anniversary 110th

MEIDEN

ANNUAL REPORT 2007

For the year ended March 31, 2007

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.

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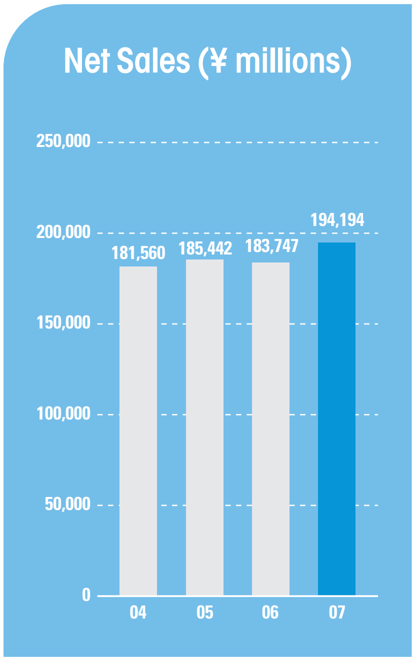
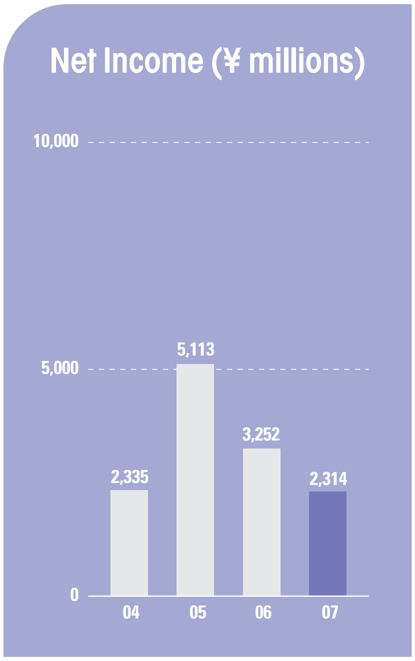
FINANCIAL HIGHLIGHTS

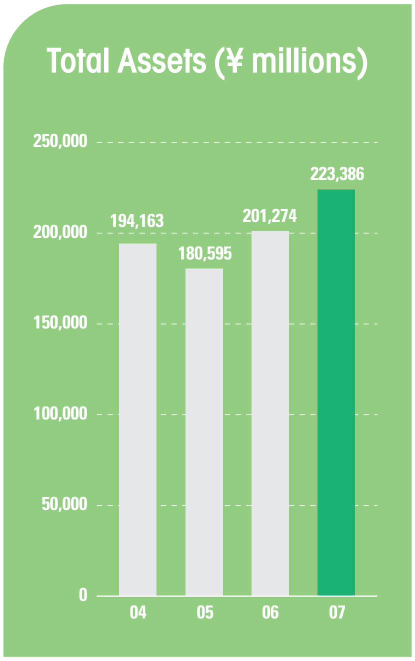
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Net Sales	¥194,194	¥183,747	¥185,442	$1,645,712
Net Income	2,314	3,252	5,113	19,610
Net Income Per Share (yen, U.S. dollars)	10.18	14.12	22.33	0.09
Cash Dividends Paid	1,137	909	682	9,635
Total Assets	223,386	201,274	180,595	1,893,102
Number of Employees	6,775	6,561	6,662	—

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 ¥118 = U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2007. See Note 1 to Consolidated Financial Statements.







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 of 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 2006, the Japanese economy showed solid continuous growth due to business capital investment and personal consumption and economic growth against the background of corporate profitability increase and job situation improvement.

In the Heavy Electrical Industry Market in Japan, the market suffered a further decline in demand and a lowering of market prices due to several factors, including a curb in public sector capital investment. The Company faced a very challenging market situation.

Under these economic circumstances, the Company made vigorous across-the-board efforts to boost sales. Sales for fiscal 2006 totaled 194,193 million yen (consolidated basis); 5.79% up 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 4,934 million yen (consolidated basis), and net income for the year came to 2,313 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 technologies and drive application technology from the experiences 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 recent oil price hikes. We are putting our management resources into new business and product development. One example is that we built a new Electric Double Layer Capacitor (EDLC) factory at Meiden Numazu Works, Numazu City, Shizuoka Prefecture, in March 2006. We are enhancing the factory to produce a large volume of EDLC and are working hard to develop various EDLC applications. Another is our alliance with Siemens Power Generation Corporation (SPGC), a company based in Orlando, Florida, U.S. We are developing a Solid Oxide Fuel Cell (SOFC) system using the SPGC SOFC unit for the Japanese Market, which could see a market release of the SOFC system in a few years.

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 built in Hangzhou, China, which began production in November 2006, as a measure for reinforcing our motor and drive business. For the North American auto market, we established a new company in the Greater Detroit Area, Michigan. This company will engage in the contract research service for car and component development and we are aiming for service commencement in January 2008.

To improve productivity through cost reductions and business process streamlining, we intend to promote and strengthen existing alliances, such as our joint ventures with Hitachi, Ltd., and Fuji Electric Systems Co., Ltd., and with ABB Ltd. of Switzerland. In April 2006, as a realignment of our motor business, we established a new motor business company jointly with our sister company. This company is called Kofu Meidensha Electric Mfg. Co., Ltd., a company registered in Chuo City, Yamanashi Prefecture. Through these activities, we are working hard to improve profitability.

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 (3) fronts: Technology, Human Resources and Business Value. The Meiden Group aims to become a company with an excellent corporate reputation 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 strong businesses and products stronger. We will develop and promote 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 of the Value Up Plan, the Meiden Group will be able to address to the management climate changes in a flexible and fast 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.

K. Kataoka

Keiji Kataoka, President

TOPIC 1

Osaki Area Development: The ThinkPark Project

ThinkPark to open in October 2007.

The Company is realizing a zone development project called "ThinkPark" in the West Exit area of JR Osaki Station in Shinagawa City, Tokyo. The main building is a 30-story business and commercial building that has another two stories underground. The other is a 15-story building that will hold a business hotel and fitness club. Both buildings are in the final stage of construction work and will be completed in late summer of 2007. The official opening of "ThinkPark" is scheduled for October 2007. "ThinkPark" is a business complex with due design consideration given to the best technology and the future needs of our tenants.

ThinkPark Tower, ThinkPark Plaza, and "Osaki Forest"

This development is a joint project by Meidensha Corporation and World Trade Center Building, Inc., a Tokyo-based company.

ThinkPark Tower is a 30-story office building in the prestigious location of the upper Yamanote district in Tokyo, with advanced zone development made possible under a zoning permit for large-scale urban development areas. The 1st and 2nd floors will comprise ThinkPark Plaza, with shops and restaurants buzzing with the excitement found in a busy metropolitan downtown area.

