and engineering services) in China.

Osaki Area Development Project

You will see a different new Osaki in the autumn of 2007.

The Company is promoting an area development project at the West Exit Area of Osaki Station in Shinagawa-ku, Tokyo. This area was once housed our factory. The project is centered on construction of a business and commercial building that will be 30 stories above ground and two stories underground. Next to this building will be a 15-story building with a business hotel and fitness club. Construction of both buildings is scheduled to be completed in August 2007. Autumn 2007 will see the birth of "ThinkPark," a business complex that reflects the best technology available and takes into account the tenant's future business needs.

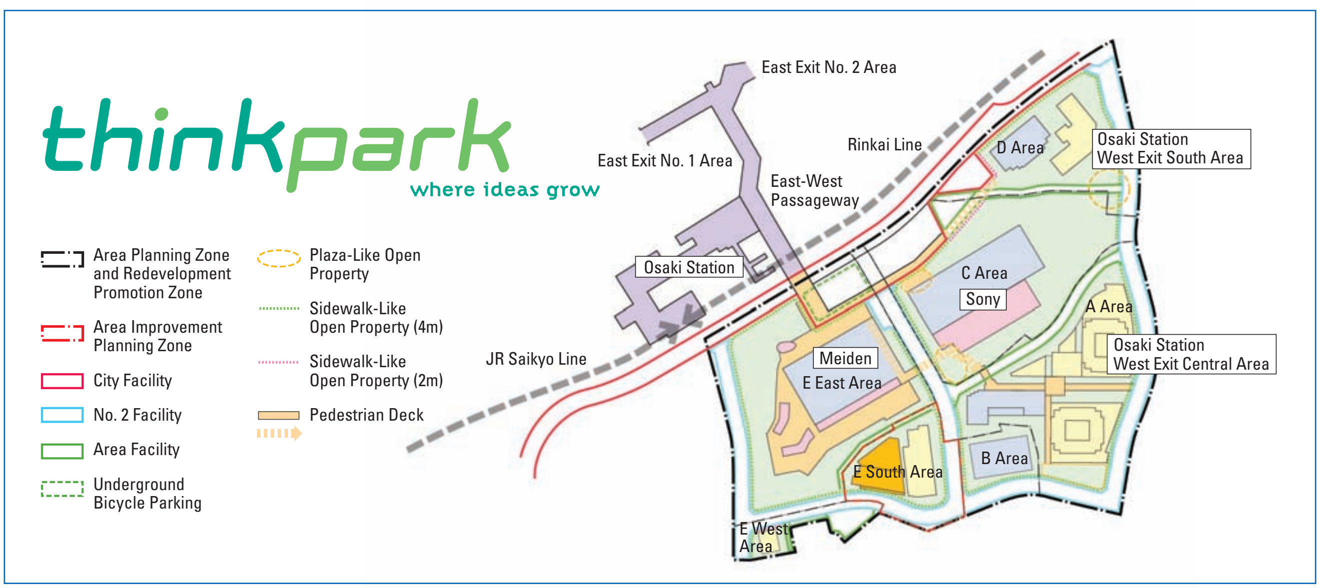
Construction site (as of April 2006)

Changing face of Osaki, our "founding place"

Ever since Meidensha Corporation (Meiden) began business in 1897, our history has been linked to the Osaki area. Now Osaki is about to undergo a major change. The Osaki Station West Exit Area is the site of an urban development project zone covering four blocks, a total area of approximately 6.6 ha, including the Center Area, the South Area, the Sony Area, and our Meiden Area. This is a central urban development project that will make use of current industrial zoned land. The aim of the project is to create a total urban development zone combining residential, commercial, and business areas. ThinkPark buildings will be linked directly to JR Osaki Station, which is served not only by the JR Yamanote Line,

JR Osaki Station

Artist's rendering of ThinkPark



but also the JR Saikyo, JR Shonan Shinjuku and Rinkai Lines. The next station, Shinagawa Station, has been a Tokaido Shinkansen station since October 2003, so Shinkansen bullet train service is also available. This area is attracting interest as a new transportation hub for Tokyo.

ThinkPark will be the first large project to be realized in the Osaki Station West Exit Area Zone Development

This urban zone will become a symbol of the early 21st century in the southern Tokyo area, based on the concept of "a town where ideas grow." The 30-story ThinkPark Tower will be the centerpiece of the area, with shops, restaurants, health care facilities, hotels, a fitness club, high-rise residential area, park area, and the Osaki Forest, all arranged in a well-designed manner.

ThinkPark Tower, ThinkPark Plaza, and the "Osaki Forest"

This development is a joint project between Meidensha Corporation and World Trade Center Building, Inc. ThinkPark Tower will be a 30-story office building that will combine the prestige of the uptown Yamanote district and the innovative spirit of large-scale urban redevelopment. Under this building will be the shops and restaurants of ThinkPark Plaza, and these add the excitement of a downtown area. Inside this area, there will be a vast, open space that includes Osaki Forest, and this will be a convenient place for people to convene and relax.

Hotel and Fitness Club

A full-scale business hotel and a fitness club are being built in ThinkPark. The hotel will belong to Daiwa Roynet Hotels, a renowned quality business hotel chain. The hotel will have approximately 200 guest rooms.

The fitness club will be operated by Nippon Athletic Service (NAS). The facility will be fully equipped, with a 25 m pool, gym, and fitness studio in a space of approximately 3,000 m^2. With a wide range of activities to offer, the facility will be a full-fledged fitness and relaxation club.

For details, please visit the ThinkPark Web site:
http://www.thinkpark.jp

Topics 2

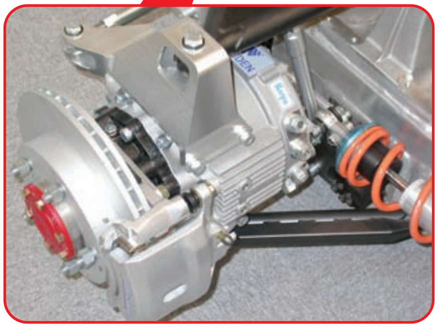
Motor Business Restructured and Strengthened

Kofu Meidensha Electric Mfg. Co., Ltd.