Osaki Forest, which is a spacious open zone inside the ThinkPark Zone, is a public space where people can gather for casual conversation, social exchanges, relaxation, exercise, and so on.

Hotel and Fitness Club

ThinkPark also has a full-scale business hotel and fitness club.

The hotel is a highly reputed business hotel of a Daiwa Roynet Hotels chain, which is famous for its comfort and quality.

It 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, a gym, and a studio, taking up a space of approximately 3,000 m^2. With a wide range of activities to offer, this will be a full-fledged fitness and relaxation club.

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

TOPIC 2

Memorial Events for the 110th Anniversary

As an expression of appreciation for the local community, we will hold "Meet the Music Sessions" and "Handicraft Sessions."

This year marks the 110th year of our Company. As an expression of special thanks to the local community that supported our Company, we plan to hold a number of special memorial events.

Beginning with Hosui Elementary School, which has a special historical relation with the Company, we will hold several "Meet the Music Sessions" and "Handicraft Sessions" for elementary and junior high schools in Shinagawa City, Tokyo, from April to November 2007, in close cooperation with the Shinagawa City Board of Education.

Our relationship with Shinagawa City, Tokyo

Osaki, in Shinagawa City, Tokyo, is a place associated with the Company's history, from its founding to the present.

The Company was founded by Mr. Shigemune Hosui in 1897. In 1913, the Company opened its Osaki factory. Until the end of the 1980s, Osaki served as a production base for generators, motors, transformers, and our other core products.

The Company subsequently built new plants in Numazu City in Shizuoka Prefecture, in Ohta City in Gunma Prefecture, and in other locations, to keep up with vigorous demand. Osaki's presence as a production base was weakened. In 1993, however, the Meiden R&D Center was completed there, and this autumn, ThinkPark will be born there as a business complex, incorporating the latest technology and taking into account the future needs of our tenants. At the same time, Osaki will once again become the real head office of the Company.

Meiden "Meet the Music Session"

The students will experience live performances by professionals, allowing them to learn the joys of music.

We asked the Tokyo Metropolitan Symphony Orchestra to perform.

One of the following music groups will visit the schools: String Quartet, Brass Quintet, or Woodwind Quintet.

Meiden "Handicraft Sessions"

The main objectives are: to provide the kids with hands-on experience in making products themselves and allow them to experience the fun of handicrafts work.

With the cooperation of CoreNet (Co-Operation Program of Retired Executives Network), which is a non-profit organization, the children will make a motor-based small vehicle using the Scroller handicraft kit.

Aside from Shinagawa City, the Company will hold other memorial events in other communities with key production units. These are: Ohta City, in Gunma Prefecture, Numazu City in Shizuoka Prefecture, Kiyosu City in Aichi Prefecture, and Chuo City in Yamanashi Prefecture. We plan to organize memorial events, including concerts, and support local cultural activities to express our special thanks to the people in each community.

* Hosui Elementary School has a distinguished history. It was established in 1918, financed solely by Mrs. Take Shigemune, the Company's second president and the wife of the Company's founder (Mr. Hosui Shigemune). She personally donated the school to Shinagawa City to fulfill the wishes of her husband.

OPERATING PERFORMANCE HIGHLIGHTS

Social Infrastructure Systems Business Sector

In the Power, Railways & Private Sector Business Segment, we continued efforts to increase the sales of Electric Double Layer Capacitor (EDLC) applied products. The current EDLC production capacity at the factory is 15,000 units per year. As an EDLC-applied product, we received our first order for our regenerative power storage system in fiscal year 2006. In the Wind Power Business, we completed a total 25.5 MW wind farm project, the Hachiryu Wind Farm in Akita Prefecture, and started commercial operation, supplying power to Tohoku Electric Power Co., Inc. from October 2006.

In the Environmental Engineering Segment, we continued efforts to increase orders for water treatment facility renovation projects. We also promoted the business growth of operation and maintenance services business for water processing facilities. In addition to our conventional business of facility management outsourcing services, we received an order for broad business process outsourcing ("BPO") service from the local government water utilities by forming a joint venture with other partners for an advanced BPO business.

In the International Business Segment, we continued efforts to enhance the overseas production units to improve production capacity and service quality. During fiscal year 2006, we completed a new transformer factory at Meiden Singapore Pte. Ltd. to produce 100 MVA class transformers, and started commercial operation.

Electric Double Layer Capacitor

Hachiryu Wind Farm

Meiden Singapore

BPO service

Industrial Systems Business Sector

In the Information and Communication Business Segment, we continued efforts to drive the sales of industrial computer and controller, vacuum capacitors and pulse power generators, etc. which are our key products in this business segment.

During fiscal year 2006, we achieved a growth in orders for these products due to the steady growth of the semiconductor manufacturing machinery industry.

In the Motor Drive Application Business Segment, we achieved good order growth of motor drive systems for electric forklifts due to increased interest in its eco-friendly feature. In order to meet demand, we established a new company called

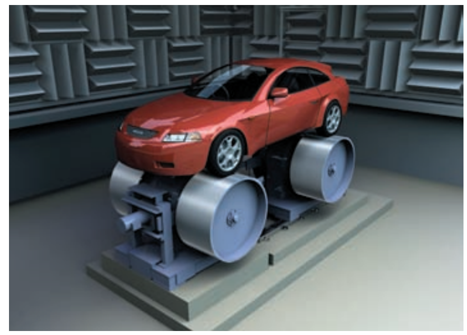
Industrial controller

Kofu Meidensha Electric Mfg. Co., Ltd., registered in Chuo City, Yamanashi Prefecture, in April 2006 by merging with our subsidiary company as a part of our consolidation program for the motor drive business unit. We also constructed a motor manufacturing factory in Hangzhou City, China, as Meiden Hangzhou Drive Systems Co., Ltd. The factory commenced production in November 2006.

In the Dynamometer System Business Segment, we achieved order and revenue growth due to the active R & D spending of the auto industry.

Vacuum capacitors

Hangzhou factory



Dynamometer system

Engineering System Business Sector

In the Maintenance Service and Facility Management Service Segment, we continued efforts to drive the growth of the service business to meet the need for energy savings demand caused by the rising eco-consciousness of our customers.

We reinforced servicing capability to meet the growth of demand for maintenance service due to the solid growth of service demand in the Japanese Market and due to the economic growth of the East Asian Region. We achieved order growth by outsourcing service of maintenance work; by extending facility product life through lifecycle engineering; and by diagnostic service of facilities in the environmental engineering sector, etc. The maintenance and repair service for wind power facilities became our new key service offering.

In the area of Maintenance Service for semiconductor manufacturing equipment, we increased the scope of service for servicing items, we continued efforts to develop the business process outsourcing service for the maintenance work of the total semiconductor production line of the device manufacturing companies, etc.

We aim to drive the growth of the service business.

Rotary machine insulation diagnostic van

Semiconductor

Other Business Sectors

Other Meiden Group businesses and companies include the marketing companies, which cover a vast array of business areas, the welfare program service for Meiden Group associates, and business process outsourcing service on accounting work. Orders and revenue remained steady for all these business sectors.

OVERSEAS OPERATIONS

During fiscal year 2006, the global economy achieved solid economic growth, led by surging Chinese and Indian economies and the growth of industrial and emerging-market countries. In the United States, the growth rate slowed to around the 2% level due to a weakness in the housing sector and the volatility of oil prices. China's economy grew, driven by a growth in exports, at the rate of more than 9%.

The East Asian economy, which is Meidensha Corporation's major market, posted a growth of around 6% in fiscal 2006. Singapore in particular showed a strong performance of around 7%, despite the negative impact of the rise in world oil prices.

In the US power sector, there was a 4.6% increase in total net power generation due to an increase in coal-fired plants, nuclear power and wind power.

In the automotive market in the US, which has a large impact on our dynamometer systems sales, the industry showed a sales decline in pickup trucks, sport-utility vehicles and minivans, which was influenced by a shift in buyer preference toward smaller, more fuel-efficient vehicles. US auto sales in fiscal year 2006 totaled 16.3 million vehicles.

The major products ordered in fiscal year 2006 were as follows:

In the field of substations, we received orders for substations for Rabigh Refining & Petrochemical Company, which is a joint venture between Saudi Arabian Oil Co. ("Saudi Aramco") and Sumitomo Chemical Co., Ltd., for the development of an integrated refinery and petrochemicals complex in Saudi Arabia. We also received orders for mobile substations for the Middle East.

In the field of electric railroad substations, we received an order for a traction substation for Dubai Municipality Headquarters, U.A.E.

In the power generation field, we received an order for a 10 MW biomass power generation plant (using waste coconut shells as a resource) for the Seguntor Bioenergy Power Plant Project in Malaysia and for a 10 MW biomass power generation plant (using empty fruit bunches (EFB) as a resource) for the Kina Biopower Power Plant Project in Malaysia. We also received orders for diesel generating systems for the Middle East.

In the Asia-Pacific automotive market (outside Japan), an Asian automaker placed orders for transmission testers. We also received orders for test systems for a Japanese automaker's technical center and its factory in Asia.

The Major products manufactured and shipped during fiscal year 2006 were as follows:

In the field of electric railroad substations, we shipped and installed traction substations for the Dubai Metro Project, U.A.E.

In the dynamometer field in North America, we supplied and installed several test systems for engine transmissions and engine benches for several Japanese automakers' factories.

In the Asia-Pacific automotive market (outside Japan), we supplied and installed a transmission tester to Seoul National University. We also shipped and supplied test systems for one Japanese and several Asian automakers for their technical centers and factories in Asia.

In the field of power generation, we shipped and installed a 9.9 MW biomass power generation plant (using rice husks as a resource) for the Surat Thani Green Energy Co., Ltd., in Thailand.

Other noteworthy events in our overseas operations included a celebration of our anniversary year and ceremonial parties for Thai Meidensha Co., Ltd. (40th anniversary ceremony in Bangkok in August 2006) and P.T. Meiden Engineering Indonesia (15th anniversary ceremony in Jakarta in December 2006.) These events were attended by representatives from key accounts, partners, their associates and Meiden Group Company representatives.

There were new factory opening ceremonies for Meiden Singapore Pte. Ltd. in September 2006 (for a new 100 MW class transformer factory) and for Meiden Hangzhou Drive Systems Co., Ltd. in Hangzhou City, China, in November 2006 (for a new motor manufacturing factory.)

R & D HIGHLIGHTS

Social Infrastructure Systems Business Sector

Energy Business Segment

We are constantly enhancing the technologies used in our high-quality power supply products to meet the needs of our customers. We have developed an Electric Double Layer Capacitor (EDLC) applied power network stabilizing system and a 10 MW Class large capacity dynamic voltage compensator. In fiscal year 2006, we made a number of innovations and advances in Microgrid-related technologies. The Microgrid System can stabilize the power supply in a given Microgrid. This system can effectively utilize the power generated by several different energy sources. Our innovations include: programs to optimize power source facility planning and operation modes and to develop the Microgrid control system to realize islanding operation within the Microgrid power network.

We have developed the world's first 72kV-class vacuum circuit breaker to be free of SF_6 gas. SF_6 gas is considered a greenhouse gas.

Environmental Engineering Business Segment

Water quality control in water processing is our core technology. On top of that, we added technologies relating to operation, facility maintenance, design and engineering. Drawing on these engineering resources, we developed a solutions business for the water utilities segment.

We are constantly developing technologies for membrane-based water treatment systems for water supply and sewage plants and technologies for advanced processing for removal of nitrogen and phosphorus from sewage water.

Industrial Systems Business Sector

Information and Communications Business Segment

With good sales, we are constantly improving the pulse power generator and vacuum condenser for the semiconductor manufacturing industry in terms of its performance and reliability.

We are also enhancing our product portfolio: (1) for application software to smoothly operate the semiconductor manufacturing system and (2) for an industrial controller to be pre-installed in the semiconductor manufacturing system. We are aiming to drive sales growth.

Motor Drive Application Business Segment

We are focusing innovations on the development of a highly efficient, energy-saving compact permanent magnet synchronous motor. Combining this motor with the inverter, we are developing variable speed systems for elevator and forklift applications.

Dynamometer Systems Business Segment

We are constantly developing our various dynamometer-based testing systems for the auto industry, for applied technology development or other application needs. Our efforts at innovation include: development of an engine bench to simulate a real-life exhaust piping layout (whose simulation-based layout evaluation was difficult using conventional technology) and the development of a drivetrain bench using an engine-simulating motor that can duplicate engine-like performance behavior.

Engineering System Business Sector

We are constantly developing our diagnostic technology so that we can understand and detect the deterioration condition of electrical facilities while power is being supplied. Our development is addressing the need to reduce facility management costs for electrical systems and extend product life. With these innovations, we are enhancing our (product) lifecycle engineering service.