Motor Business Company Established by Combining Spin-offs from Two Companies

Meidensha Corporation and Kofu Meidensha Electric Mfg. Co., Ltd. (registered in Kofu City, Yamanashi Prefecture, and dissolved in June 2006) sought to further strengthen Meiden Group's core motors business by establishing Kofu Meidensha Electric Mfg. Co., Ltd. (registered in Chuo City, Yamanashi Prefecture) as a new motor business company as of April 1, 2006. The establishment of this new company has meant a restructuring of our Meiden Kofu Factory, where both companies are operating on the same premises, and where the manufacturing lines belong to Kofu Meidensha Electric Mfg. Co., Ltd. This reorganization was done to optimize the production system and streamline back-office staff, in order to lower overall costs. This was combined with capital investment to reinforce production capability and put more people in the engineering divisions to improve our product development capability. We are aiming to improve our competitiveness in pricing and profitability, and to increase our technological edge. Meiden Group has a long history in the motor business, extending all the way back to the founding of the company in 1897.

Electric vehicle
"Eliica"



In-wheel motor

PM servo motor

The words "Meiden: A Motor Company" have long symbolized our Company, and motor technology is still the Group's core business.

The motor market encompasses injection molding machines, forklifts, elevators, construction equipment, and other segments. The demand for motors is expected to remain robust. Looking to the future, we expect significant demand for motors to continue in the automotive segment, particularly in relation to the drive motors for hybrid cars and electric vehicles. permanent magnet (PM) motors are a core product of the Meiden Group. We make high performance motors using powerful rare-earth magnets to reduce size and increase output. The market for these high-performance motors is expected to expand in the future.

The new company will become a central force in the development of our next generation drive application products and will actively engage in R & D of new technologies, development of new products, and sales, by drawing on the various resources of the Meiden Group as a whole.

A Motor Production Company Established in Hangzhou, China

The Company established Meiden Hangzhou Drive Systems Co., Ltd. (MHD), as a motor manufacturing company in Hangzhou City, Zhejiang Province, China. Production at MHD will begin in July 2006.

The new company will supply MHD-made motors to elevator manufacturers and injection molding machine manufacturers that are operating in China as a means of foreign direct-investment firms in China. The newly born Kofu Meidensha Electric Mfg. Co., Ltd. will serve as the mother factory in Japan for MHD, while MHD will serve as the key production base for the China market, which has shown rapid growth. MHD aims to lower costs and strengthen its production capabilities. In this way, we aim to achieve further growth in the motor business, which is Meiden Group's core business.

Groundbreaking by Senior Adviser Shigeo Seko (second from the left)

Topics 3

Beefing up Production and Sales for Electric Double Layer Capacitors

Our Company has set up a new plant specializing in the production of electric double layer capacitors (EDLCs) at our Numazu Works in Numazu City, Shizuoka Prefecture. This factory began operating on March 9, 2006. The production facilities entered full operation in April 2006.

The new factory has assembly lines with the most up-to-date production equipment available and has increased our EDLC production capacity from 1,000 units per year to 10,000 units per year (the equivalent of 700,000 cells). The plant also produces high-quality capacitors in its spacious clean room, which has a floor space totalling approximately 500 m^2.

We are presently receiving numerous inquiries from customers about our dynamic voltage compensator and other products that utilize EDLCs. This EDLC production will meet the active sales. The Company is developing the EDLC business through an across-the-board special sales project organization. It aims to sell in wider utilities market and industrial system segments and beyond.

M-CAP cells are composed of two electrode sheets with a separator, and multiple cells together make up a single capacitor. When the capacitors are connected in series, the desired voltage can be obtained by changing the number of capacitors.

Meiposs-MCP dynamic voltage compensator, high-voltage type (2,000 kVA)

Capacitor module

Topics 4

Meiden Singapore Strengthens Transformer Production Capacity

Our Company and Japan AE Power Systems Corporation (AE Power) have agreed to reinforce an increase in the manufacturing range of small- and medium-capacity transformers at Meiden Singapore Pte. Ltd. (MSL) by jointly funding a 1 billion yen capital expansion. MSL is a joint venture between Meiden and AE Power. The MSL transformer plant is being enlarged, and the present capability for producing transformers with 33 kV, 3 MVA capacity is being upgraded to produce 154 kV, 100 MVA transformers. The new plant is scheduled to commence operation in July 2006.

This expansion in transformer production capability will make MSL a key production unit in Southeast Asia and MSL aims to increase sales in that region.

Meiden Singapore Pte. Ltd. (MSL)

Topics 5

Opening Ceremony for Hojo Sand Dune Wind Farm

The opening ceremony for the Hojo Sand Dune Wind Farm was held on December 8, 2005. The Company provided this wind power plant for Hokuei Town, Tottori Prefecture.

The Hojo Sand Dune Wind Farm consists of nine (9) wind power converter units, type MD 77, 1,500 kW, made by REpower Systems AG of Germany. The power station has a combined total output capacity of 13,500 kW, and is the largest such wind power station operated solely by a local government in Japan. It is estimated that the power station will generate 23,900 MWh of power per year, which corresponds to the amount of electricity used by 6,600 ordinary households yearly. The power generated here is sold to the Chugoku Electric Power Co., Inc.

Hojo Sand Dune Wind Farm

Financial Section

CONSOLIDATED FINANCIAL REVIEW

Outline of Profits and Losses

During this consolidated fiscal year, the Japanese economy maintained its upward momentum, driven by exports that were a result of positive global economic trends. Capital investment in the private sector and private consumption increased steadily against the backdrop of improved corporate business performance and a brightening employment situation.

Net sales totaled 183,747 million yen, a 0.9% decrease over the previous term. Business sector-based net sales stood at 53.3% for the Social Infrastructure Systems Sector, 27.5% for the Industrial Systems Sector, 11.1% for the Engineering Sector, and 8.1% for Others.

The cost of sales totaled 141,776 million yen, a 0.6% decrease over the previous term. Selling, general and administrative expenses totalled 35,473 million yen, a 1.3% increase. Operating income, therefore, stood at 6,498 million yen.

The final result was a net income of 3,252 million yen for this term.

Financial Conditions

Total assets at the end of March 2006 amounted to 201,274 million yen, an increase of 20,679 million yen. As a result of increased inventories, current assets stood at 109,882 million yen, an increase of 535 million yen. Property, plant and equipment amounted to 46,501 million yen, an increase of 10,663 million yen. Total current liabilities amounted to 104,758 million yen, an increase of 12,507 million yen, and shareholders' equity stood at 60,417 million yen, an increase of 7,597 million yen. As a result, the shareholder capital ratio increased 0.7 points from 29.3% to 30.0%.