Environmental Performance

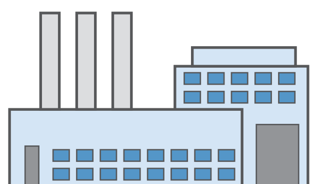
Energy
- Electric Power 5,250 MWh
- Fuel Oil 2,240 kL
- Fuel Gas 2,003 km^3

Water
- City Water 78 kt
- Industrial Water 103 kt
- Ground Water 1,288 kt

Chemical Substances
- PRTR (Excluding VOC) 171 t
- VOC 457 t

Greenhouse Gases
- SF_6 795 kg

Meiden Group



Discharge into Public Waters
- Waste Water 1,235 kt
- BOD 5,731 kg

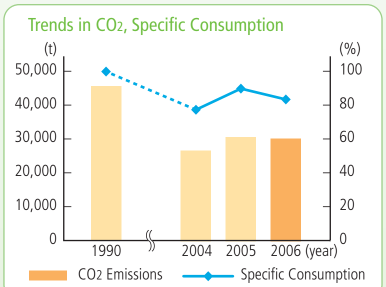
Emissions to Air
- CO_2 30,440 t-CO_2
- VOC 85 t
- SF_6 617 kg

Transportation
- Weight of Product 41,012 t
- Transportation CO_2 1,235 t-CO_2

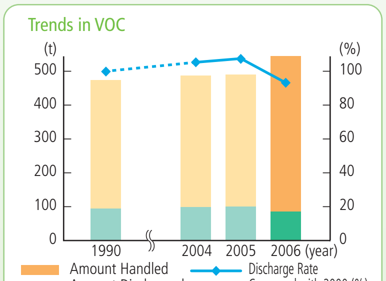
Waste
- Emissions 9,719 t
- Recycled 9,395 t

PRTR: Pollutant Release and Transfer Register
VOC: Volatile Organic Compounds

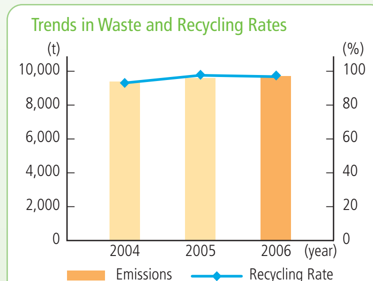
Trends in CO_2, Specific Consumption



Trends in VOC



Trends in Waste and Recycling Rates



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CONSOLIDATED FINANCIAL REVIEW

Outline of Profits and Losses

During this consolidated fiscal year, the Japanese economy showed further expansion of corporate profits and improvement in the job situation. Against this backdrop, capital investment and consumer spending grew, exports also increased, and the continuing economic recovery was steady.

On the other hand, the heavy electric industry experienced further decrease in demand and drop in prices because of diminishing public investment and related factors. The industry therefore continues to face an extremely challenging business climate.

Under these economic circumstances, the Company and consolidated subsidiaries have made a sustained sales effort, yielding major increases in the Industrial Systems Business Sector. The result was that sales rose 5.7% over the fiscal year to 194,194 million yen.

We made group-wide-effort to reduce costs and cut expenses however, influenced by declining prices and other factors, income before tax and minority interests declined by 612 million yen over the previous fiscal year to 4,935 million yen. Net income for the year declined by 938 million yen to 2,314 million yen.

Financial Conditions

Total assets at the end of March 2007 amounted to 223,386 million yen, an increase of 22,112 million yen. As a result of increased receivables and inventories, current assets stood at 116,229 million yen, an increase of 6,347 million yen. Property, plant and equipment amounted to 61,523 million yen, an increase of 15,022 million yen. Total current liabilities amounted to 112,901 million yen, an increase of 8,143 million yen, and net assets stood at 64,135 million yen, an increase of 3,718 million yen, compared to last year's shareholders' equity.

FIVE-YEAR SUMMARY

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31)

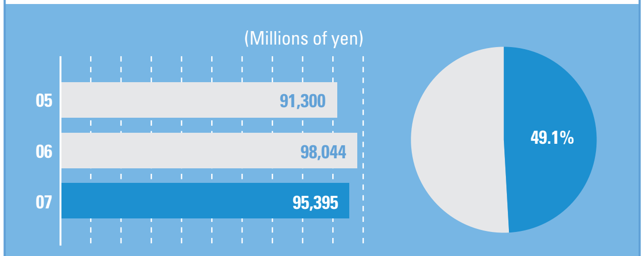
	Millions of yen				
	2007	2006	2005	2004	2003
Net sales	**¥194,194**	¥183,747	¥185,442	¥181,560	¥184,853
Net income (loss)	**2,314**	3,252	5,113	2,335	924
Net income (loss) per share (yen)	**10.18**	14.12	22.33	10.14	4.58
Cash dividends paid	**1,137**	909	682	–	–
Depreciation and amortization	**4,369**	3,872	3,906	4,262	4,921
Total assets	**223,386**	201,274	180,595	194,163	197,140
Net property, plant and equipment	**61,523**	46,501	35,838	43,215	40,406
Shareholders' equity per share (yen)	**272.20**	265.64	232.19	209.91	182.36

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.

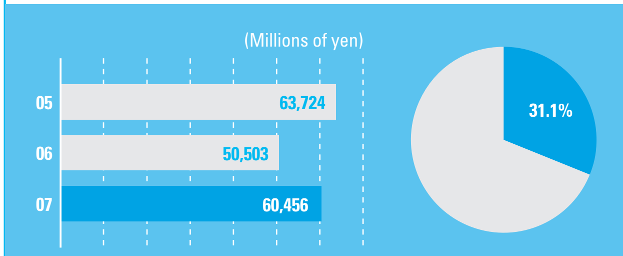
We are also involved in the field of water supply and sewerage treatment for local governments. Our activities include manufacturing and marketing products for the control of treatment equipment and processes of all kinds, and for the improvement of IT networks. We are further developing environmental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



Industrial Systems

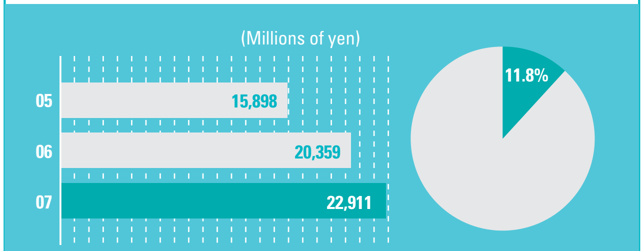
This segment includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations. In addition to providing private industry with power substations, motor vehicle testing systems, and logistics support systems, we engage in the manufacture 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.



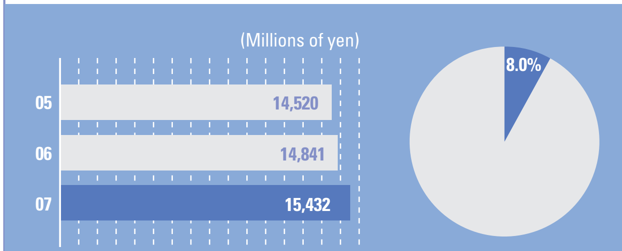
Engineering Systems

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, 2007 and 2006)

	Millions of yen		Thousands of U.S.dollars (Note1)
	2007	2006	2007
Assets			
Current assets:			
Cash and time deposits (Note 17)	¥5,452	¥9,981	$46,203
Short term securities (Notes 4 and 17)	34	237	288
Receivables:			
Trade notes (Note 3)	6 ,515	5,593	55,212
Trade accounts	65,284	58,099	553,254
Loans and advances	2,273	3,586	19,263
Due from unconsolidated subsidiaries and affiliates	1,584	1,976	13,424
Allowance for doubtful accounts	(955)	(926)	(8,093)
Inventories (Note 5)	29,679	23,564	251,517
Deferred income taxes (Note 16)	2,852	3,646	24,169
Other current assets	3,511	4,126	29,755
Total current assets	116,229	109,882	984,992
Property, plant and equipment:			
Land (Notes 6 and 9)	7,989	7,837	67,703
Buildings and structures	43,391	43,021	367,720
Machinery and equipment (Note 7)	53,121	55,698	450,178
Construction in progress (Note 9)	23,907	12,509	202,602
Less: Accumulated depreciation	(66,885)	(72,564)	(566,822)
Net property, plant and equipment	61,523	46,501	521,381
Investment and other assets:			
Investment securities (Notes 4 and 9)	27,602	26,823	233,915
Investments in unconsolidated subsidiaries and affiliates (Note 4)	9,216	9,436	78,102
Long-term loans	82	98	695
Deferred income taxes (Note 16)	45	40	381
Other assets	8,831	8,607	74,839
Allowance for doubtful accounts	(142)	(113)	(1,203)
Total investment and other assets	45,634	44,891	386,729
Total assets	¥223,386	¥201,274	$1,893,102

See accompanying notes.

	Millions of yen		Thousands of U.S.dollars (Note1)
	2007	2006	2007
Liabilities, minority interests and shareholders' equity/Net assets			
Current liabilities:			
Short-term borrowings (Note 8)	¥9,814	¥15,516	$83,169
Commercial paper (Note 8)	20,000	10,000	169,492
Current portion of long-term debt (Note 8)	1,519	6,293	12,873
Payables:			
Trade notes (Note 3)	11,059	10,338	93,720
Trade accounts	26,538	23,817	224,898
Due to unconsolidated subsidiaries and affiliates	5,921	6,058	50,178
Advances received from customers	9,976	11,556	84,542
Accrued income taxes	4,624	364	39,186
Accrued bonuses for employees	4,472	4,613	37,898
Other current liabilities	18,978	16,203	160,832
Total current liabilities	112,901	104,758	956,788
Long-term debt (Notes 8 and 9)	27,827	13,174	235,822
Employees' severance and retirement benefits (Note 10)	15,505	15,058	131,398
Reserve for retirement allowance for directors and corporate auditors	426	549	3,610
Deferred income taxes (Note 16)	1,721	4,766	14,585
Other long-term liabilities	871	604	7,382
Minority interests	—	1,948	—
Contingent liabilities (Note 12)			
Shareholders' equity (Note 2):			
Common stock			
Authorized –557,385,000 shares			
Issued and outstanding –227,637,704 shares	—	17,070	—
Capital surplus	—	13,204	—
Retained earnings	—	19,743	—
Net unrealized holding gains on securities	—	10,774	—
Foreign currency translation adjustment	—	(342)	—
Less: Treasury stock, at cost	—	(32)	—
Total shareholders' equity	—	60,417	—
Net assets (Notes 2 and 11)			
Common stock			
Authorized –576,000,000 shares			
Issued and outstanding –227,637,704 shares	17,070	—	144,661
Capital surplus	13,204	—	111,898
Retained earnings	20,681	—	175,263
Less:Treasury stock, at cost	(57)	—	(483)
Unrealized gains on securities, net of taxes	11,063	—	93,754
Unrealized losses on hedging derivatives, net of taxes	(37)	—	(314)
Foreign currency translation adjustment	(73)	—	(618)
Minority interests	2,284	—	19,356
Total net assets	64,135	—	543,517
Total liabilities, minority interest and shareholders' equity/net assets	¥223,386	¥201,274	$1,893,102

CONSOLIDATED STATEMENTS OF INCOME

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2007, 2006 and 2005)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2007	2006	2005	**2007**
Net sales (Note 15)	**¥194,194**	¥183,747	¥185,442	**$1,645,712**
Cost of sales (Notes 14 and 15)	**152,731**	141,776	142,617	**1,294,331**
Selling, general and administrative expenses (Notes 14 and 15)	**35,238**	35,473	35,014	**298,627**
Operating income	**6,225**	6,498	7,811	**52,754**
Other income (expenses):				
Interest and dividend income	**471**	382	417	**3,992**
Interest expense	**(606)**	(627)	(701)	**(5,136)**
Equity in net income (loss) of affiliated companies	**180**	(289)	(1,626)	**1,525**
Gains on sales of marketable securities and investment securities	**272**	579	5	**2,305**
Loss on devaluation of securities	**(127)**	(37)	(72)	**(1,076)**
Loss on disposal of inventories	**(100)**	(21)	(1,556)	**(847)**
Loss on disposal of fixed assets	**(337)**	(152)	(911)	**(2,856)**
Gain on sales of property,plant and equipment	**217**	3	12,080	**1,839**
Gains on the release from the substitutional portion of government Welfare Pension Insurance Scheme (Notes 2 and 10)	**—**	—	825	**—**
Development working expenses for the Osaki station west exit	**(93)**	(59)	(2,289)	**(788)**
Impairment loss of fixed assets (Note 6)	**—**	(250)	—	**—**
Others	**(1,167)**	(1,704)	(2,996)	**(9,890)**
Income before income taxes and minority interests	**4,935**	4,323	10,987	**41,822**
Income taxes (Note 16):				
Current	**1,325**	329	1,165	**11,229**
Past	**3,655**	—	—	**30,974**
Deferred	**(2,421)**	591	4,232	**(20,517)**
	2,559	920	5,397	**21,686**
Minority interests	**62**	151	477	**526**
Net income	**¥2,314**	¥3,252	¥5,113	**$19,610**

	Yen			U.S.dollars (Note1)
	2007	2006	2005	**2007**
Amounts per share of common stock (Note 2):				
Net income	**¥10.18**	¥14.12	¥22.33	**$0.09**
Cash dividends applicable to the year	**5.00**	5.00	4.00	**0.04**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/CHANGES IN NET ASSETS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2007, 2006 and 2005)

	Millions of yen							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of taxes	Net unrealized holding gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
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 earnings 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)**