FIVE-YEAR SUMMARY

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31)

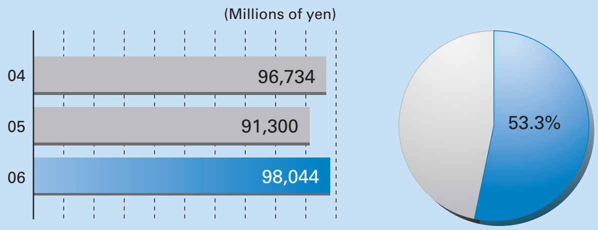
	Millions of yen				
	2006	2005	2004	2003	2002
Net sales	**¥183,747**	¥185,442	¥181,560	¥184,853	¥200,075
Net income (loss)	**3,252**	5,113	2,335	924	(3,906)
Net income (loss) per share (yen)	**14.12**	22.33	10.14	4.58	(19.34)
Cash dividends paid	**909**	682	–	–	–
Depreciation and amortization	**3,872**	3,906	4,262	4,921	4,861
Total assets	**201,274**	180,595	194,163	197,140	205,221
Net property, plant and equipment	**46,501**	35,838	43,215	40,406	40,899
Shareholders' equity per share (yen)	**265.64**	232.19	209.91	182.36	176.74

OPERATIONAL REVIEW

Social Infrastructure Systems

This segment includes business related to the construction of social infrastructure. We provide solution services of all kinds in relation to electric power quality, energy conservation, and related matters, and we engage in the manufacturing and marketing of all types of electrical equipment involved in power generation, transmission, transforming, distribution, and other related functions, for power companies, government and other public agencies and offices, railroads, highways, private facilities, and other such establishments.

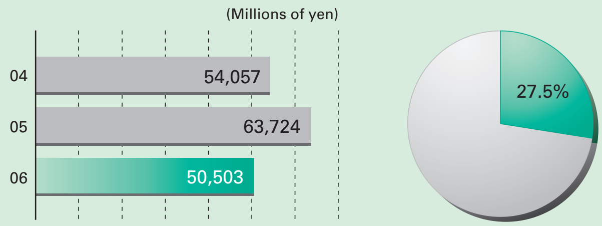
We are also involved in the field of water supply and sewerage treatment for local governments. Our activities include manufacturing and marketing products for the control of treatment equipment and processes of all kinds, and for the improvement of IT networks. We are further developing environmental solution services that include contracting for the maintenance management of water treatment plants, environmental recycling, and so on.



Industrial Systems

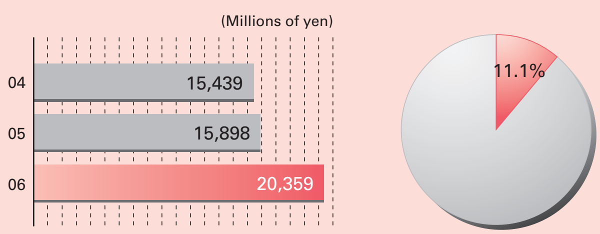
This segment includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations. In addition to providing private industry with power substations, motor vehicle testing systems, and physical distribution systems, we engage in the manufacture and marketing of motors, inverters, and other products for use in textile machinery, elevators, and other such equipment.

We are active in the information and telecommunications field, manufacturing and marketing component products for industrial computer and networking systems. We also provide IT solutions in an effort to promote the greater operational sophistication and efficiency of corporations and local governments through the use of IT.



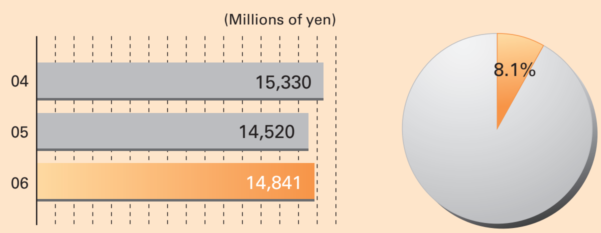
Engineering Systems

This segment provides services relating to the remote management and monitoring of facilities and the proposal of measures for extending the life of facilities, energy conservation, and other such services related primarily to the maintenance of products we supply. We also engage in the maintenance of semiconductor manufacturing equipment and the reconditioning of used manufacturing equipment.



Others

This segment includes marketing companies not tied to specific business fields, and companies that contract accounting, payroll, and other administrative functions, as well as welfare services for employees.



CONSOLIDATED BALANCE SHEETS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (as of March 31, 2006 and 2005)

	Millions of yen		Thousands of U.S.dollars (Note1)
	2006	2005	2006
Assets			
Current assets:			
Cash and time deposits (Note 15)	¥9,981	¥10,892	$85,308
Marketable securities (Notes 3 and 15)	237	153	2,026
Receivables:			
Trade notes	5,593	6,824	47,803
Trade accounts	58,099	58,734	496,573
Loans and advances	3,586	1,495	30,650
Due from unconsolidated subsidiaries and affiliates	1,976	1,409	16,889
Allowance for doubtful accounts	(926)	(478)	(7,915)
Inventories (Note 4)	23,564	21,392	201,402
Deferred income taxes (Note 14)	3,646	3,740	31,162
Other current assets	4,126	5,186	35,264
Total current assets	109,882	109,347	939,162
Property, plant and equipment:			
Land (Notes 5 and 7)	7,837	8,083	66,983
Buildings and structures	43,021	42,008	367,701
Machinery and equipment	55,698	56,116	476,051
Construction in progress (Note 7)	12,509	887	106,915
Less: Accumulated depreciation	(72,564)	(71,256)	(620,205)
	46,501	35,838	397,445
Investment and other assets:			
Investment securities (Notes 3 and 7)	26,823	17,723	229,256
Investments in unconsolidated subsidiaries and affiliates (Note 3)	9,436	9,857	80,650
Long-term loans	98	125	838
Deferred income taxes (Note 14)	40	—	342
Other assets	8,607	7,773	73,564
Allowance for doubtful accounts	(113)	(68)	(966)
	44,891	35,410	383,684
	¥201,274	¥180,595	$1,720,291

See accompanying notes.