	Millions of yen									
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustment	Minority interests	Total
Shareholders' equity at March 31, 2006 as previously reported	222,637,704	¥17,070	¥13,204	¥19,743	¥(32)	¥10,774	¥—	¥(342)	¥—	¥60,417
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006									1,948	1,948
Net assets at April 1, 2006	222,637,704	17,070	13,204	19,743	(32)	10,774	—	(342)	1,948	62,365
Net income				2,314						2,314
Cash dividends				(1,137)						(1,137)
Bonuses to directors and corporate auditors				(46)						(46)
Decrease in retained earnings due to addition of consolidated subsidiaries				(193)						(193)
Acquisition of treasury stock					(26)					(26)
Disposal of treasury stock			0		1					1
Net changes during the year						289	(37)	269	336	857
Balance at March 31, 2007	**222,637,704**	**17,070**	**13,204**	**20,681**	**(57)**	**11,063**	**(37)**	**(73)**	**2,284**	**64,135**

	Thousands of U.S.dollars (Note1)									
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustment	Minority interests	Total
Net assets at April 1, 2006	222,637,704	$144,661	$111,898	$167,314	$(271)	$91,305	$—	$(2,898)	$16,508	$528,517
Net income				19,610						19,610
Cash dividends				(9,635)						(9,635)
Bonuses to directors and corporate auditors				(390)						(390)
Decrease in retained earnings due to addition of consolidated subsidiaries				(1,636)						(1,636)
Acquisition of treasury stock					(220)					(220)
Disposal of treasury stock					8					8
Net changes during the year						2,449	(314)	2,280	2,847	7,263
Balance at March 31, 2007	**222,637,704**	**144,661**	**111,898**	**175,263**	**(483)**	**93,754**	**(314)**	**(618)**	**19,356**	**543,517**

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2007, 2006 and 2005)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2007	2006	2005	**2007**
Operating activities:				
Income (loss) before income taxes and minority interests	**¥4,935**	¥4,323	¥10,987	**41,822**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**4,369**	3,872	3,906	**37,025**
Increase (decrease) in allowances	**(200)**	625	1,239	**(1,695)**
Interest and dividend income	**(471)**	(382)	(417)	**(3,992)**
Equity in net loss (income) of affiliated companies	**(180)**	289	1,626	**(1,525)**
Interest expense	**606**	627	701	**5,136**
Gains on sales of marketable securities and investment securities	**(272)**	(579)	(5)	**(2,305)**
Gains on sales of property, plant and equipment	**(217)**	(3)	(12,080)	**(1,839)**
Loss on disposal of fixed assets	**337**	152	911	**2,856**
Loss on devaluation of securities	**124**	37	72	**1,051**
Decrease (increase) in receivables	**(8,466)**	1,277	(138)	**(71,746)**
Decrease (increase) in inventories	**(5,846)**	(2,017)	3,613	**(49,542)**
Increase (decrease) in payables	**6,412**	104	(515)	**54,339**
Other-net	**3,283**	(622)	1,995	**27,822**
Sub-total	**4,414**	7,703	11,895	**37,407**
Interest and dividend received	**473**	387	424	**4,008**
Interest expense paid	**(805)**	(624)	(694)	**(6,822)**
Income taxes paid	**(453)**	(532)	167	**(3,839)**
Net cash provided by operating activities	**3,629**	6,934	11,792	**30,754**
Investing activities:				
Purchase of marketable securities and investment securities	**(585)**	(801)	(653)	**(4,958)**
Proceeds from sales of marketable securities and investment securities	**526**	754	966	**4,458**
Purchase of property, plant and equipment	**(20,312)**	(13,738)	(3,691)	**(172,136)**
Proceeds from sales of property, plant and equipment	**28**	72	13,291	**237**
Proceeds from sales of securities issued by subsidiaries which caused the change of consolidation scope	**—**	—	(411)	**—**
Other-net	**(1,214)**	(1,612)	(2,270)	**(10,287)**
Net cash provided by (used in) investing activities	**(21,557)**	(15,325)	7,232	**(182,686)**
Financing activities:				
Decrease in short-term bank loans	**(5,870)**	(457)	(18,253)	**(49,746)**
Increase in commercial paper	**10,000**	10,000	—	**84,746**
Proceeds from long-term debt	**16,170**	3,000	9,610	**137,034**
Repayment of long-term debt	**(6,358)**	(4,771)	(6,819)	**(53,881)**
Cash dividends paid	**(1,126)**	(899)	(673)	**(9.542)**
Other-net	**186**	270	(1,090)	**1,575**
Net cash provided by (used in) financing activities	**13,002**	7,143	(17,225)	**110,186**
Effects of exchange rate change on cash and cash equivalents	**175**	51	(10)	**1,483**
Net Increase (decrease) in cash and cash equivalents	**(4,751)**	(1,197)	1,789	**(40,263)**
Cash and cash equivalents at beginning of year	**10,081**	11,044	9,255	**85,433**
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	**156**	234	—	**1,321**
Cash and cash equivalents at end of year (Note 17)	**¥5,486**	¥10,081	¥11,044	**$46,491**

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 for 2006) 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 consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2 (b), is presented with the consolidated balance sheet as of March 31, 2006, prepared in accordance with the previous presentation rules.

Also, as discussed in Note 2 (c), the consolidated statement of changes in net assets for the year ended March 31, 2007, has been prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, was voluntarily prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not required to be filed with the Local Finance Bureau.

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, 2007, which was ¥118 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 36 consolidated subsidiaries in 2007 (32 in 2006 and 29 in 2005). 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) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively referred to as "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards, is comprised of three sections covering assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006, prepared pursuant to the previous presentation rules is comprised of four sections covering assets, liabilities, minority interests and shareholders' equity.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains/losses on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interest is included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and shareholders' equity sections.

The adoption of the New Accounting Standards had no impact on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to 61,888 million ($524,475) thousand would have been presented.

c) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively referred to as "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007, in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

d) 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, 2007, 2006 and 2005.

Investments in five affiliated companies are accounted for by the equity method in 2007, 2006 and 2005. Investments in all unconsolidated subsidiaries and other affiliated companies, that would not have material effect on the consolidated financial statements, are stated at cost.

e) 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 net assets. Realized gains and losses on sale of such securities are computed using the moving-average cost.

f) 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.

g) 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.

h) 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.

i) 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 for the year ended March 31, 2006.

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

j) 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.

k) 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 ¥825 million for the year ended March 31, 2005 as the difference between the estimated amount of the transfer and the actual balance transferred.

l) 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.

m) Interest Cost on Borrowing Included in Acquisition Cost of Fixed Assets

The company capitalizes interest cost on borrowing before the operation of the fixed asset as part of the cost of construction in progress on the Osaki Station West Exit Area Project. The capitalized interest cost recorded as a part of construction in progress for the year ended March 31, 2007, amounted to 242 million yen.

n) 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, 2007, 2006 and 2005, 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.

o) 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.

p) Translation of Foreign Currency Accounts and Financial Statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that net asset accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.

Foreign currency translation adjustments resulting from translation of foreign currency financial statements were presented separately in the foreign currency translation adjustment and minority interests in the consolidated balance sheets.