	Millions of yen		Thousands of U.S.dollars (Note1)
	2006	2005	2006
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 6)	¥15,516	¥15,872	$132,615
Commercial paper (Note 6)	10,000	—	85,470
Current portion of long-term debt (Note 6)	6,293	4,726	53,786
Payables:			
Trade notes	10,338	10,357	88,359
Trade accounts	23,817	21,274	203,564
Due to unconsolidated subsidiaries and affiliates	6,058	6,120	51,778
Advances received from customers	11,556	10,889	98,769
Accrued income taxes	364	470	3,111
Accrued bonuses	4,613	4,178	39,427
Other current liabilities	16,203	18,366	138,489
Total current liabilities	104,758	92,252	895,368
Long-term debt (Notes 6 and 7)	13,174	16,510	112,598
Employees' severance and retirement benefits (Note 8)	15,058	15,347	128,701
Reserve for retirement allowance for directors and corporate auditors	549	682	4,692
Deferred income taxes (Note 14)	4,766	716	40,735
Other long-term liabilities	604	603	5,162
Minority interests	1,948	1,664	16,650
Contingent liabilities (Note 10)			
Shareholders' equity (Note 9):			
Common stock			
Authorized –557,385,000 shares			
Issued and outstanding –227,637,704 shares	17,070	17,070	145,897
Capital surplus	13,204	14,362	112,855
Retained earnings	19,743	17,550	168,744
Net unrealized holding gains on securities	10,774	5,419	92,085
Foreign currency translation adjustment	(342)	(409)	(2,923)
Less: Treasury stock, at cost	(32)	(1,171)	(273)
Total shareholders' equity	60,417	52,821	516,385
	¥201,274	¥180,595	$1,720,291

CONSOLIDATED STATEMENTS OF INCOME

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2006	2005	2004	**2006**
Net sales (Note 13)	**¥183,747**	**¥185,442**	**¥181,560**	**$1,570,487**
Cost of sales (Notes 12 and 13)	**141,776**	142,617	141,187	**1,211,761**
Selling, general and administrative expenses (Notes 12 and 13)	**35,473**	35,014	35,068	**303,188**
Operating income	**6,498**	**7,811**	**5,305**	**55,538**
Other income (expenses):				
Interest and dividend income	**382**	417	545	**3,265**
Interest expense	**(627)**	(701)	(907)	**(5,359)**
Equity in net loss of affiliated companies	**(289)**	(1,626)	(127)	**(2,470)**
Gains on sales of marketable securities and investment securities	**579**	5	971	**4,949**
Loss on devaluation of securities	**(37)**	(72)	(1)	**(316)**
Loss on disposal of inventories	**(21)**	(1,556)	(404)	**(179)**
Loss on disposal of fixed assets	**(152)**	(911)	(191)	**(1,299)**
Gain on sales of property, plant and equipment	**3**	12,080	23	**26**
Gains on the release from the substitutional portion of government Welfare Pension Insurance Scheme (Notes 2 and 8)	**—**	825	225	**—**
Development working expenses for the Osaki Station west exit	**(59)**	(2,289)	—	**(504)**
Impairment loss of fixed assets (Note 5)	**(250)**	—	—	**(2,137)**
Others	**(1,704)**	(2,996)	(1,223)	**(14,565)**
Income before income taxes and minority interests	**4,323**	**10,987**	**4,216**	**36,949**
Income taxes (Note14):				
Current	**329**	1,165	347	**2,812**
Deferred	**591**	4,232	1,183	**5,051**
	920	5,397	1,530	**7,863**
Minority interests	**151**	477	351	**1,291**
Net income	**¥3,252**	**¥5,113**	**¥2,335**	**$27,795**

	Yen			U.S.dollars (Note1)
	2006	2005	2004	**2006**
Amounts per share of common stock (Note 2):				
Net income	**¥14.12**	¥22.33	¥10.14	**$0.12**
Cash dividends applicable to the year	**5.00**	4.00	3.00	**0.04**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2006, 2005 and 2004)

	Millions of yen							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Net unrealized holding gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
Balance at March 31, 2003	202,025,158	¥17,070	¥12,751	¥5,756	¥433	¥1,145	¥(316)	¥(12)
Increase (decrease) due to merger	44,227,546	—	1,611	5,061	—	(117)	—	(1,114)
Net income	—	—	—	2,335	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(1)	—	—	—	—
Decrease in retained earnings due to reduction of affiliated company	—	—	—	(3)	—	—	—	—
Adjustments from translation of foreign currency financial statements (Note 2)	—	—	—	—	—	—	(78)	—
Increase in treasury stock	—	—	—	—	—	—	—	(23)
Increase in net unrealized holding gains on securities	—	—	—	—	—	3,271	—	—
Balance at March 31, 2004	246,252,704	17,070	14,362	13,148	433	4,299	(394)	(1,149)
Net income	—	—	—	5,113	—	—	—	—
Cash dividends	—	—	—	(682)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(29)	—	—	—	—
Decrease due to reduction of consolidated subsidiary	—	—	—	—	(433)	(0)	—	—
Adjustments from translation of foreign currency financial statements (Note 2)	—	—	—	—	—	—	(15)	—
Increase in treasury stock	—	—	—	—	—	—	—	(22)
Increase in net unrealized holding gains on securities	—	—	—	—	—	1,120	—	—
Balance at March 31, 2005	246,252,704	17,070	14,362	17,550	—	5,419	(409)	(1,171)
Net income	—	—	—	3,252	—	—	—	—
Cash dividends	—	—	—	(909)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(38)	—	—	—	—
Decrease in retained earning due to addition of consolidated subsidiaries	—	—	—	(112)	—	—	(4)	—
Adjustments from translation of foreign currency financial statements (Note 2)	—	—	—	—	—	—	97	—
Increase in treasury stock	—	—	—	—	—	—	—	(20)
Retirement of treasury stock	(18,615,000)	—	(1,158)	—	—	—	—	1,158
Disposal of treasury stock	—	—	0	—	—	—	—	1
Increase in net unrealized holding gains on securities	—	—	—	—	—	5,355	(26)	—
Balance at March 31, 2006	**227,637,704**	**17,070**	**13,204**	**19,743**	—	**10,774**	**(342)**	**(32)**

	Thousands of U.S.dollars (Note1)							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Net unrealized holding gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
Balance at March 31, 2005	246,252,704	$145,897	$122,752	$150,000	—	$46,316	$(3,496)	$(10,009)
Net income	—	—	—	27,795	—	—	—	—
Cash dividends	—	—	—	(7,769)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(325)	—	—	—	—
Decrease in retained earning due to addition of consolidated subsidiaries	—	—	—	(957)	—	—	(34)	—
Adjustments from translation of foreign currency financial statements (Note 2)	—	—	—	—	—	—	829	—
Increase in treasury stock	—	—	—	—	—	—	—	(170)
Retirement of treasury stock	(18,615,000)	—	(9,897)	—	—	—	—	9,897
Disposal of treasury stock	—	—	0	—	—	—	—	9
Increase in net unrealized holding gains on securities	—	—	—	—	—	45,769	(222)	—
Balance at March 31, 2006	**227,637,704**	**$145,897**	**$112,855**	**$168,744**	—	**$92,085**	**$(2,923)**	**$(273)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2006, 2005 and 2004)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2006	2005	2004	**2006**
Operating activities:				
Income (loss) before income taxes and minority interests	**¥4,323**	¥10,987	¥4,216	**36,949**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**3,872**	3,906	4,262	**33,094**
Increase in allowances	**625**	1,239	2,078	**5,342**
Interest and dividend income	**(382)**	(417)	(545)	**(3,265)**
Equity in net loss of affiliated companies	**289**	1,626	127	**2,470**
Interest expense	**627**	701	907	**5,359**
Gains on sales of marketable securities and investment securities	**(579)**	(5)	(971)	**(4,949)**
Gains on sales of property, plant and equipment	**(3)**	(12,080)	(23)	**(26)**
Loss on disposal of fixed assets	**152**	911	191	**1,299**
Loss on devaluation of securities	**37**	72	1	**316**
Merger expense	**—**	—	25	**—**
Decrease (increase) in receivables	**1,277**	(138)	1,318	**10,915**
Decrease (increase) in inventories	**(2,017)**	3,613	(185)	**(17,239)**
Increase (decrease) in payables	**104**	(515)	(3,996)	**889**
Other-net	**(622)**	1,995	1,865	**(5,316)**
Sub-total	**7,703**	11,895	9,270	**65,838**
Interest and dividend received	**387**	424	566	**3,308**
Interest expense paid	**(624)**	(694)	(907)	**(5,333)**
Income taxes paid	**(532)**	167	(544)	**(4,548)**
Merger expense paid	**—**	—	(25)	**—**
Net cash provided by operating activities	**6,934**	11,792	8,360	**59,265**
Investing activities:				
Acquisition of marketable securities and investment securities	**(801)**	(653)	(650)	**(6,846)**
Proceeds from sales of marketable securities and investment securities	**754**	966	3,580	**6,444**
Purchase of property, plant and equipment	**(13,738)**	(3,691)	(4,375)	**(117,419)**
Proceeds from sales of property, plant and equipment	**72**	13,291	93	**615**
Proceeds from sales of securities issued by subsidiaries which caused the change of consolidation scope	**—**	(411)	—	**—**
Other-net	**(1,612)**	(2,270)	(646)	**(13,777)**
Net cash provided by (used in) investing activities	**(15,325)**	7,232	(1,998)	**(130,983)**
Financing activities:				
Decrease in short-term bank loans	**(457)**	(18,253)	(10,135)	**(3,906)**
Increase in commercial paper	**10,000**	—	—	**85,470**
Proceeds from long-term debt	**3,000**	9,610	9,579	**25,641**
Repayment of long-term debt	**(4,771)**	(6,819)	(6,984)	**(40,778)**
Cash dividends paid	**(899)**	(673)	—	**(7,684)**
Other-net	**270**	(1,090)	(453)	**2,308**
Net cash provided by (used in) financing activities	**7,143**	(17,225)	(7,993)	**61,051**
Effects of exchange rate change on cash and cash equivalents	**51**	(10)	(33)	**436**
Net Increase (decrease) in cash and cash equivalents	**(1,197)**	1,789	(1,664)	**(10,231)**
Cash and cash equivalents at beginning of year	**11,044**	9,255	10,919	**94,393**
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	**234**	—	—	**2,000**
Cash and cash equivalents at end of year (Note 15)	**¥10,081**	¥11,044	¥9,255	**$86,162**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2006, which was ¥117 to U.S. $1. 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 32 consolidated subsidiaries in 2006 (29 in 2005 and 28 in 2004). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company's remaining subsidiaries, whose total assets, sales, net income and retained earnings are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value when the Company acquired control of the respective subsidiaries.

b) Equity Method

Investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method in the years ended March 31, 2006, 2005 and 2004.

Investments in five affiliated companies are accounted for by the equity method in 2006, 2005 and 2004. Investments in all unconsolidated subsidiaries and other affiliated companies, that would not have material effect on the consolidated financial statements, are stated at cost.

c) Securities

Securities are classified based on the intent of holding as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by non-consolidated subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

The Company and its consolidated subsidiaries do not have trading securities and held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at the moving-average cost. Available-for-sale securities with no available fair marker values are stated at the moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline unless the declines are considered temporary. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly unless the decline is considered as recoverable.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on sale of such securities are computed using the moving-average cost.

d) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value, and the Company and its consolidated subsidiaries recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the corresponding losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

e) Inventories

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

f) Property, Plant and Equipment and Depreciation

Depreciation is mainly computed using the declining-balance method over estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method over estimated useful lives.

g) Impairment of Fixed Assets

Effective April 1 2005, the Company and its consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (the Financial Accounting Standard Implementation Guidance No. 6, issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of adopting the new accounting standard, income before income taxes and minority interests decreased by ¥250 million ($2,137 thousand).

Additionally, impairment losses comprising the cumulative total have been deducted directly from the book value of respective assets in accordance with revised regulations.

h) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

i) Employees' Severance and Retirement Benefits

The Company and its consolidated subsidiaries provide two types of severance and retirement benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

Prior service costs are recognized in expenses in equal amounts over the average of the estimated remaining service lives of the employees, and actuarial gains and losses are recognized in income or expenses using the straight-line method over the average of the estimated remaining service lives commencing with the following period.

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company and some domestic consolidated subsidiaries decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on October 29, 2003 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Pension assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government's scheme.

The Company and some domestic consolidated subsidiaries applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)", and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As a result, in the year ended March 31, 2004, the Company and some consolidated domestic subsidiaries recorded gains on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥225 million, which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of the permission date, the related pension assets determined pursuant to the government formula, and the related unrecognized items.

On October 1, 2004, the Company and some domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to transfer of the substitutional portion of the benefit obligation and related pension plan assets funded in previous years, and on March 16, 2005, transferred the related portion of the liability reserves to the Japanese government. As a result, the Company and some domestic consolidated subsidiaries recognized a gain of ¥826 million for the year ended March 31, 2005 as the difference between the estimated amount of the transfer and the actual balance transferred.

j) Income Tax

The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and some subsidiaries adopted consolidated tax return system.

k) Amounts Per Share of Common Stock

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

For the years ended March 31, 2006, 2005 and 2004, diluted net income per share was not shown since the Company had no securities with dilutive effect.

Cash dividends per share presented in the consolidated statements of income represent actual amounts applicable to the respective years.

l) Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities that do not exceed three months at the time of purchase, are considered to be cash and cash equivalents.

3. Securities

A. The following table summarizes acquisition costs and book values of securities with fair value as of March 31, 2006 and 2005.