3. Trade Notes Receivable and Payable Matured on March 31, Which Is a Bank Holiday

The year-end date of March 31, 2007, was a bank holiday. The amount of unsettled trade notes receivable and payable that matured on March 31, 2007, in the financial statement are as follows;

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Trade notes receivable	**¥461**	¥—	**$3,907**
Trade notes payable	**39**	—	**331**

4. Securities

A. The following table summarizes acquisition costs and book values of securities with fair value as of March 31, 2007 and 2006.

	Millions of yen		
2007	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥8,193	¥26,519	¥18,325
	¥8,193	¥26,519	¥18,325
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	¥306	¥272	¥(35)
Others	74	55	(18)
	¥380	¥327	¥(53)

	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)

	Thousands of U.S. dollars		
2007	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	$69,432	$224,737	$155,297
	$69,432	$224,737	$155,297
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	$2,593	$2,305	$(297)
Others	627	466	(152)
	$3,220	$2,771	$(449)

B. The following table summarizes book values of securities with no fair value as of March 31, 2007 and 2006.

(a) Available-for-sale securities;

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Non-listed foreign bonds	**¥34**	¥237	**$288**
Non-listed equity securities	**757**	610	**6,415**
Others	—	—	—
Total	**¥791**	¥847	**$6,703**

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

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Investments in unconsolidated subsidiaries	¥344	¥751	$2,915
Investments in affiliated companies	8,872	8,685	75,187
Total	¥9,216	¥9,436	$78,102

C. Maturities of available-for-sale securities with maturities as of March 31, 2007 and 2006.

Year ended March 31, 2007	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Others	¥34	—	—	—

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, 2007	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
Others	$288	—	—	—

D. Total sales amounts of available-for-sale securities sold, gains and losses, in the years ended March 31, 2007, 2006 and 2005 are follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Sales amount	¥311	¥754	¥534	$2,636
Gains	272	579	9	2,305
Losses	—	—	0	—

5. Inventories

Inventories as of March 31, 2007 and 2006 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished products	¥2,897	¥1,918	$24,551
Semi-finished products	3,682	3,095	31,203
Work-in-process	21,156	17,248	179,288
Materials and supplies	1,944	1,303	16,475
Total	¥29,679	¥23,564	$251,517

6. Impairment of Fixed Assets

As discussed in Note 2 i, 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
Numazu city, Shizuoka Prefecture	Business asset	Land	¥250

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.

7. Subsidies received from the Japanese Government

The Company received a portion of the acquisition costs of certain tangible fixed assets from the Japanese Government. The aggregated amount of the subsidies deducted from the acquisition costs of the tangible fixed assets as of March 31, 2007, was ¥1,235 million ($10,446 thousand).

8. 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 1.6% as of March 31, 2007 and 0.8% as of March 31, 2006, respectively.

Long-term debt and commercial paper as of March 31, 2007 and 2006 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
0.4% to 6.0% loans from banks and insurance companies	**¥29,346**	¥19,467	**$248,695**
Less: Current portion	**(1,519)**	(6,293)	**(12,873)**
Total	**¥27,827**	¥13,174	**$235,822**
Commercial paper, bearing interest rates of 0.6%	**¥20,000**	¥10,000	**$169,492**

The annual maturities of long-term debts as of March 31, 2007 were as follows.

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2008	¥1,519	$12,873
2009	2,453	20,788
2010	6,284	53,254
2011	4,463	37,822
2012	2,940	24,915
2013 and thereafter	11,687	99,043

Commitment Line Agreement

The Company renewed an agreement with a syndicate of 16 Japanese banks to set up a commitment line by multiple finance institutions for Meidensha Corporation in Japan.

The unexecuted balance of lending commitments at the company as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Total lending commitments:	**¥30,000**	¥25,000	**$254,237**
Less amounts currently executed:	**8,100**	11,250	**68,644**
Unexecuted balance	**¥21,900**	¥13,750	**$185,593**

9. Pledged Assets

The following assets were pledged as collateral as of March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Land	¥1,479	¥1,479	$12,534
Investment securities	32	31	271
Construction in progress	19,029	8,121	161,263
Total	¥20,540	¥9,631	$174,068

Obligation with collateral pledged as of March 31, 2007 and 2006 was as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Long-term debt	¥14,000	¥8,400	$118,644

Investment securities of ¥2 million ($17 thousand) were pledged as collateral for borrowing from financial institutions by an affiliate.

An affiliate engaged in the wind farm business has a project finance loan that is secured by pledged business assets amounting to ¥2,280 million ($19,322 thousand).

Total business assets of this affiliate are amounting to ¥3,390 million ($28,729 thousand).

10. 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, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥51,681	¥50,311	$437,974
Unrecognized prior service costs	2,074	3,743	17,576
Unrecognized actuarial differences	(1,896)	(2,831)	(16,068)
Less fair value of pension assets	(22,779)	(20,892)	(193,042)
Less unrecognized net transition obligation	(13,575)	(15,273)	(115,042)
Liability for severance and retirement benefits	¥15,505	¥15,058	(131,398)

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, 2007, 2006 and 2005 are severance and retirement benefit expenses comprising the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Service costs - benefits earned during the year	¥2,080	¥2,266	¥2,422	$17,627
Interest cost on projected benefit obligation	1,226	1,174	1,187	10,390
Expected return on plan assets	(495)	(239)	(181)	(4,195)
Amortization of prior service costs	(405)	(460)	(354)	(3,432)
Amortization of net transition obligation	1,698	1,698	1,698	14,390
Amortization of actuarial differences	290	395	373	2,457
Employee's contribution	—	—	—	—
Severance and retirement benefit expenses	¥4,394	¥4,834	¥5,145	$37,237

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are 2.7% and 3.0% for 2007, 2.7% and 2.0% for 2006 and 2005, 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 2007, 2006 and 2005, respectively.

11. Net Assets

As described in Note 2 (b), net assets comprise four subsections, which are the owners' equity, accumulated gains (losses) from valuation and translation adjustments, and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholder's meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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 Japanese laws and regulations.

At the annual shareholders' meeting held on June 28, 2007, the shareholders approved cash dividends amounting to 1,136 million ($9,627 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

12. Contingent Liabilities

Contingent liabilities as of March 31, 2007 and 2006, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Repurchase of trade notes receivables discounted and endorsed	¥767	¥376	$6,500
Guarantees of loans from banks to employees and unconsolidated subsidiaries and affiliates	363	551	3,076

13. 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, 2007 and 2006, are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Assumed acquisition cost			
Machinery and equipment	¥161	¥186	$1,364
Others	945	1,242	8,009
Accumulated depreciation	(772)	(953)	(6,542)
	¥334	¥475	$2,831

(ii) Future minimum lease payments, inclusive of interest, as of March 31, 2007 totaled ¥334 million ($2,831 thousand), including ¥159 million ($1.347 thousand) due within one year.