	Millions of yen		
2006	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥8,254	¥26,124	¥17,870
	¥8,254	¥26,124	¥17,870
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	¥15	¥14	¥(1)
Bonds	76	75	(1)
	¥91	¥89	¥(2)

	Millions of yen		
2005	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥7,266	¥16,296	¥9,030
Bonds	2	3	1
	¥7,268	¥16,299	¥9,031
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	¥709	¥672	¥(37)
Bonds	100	92	(8)
	¥809	¥764	¥(45)

	Thousands of U.S. dollars		
2006	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	$70,547	$223,282	$152,735
	$70,547	$223,282	$152,735
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	$129	$118	$(11)
Bonds	646	637	(9)
	$775	$755	$(20)

B. The following table summarizes book values of securities with no fair value as of March 31, 2006 and 2005.

(a) Available-for-sale securities;

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Non-listed foreign bonds	¥237	¥152	$2,025
Non-listed equity securities	610	659	5,214
Others	—	1	—
Total	¥847	¥812	$7,239

(b) Equity securities issued by subsidiaries and affiliated companies;

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Investments in unconsolidated subsidiaries	¥751	¥833	$6,419
Investments in affiliated companies	8,685	9,024	74,231
Total	¥9,436	¥9,857	$80,650

C. Maturities of available-for-sale securities with maturities as of March 31, 2006 and 2005.

Year ended March 31, 2006	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Bonds	¥237	—	—	—

Year ended March 31, 2005	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Bonds	¥153	—	—	¥100

Year ended March 31, 2006	Thousands of U.S. dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Bonds	$2,026	—	—	—

D. Total sales amounts of available-for-sale securities sold, gains and losses, in the years ended March 31, 2006, 2005 and 2004 are follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Sales amount	¥754	¥534	¥3,752	$6,444
Gains	579	9	971	4,949
Losses	—	0	31	—

4. Inventories

Inventories as of March 31, 2006 and 2005 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished products	¥1,918	¥1,442	$16,393
Semi-finished products	3,095	3,593	26,453
Work-in-process	17,248	15,183	147,419
Materials and supplies	1,303	1,174	11,137
Total	¥23,564	¥21,392	$201,402

5. Impairment of Fixed Assets

As discussed in Note 2 g, the Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets. Impairment loss of fixed assets for the year ended March 31, 2006 consisted of the following.

Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Numazu city, Shizuoka Prefecture	Business asset	Land	¥250	$2,137

The Company and its consolidated subsidiaries have grouped their fixed assets principally based on their divisions or business units. Certain consolidated subsidiaries reduced the book value of above assets to the recoverable amounts because their market value had come down in price and their profitability had worsened.

Recoverable amounts are stated in net realizable values based on assessments by third-party licensed appraisers.

6. Short-Term Borrowings, Long-Term Debt and Commercial Paper

Short-term borrowings are bank loans and represented by notes. The weighted average interest rate was 0.8% as of March 31, 2006 and 1.0% as of March 31, 2005, respectively.

Long-term debt and commercial paper as of March 31, 2006 and 2005 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
0.4% to 2.8% loans from banks and insurance companies	¥19,467	¥21,236	$166,386
Less: Current portion	(6,293)	(4,726)	(53,786)
Total	¥13,174	¥16,510	$112,598
Commercial paper, bearing interest rates of 0.3%	¥10,000	–	$85,470

The annual maturities of long-term debts as of March 31, 2006 were as follows.

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2007	¥6,293	$53,786
2008	1,232	10,530
2009	1,476	12,615
2010	1,362	11,641
2011	862	7,368
2012 and thereafter	8,242	70,444

7. Pledged Assets

The following assets were pledged as collateral as of March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Land	¥1,479	¥1,479	$12,641
Investment securities	31	16	265
Construction in progress	8,121	531	69,410
Total	¥9,631	¥2,026	$82,316

Investment securities of ¥1 million ($9 thousand) were pledged as collateral for borrowing from financial institutions by an affiliate.

Obligation with collateral pledged as of March 31, 2005 and 2006 was as follows.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Long-term debt	¥8,400	¥8,400	$71,795

8. Employees' Severance and Pension Benefits

The Company and its consolidated subsidiaries adopted the accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligation	¥50,311	¥48,710	$430,009
Unrecognized prior service costs	3,743	4,203	31,991
Unrecognized actuarial differences	(2,831)	(4,713)	(24,197)
Less fair value of pension assets	(20,892)	(15,882)	(178,564)
Less unrecognized net transition obligation	(15,273)	(16,971)	(130,538)
Liability for severance and retirement benefits	¥15,058	¥15,347	$128,701

1. On October 1, 2004, the Company and some domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to transfer of the substitutional portion of the benefit obligation and related pension plan assets funded in previous years, and on March 16, 2005, transferred the related portion of the liability reserves to the Japanese government. As a result, the Company and some domestic consolidated subsidiaries recognized a gain of ¥825 million for the year ended March 31, 2005 as the difference between the estimated amount of the transfer and the actual balance transferred.

2. The Company introduced a new performance-based retirement benefit plan, and revised its retirement allowance rules on October 1, 2005.
   As a result of this revision, the projected benefit obligation decreased by ¥2,114 million and prior service costs have occurred in the same amount.

3. The prior service costs have been incurred due to the change in the MEIDENSHA employee's pension fund agreement in the year ended March 31, 2004.
   Included in the consolidated statements of income for the years ended March 31, 2006, 2005 and 2004 are severance and retirement benefit expenses comprising the following:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Service costs - benefits earned during the year	**¥2,266**	¥2,422	¥3,202	**$19,368**
Interest cost on projected benefit obligation	**1,174**	1,187	1,665	**10,034**
Expected return on plan assets	**(239)**	(181)	(236)	**(2,043)**
Amortization of prior service costs	**(460)**	(354)	(41)	**(3,932)**
Amortization of net transition obligation	**1,698**	1,698	1,930	**14,513**
Amortization of actuarial differences	**395**	373	857	**3,376**
Employee's contribution	**—**	—	(244)	**—**
Severance and retirement benefit expenses	**¥4,834**	¥5,145	¥7,133	**$41,316**

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.7% and 2.0% for 2006, 2005, and 2004, respectively.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized as an expense in equal amounts over 10 years, and actuarial gains/losses are recognized in the statement of income using the straight-line method over 12 to 15 years for 2006 and 2005, and over 13 to 15 years for 2004, respectively.

9. Shareholders' Equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Commercial Code, certain amounts of retained earnings equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code.

10. Contingent Liabilities

Contingent liabilities as of March 31, 2006, were as follows.

	Millions of yen	Thousands of U.S. dollars
Repurchase of trade notes receivables discounted and endorsed	¥376	$3,214
Guarantees of loans from banks to employees and unconsolidated subsidiaries and affiliates	551	4,709

11. Lease Information:

(1) Finance leases, which do not transfer ownership of properties to lessees, are not capitalized and are accounted for in the same manner as operating leases. Certain related information are summarized as follows:

(i) Assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value as of March 31, 2006 and 2005, are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Assumed acquisition cost			
Machinery and equipment	**¥186**	¥171	**$1,590**
Others	**1,242**	1,237	**10,615**
Accumulated depreciation	**(953)**	(709)	**(8,145)**
	¥475	¥699	**$4,060**

(ii) Future minimum lease payments, inclusive of interest, as of March 31, 2006 totaled ¥475 million ($4,060 thousand), including ¥180 million ($1,538 thousand) due within one year.

(iii) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2006, 2005 and 2004, were ¥294 million ($2,513 thousand), ¥523 million and ¥511 million, respectively.

(iv) Assumed depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

(2) Lease contracts receivable under non-cancelable operating leases as lessor as of March 31, 2006 totaled ¥388 million ($3,316 thousand), including ¥268 million ($2,291 thousand) due within one year.

12. Research and Development Expenses

Research and development expenses are charged to income as incurred. The amounts charged to income for the years ended March 31, 2006, 2005 and 2004 were ¥5,494 million ($46,957 thousand), ¥6,186 million, and ¥6,794 million, respectively.

13. Segment Information

Industry segments:

The Company and its consolidated subsidiaries operate principally in four industrial sectors: Social Infrastructure Systems, Industrial Systems, Engineering and Other sectors.

The business organization was changed in years ended March 31, 2005 to bring it in line with changes in the business environment, and the method of identifying business segments was changed as follows in order to reflect actual business practices in more appropriate segments:

- The former Energy and Environment segments were combined into Social Infrastructure Systems.
- The former Info and Communications and Industrial Systems were combined into Industrial Systems.
- Engineering, formerly included under Others, has been separated for segment disclosure.

Information by industry segments for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen						
Year ended March 31, 2006	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥98,044	¥50,503	¥20,359	¥14,841	¥183,747	¥—	¥183,747
Inter-segment	4,804	7,942	251	8,979	21,976	(21,976)	—
Total	102,848	58,445	20,610	23,820	205,723	(21,976)	183,747
Operating expenses	98,609	57,644	19,082	23,465	198,800	(21,551)	177,249
Operating income (loss)	¥4,239	¥802	¥1,528	¥354	¥6,923	¥(425)	¥6,498
Identifiable assets	¥69,053	¥46,978	¥12,441	¥5,926	¥134,398	¥66,876	¥201,274
Depreciation and amortization	1,439	803	332	173	2,747	1,125	3,872
Capital expenditures	5,404	518	305	298	6,525	10,554	17,079

Year ended March 31, 2005	Millions of yen						
	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥91,300	¥63,724	¥15,898	¥14,520	¥185,442	¥—	¥185,442
Inter-segment	5,662	7,388	294	8,523	21,867	(21,867)	—
Total	**96,962**	**71,112**	**16,192**	**23,043**	**207,309**	**(21,867)**	**185,442**
Operating expenses	92,647	68,597	15,219	22,141	198,604	(20,973)	177,631
Operating income (loss)	¥4,315	¥2,515	¥973	¥902	¥8,705	¥(894)	¥7,811
Identifiable assets	¥62,254	¥49,161	¥12,282	¥1,382	¥125,079	¥55,516	¥180,595
Depreciation and amortization	1,528	980	342	172	3,022	884	3,906
Capital expenditures	1,101	1,351	315	107	2,874	3,488	6,362

Year ended March 31, 2004	Millions of yen						
	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥96,734	¥54,058	¥15,439	¥15,330	¥181,560	¥—	¥181,560
Inter-segment	6,618	11,560	254	7,841	26,275	(26,275)	—
Total	**103,352**	**65,618**	**15,693**	**23,171**	**207,835**	**(26,275)**	**181,560**
Operating expenses	97,206	65,642	15,276	22,425	200,550	(24,295)	176,255
Operating income (loss)	¥6,146	¥(24)	¥417	¥746	¥7,285	¥(1,980)	¥5,305
Identifiable assets	¥62,398	¥52,779	¥14,011	¥5,164	¥134,351	¥59,812	¥194,163
Depreciation and amortization	1,673	1,100	363	163	3,299	963	4,262
Capital expenditures	1,714	892	274	132	3,012	1,705	4,717

Year ended March 31, 2006	Thousands of U.S. dollars						
	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	$837,983	$431,650	$174,009	$126,845	$1,570,487	$—	$1,570,487
Inter-segment	41,060	67,880	2,145	76,744	187,829	(187,829)	—
Total	**879,043**	**499,530**	**176,154**	**203,589**	**1,758,316**	**(187,829)**	**1,570,487**
Operating expenses	842,812	492,684	163,094	200,555	1,699,145	(184,196)	1,514,949
Operating income (loss)	$36,231	$6,855	$13,060	$3,025	$59,171	$(3,633)	$55,538
Identifiable assets	$590,197	$401,521	$106,333	$50,650	$1,148,701	$571,590	$1,720,291
Depreciation and amortization	12,299	6,863	2,838	1,479	23,479	9,615	33,094
Capital expenditures	46,188	4,427	2,607	2,547	55,769	90,205	145,974

Information by geographic area is not disclosed due to the Company and its consolidated subsidiaries substantially in Japan, which represents more than 90% of consolidated net sales and identifiable assets, respectively. Overseas sales information is not disclosed due to overseas sales being less than 10% of consolidated net sales.

14. Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which in aggregate, resulted in normal statutory tax rates of approximately 39.69%, 39.69% and 42.69% for the years ended March 31, 2006, 2005 and 2004, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2006, 2005 and 2004.

	2006	2005	2004
Statutory tax rate	39.69%	39.69%	42.69%
Permanent difference (Social expenses, etc.)	(3.68)	(7.68)	6.06
Per capital inhabitant tax	2.67	1.01	2.61
Net changes in valuation allowance	(18.46)	7.86	(31.20)
Decrease (increase) in deferred tax assets due to the change of statutory tax rate	—	—	6.65
Decrease in net operating loss carry forwards of subsidiaries due to adoption of consolidated tax return system	—	—	9.32
Equity in net loss of affiliated companies	2.65	6.31	—
Other-net	(1.60)	1.93	0.16
Effective tax rate	21.27%	49.12%	36.29%

Significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2006 and 2005 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Net operating loss carry forwards	¥438	¥1,826	$3,744
Allowance for retirement benefits	5,471	5,472	46,761
Unrecognized intercompany profit	—	132	—
Bonuses	1,829	1,681	15,632
Other	3,730	3,733	31,880
Gross deferred tax assets	11,468	12,844	98,017
Less: Valuation allowance	(1,107)	(1,905)	(9,461)
	10,361	10,939	88,556
Deferred tax liabilities:			
Deferred gain on sales of property for tax purpose	3,215	3,215	27,479
Unrealized holding gains on securities	7,094	3,568	60,632
Deferred gain from division of corporation	1,131	1,132	9,667
Other	1	0	9
Gross deferred tax liabilities	11,441	7,915	97,787
Net deferred tax assets	¥(1,080)	¥3,024	$(9,231)

15. Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and time deposits	¥9,981	¥10,892	$85,308
Short-term securities	100	152	854
Cash and cash equivalents	¥10,081	¥11,044	$86,162

16. Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen			
Year ended March 31, 2006	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	¥6,713	¥—	¥2,287	¥—
Japan Motor & Generator Co., Ltd.	6,715	—	2,963	—

	Millions of yen			
Year ended March 31, 2005	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	¥6,836	¥458	¥3,299	¥62
Japan Motor & Generator Co., Ltd.	6,833	6,134	2,211	2,079

	Millions of yen			
Year ended March 31, 2004	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	¥6,936	¥258	¥3,336	¥85
Japan Motor & Generator Co., Ltd.	5,541	5,040	2,026	1,693

	Thousands of U.S. dollars			
Year ended March 31, 2006	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	$57,376	$—	$19,547	$—
Japan Motor & Generator Co., Ltd.	57,393	—	25,325	—

Independent Auditors' Report

To the Board of Directors of MEIDENSHA CORPORATION:

We have audited the accompanying consolidated balance sheets of MEIDENSHA CORPORATION and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MEIDENSHA CORPORATION and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31,2006, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attendion to the following.

(1) As discussed in Note 13 to the consolidated financial statement, effective April 1 2004, MEIDENSHA CORPORATION and its consolidated subsidiaries changed the business segments.

(2) As discussed in Note 2 to the consolidated financial statement, effective April 1 2005, MEIDENSHA CORPORATION and its consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 23, 2006

KPMG AZSA & Co.

OVERSEAS AFFILIATES (AS OF JULY, 2006)

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  Facsimile: 248-305-9904

CONSOLIDATED SUBSIDIARY COMPANIES

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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 Electric Mfg. Co., Ltd.
Capital ¥200 million
Manufacture and sales of electric motors
825 Nakadate, Chuo-shi,
Yamanashi 490-3801 Japan
Phone: 55-274-7054 Fax: 55-274-7996

Meiden Plant Engineering & Construction Co., Ltd.
Capital ¥130 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 varnish and molded instrument transformer
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 55-923-0238 Fax: 55-923-0886

Meiden Kohsan Co., Ltd.
Capital ¥100 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 ¥90 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 plants
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6500 Fax: 3-5487-6516

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: 3-3716-3793 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
127, Nishishinmachi,
Oota-shi, Gunma 373-0847 Japan
Phone: 276-20-6371 Fax: 276-32-7999

MEIDEN MEDIAFRONT CORPORATION
Capital ¥40 million
Printing and copy service
Maruki Building, 13-7, Nishigotanda
1-chome, Shinagawa-ku,
Tokyo 141-0031 Japan
Phone: 3-3490-4767 Fax: 3-3779-3083

Meiden Sheet Metal Products Corporation
Capital ¥90 million
Manufacture and sales of sheet metal
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 559-29-5541 Fax: 559-29-5566

MEIDEN HOIST SYSTEM COMPANY, LTD.
Capital ¥400 million
Manufacture and sales of hoists
496-1, Ittangosewari, Nishibiwajima-cho,
Kiyosu-shi, Aichi 452-8602 Japan
Phone: 52-501-3211 Fax: 52-501-3277

MSA Co., Ltd.
Capital ¥400 million
Manufacture and sales of surge arresters
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 559-29-4300 Fax: 559-29-4399

❖ **MEIDEN SINGAPORE PTE. LTD.**
Capital S$10 million
Manufacture and sales of transformers, switchgears and circuit-breakers and related engineering and constructing service

❖ **THAI MEIDENSHA CO., LTD.**
Capital TB10 million
Engineering and constructing service

❖ **MEIDEN ELECTRIC (THAILAND) LTD.**
Capital TB70 million
Manufacture and sales of switchgears

❖ **P.T.MEIDEN ENGINEERING INDONESIA**
Capital US$320 thousand
Engineering and constructing service

❖ **MEIDEN EUROPE LTD.**
Capital £750 thousand
Sales of electric products and components

❖ **MEIDEN PACIFIC (CHINA) LTD.**
Capital HK$10 million
Sales of electric products and components, and constructing service

❖ **MEIDEN AMERICA, Inc.**
Capital US$300 thousand
Sales of dynamometer products and engineering and consulting services

❖ **SHANGHAI MEIDEN SEMICONDUCTOR Co., Ltd.**
Capital ¥280 million
Remanufacturing and engineering services of semiconductor manufacturing devices

Plus 7 domestic subsidiaries.

❖ Please see page 36-37 to find contact information for overseas affiliates.

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

Authorized	576,000,000 shares
Issued	227,637,704 shares

¥17,070 million
($161,038 thousand)

SHAREHOLDERS

19,944

TRANSFER AGENT

The Sumitomo Trust & Banking
Co., Ltd.

BOARD OF DIRECTORS

(AS OF JUNE 23, 2006)

PRESIDENT
Keiji Kataoka

EXECUTIVE VICE PRESIDENT
Masaaki Kato

EXECUTIVE VICE PRESIDENT
Kennosuke Goto

DIRECTOR AND SENIOR MANAGING EXECUTIVE OFFICER

Kosuke Sato
Hiroshi Sugiyama
Ken Torikai
Noriyasu Nagai

DIRECTORS

Tetsuro Kawakami
Shigeo Matsumoto

SENIOR CORPORATE AUDITORS

Tadashi Sanada
Kazuo Hosoya

CORPORATE AUDITORS

Masayuki Tsubonoya
Nobuyuki Watanabe

MEIDEN

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