(iii) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2007, 2006 and 2005, were ¥192 million ($1,627 thousand), ¥294 million and ¥523 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, 2007 totaled ¥119 million ($1,008 thousand), including ¥68 million ($576 thousand) due within one year.

14. 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, 2007, 2006 and 2005 were ¥6,041 million ($51,195 thousand), ¥5,494 million, and ¥6,186 million, respectively.

15. 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, 2007, 2006 and 2005 are as follows:

	Millions of yen						
Year ended March 31, 2007	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	¥95,395	¥60,456	¥22,911	¥15,432	¥194,194	¥—	¥194,194
Inter-segment	5,126	6,497	394	9,372	21,389	(21,389)	—
Total	**100,521**	**66,953**	**23,305**	**24,804**	**215,583**	**(21,389)**	**194,194**
Operating expenses	97,414	65,543	21,510	24,044	208,511	(20,542)	187,969
Operating income (loss)	¥3,107	¥1,410	¥1,795	¥760	¥7,072	¥(847)	¥6,225
Identifiable assets	¥75,996	¥51,107	¥18,288	¥31,928	¥177,319	¥46,067	¥223,386
Depreciation and amortization	1,683	754	317	142	2,896	1,473	4,369
Capital expenditures	2,795	812	294	13,669	17,570	3,944	21,514

	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, 2007	Thousands of U.S. dollars						
	Social Infrastructure Systems	Industrial Systems	Engineering	Others	Total	Eliminations or Corporate	Consolidated
Net sales:							
Outside customers	$808,432	$512,339	$194,161	$130,780	$1,645,712	$—	$1,645,712
Inter-segment	43,441	55,059	3,339	79,424	181,263	(181,263)	—
Total	**851,873**	**567,398**	**197,500**	**210,204**	**1,826 ,975**	**(181,263)**	**1,645,712**
Operating expenses	825,542	555,449	182,288	203,764	1,767,043	(174,085)	1,592,958
Operating income (loss)	$26,331	$11,949	$15,212	$6,440	$59,932	$(7,178)	$52,754
Identifiable assets	$644,034	$433,110	$154,983	$270,576	$1,502,703	$390,398	$1,893,102
Depreciation and amortization	14,263	6,390	2,686	1,203	24,542	12,483	37,025
Capital expenditures	23,686	6,881	2,492	115,839	148,898	33,424	182,322

Geographic area:

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:

Overseas sales information for the year ended March 31, 2007 is as follows: the information for 2006 is not disclosed due to overseas sales being less than 10% of consolidated net sales.

Year ended March 31, 2007	Millions of yen		
	Asia	Other Areas	Total
Overseas sales	¥21,146	¥3,628	**¥24,774**
Consolidated net sales	—	—	**¥194,194**
Percentage of consolidated net sales	10.9	1.9	**12.8**

Year ended March 31, 2007		Thousands of U.S. dollars	
	Asia	Other Areas	Total
Overseas sales	$179,203	$30,746	**$209,949**
Consolidated net sales	—	—	**$1,645,712**
Percentage of consolidated net sales	10.9	1.9	**12.8**

16. 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% for the years ended March 31, 2007, 2006 and 2005, 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, 2007, 2006 and 2005.

	2007	2006	2005
Statutory tax rate	**39.69%**	39.69%	39.69%
Permanent difference (Social expenses, etc.)	**5.99**	(3.68)	(7.68)
Per capital inhabitant tax	**2.39**	2.67	1.01
Net changes in valuation allowance	**1.52**	(18.46)	7.86
Equity in loss (income) of affiliated companies	**(1.44)**	2.65	6.31
Tax deduction	**(7.41)**	—	—
Additional taxes	**7.58**	—	—
Statutory tax rates variance of overseas subsidiaries	**1.93**	—	—
Other-net	**1.61**	(1.60)	1.93
Effective tax rate	**51.86%**	21.27%	49.12%

Significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2007 and 2006 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Net operating loss carry forwards	**¥150**	¥438	**$1,271**
Allowance for retirement benefits	**5,654**	5,471	**47,915**
Bonuses	**1,783**	1,829	**15,110**
Other	**3,012**	3,730	**25,526**
Gross deferred tax assets	**10,599**	11,468	**89,822**
Less: Valuation allowance	**(1,033)**	(1,107)	**(8,754)**
	9,566	10,361	**81,068**
Deferred tax liabilities:			
Deferred gain on sales of property for tax purpose	—	3,215	—
Unrealized holding gains on securities	**7,261**	7,094	**61,534**
Deferred gain from division of corporation	**1,131**	1,131	**9,585**
Other	—	1	—
Gross deferred tax liabilities	**8,392**	11,441	**71,119**
Net deferred tax assets	**¥1,174**	¥(1,080)	**$9,949**

17. 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, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥5,452	¥9,981	$46,203
Short-term securities	34	100	288
Cash and cash equivalents	¥5,486	¥10,081	$46,491

18. Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Millions of yen			
Year ended March 31, 2007	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	¥7,044	¥—	¥2,525	¥—
Japan Motor & Generator Co., Ltd.	6,372	—	2,320	—

	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

	Thousands of U.S. dollars			
Year ended March 31, 2007	Purchase of finished products	Material supply, etc.	Accounts payable	Secured income receivable
Japan AE Power Systems Corporation	$59,695	$—	$21,398	$—
Japan Motor & Generator Co., Ltd.	54,000	—	19,661	—

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, 2007 and 2006, the related consolidated statements of income for the three years in the period ended March 31, 2007, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of shareholders' equity for the years ended March 31, 2006, and the consolidated statements of cash flows for the three years in the period ended March 31, 2007 and 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

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

As discussed in Note 2 to the consolidated financial statements, 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, 2007 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 28, 2007

KPMG AZSA & Co.

OVERSEAS AFFILIATES (AS OF JULY, 2007)

CHINA

- **DONGGUAN MEIDEN ELECTRICAL ENGINEERING CO., LTD.**
  Yan Wu Industrial District,
  Wan Jiang Country, Dongguan,
  Guangdong P.C. 523049 P.R.China
  Phone: 86-769-22285210
  Facsimile: 86-769-22285250

- **SHANGHAI MEIDEN SEMICONDUCTOR CO., LTD.**
  53-1A, No.311, Fu Te Nan Lu,
  Wai Gao Qiao Free Trade Zone,
  Shanghai P.C. 200137, P.R.China
  Phone: 86-21-50483681
  Facsimile: 86-21-50483035

- **MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD.**
  No.168, Hongxing Road, Qiaonan
  District, Xiaoshan Economic &
  Technological Development Zone,
  Hangzhou, Zhejiang, P.C. 311231
  P.R.Chaina
  Phone: 86-571-8369-6808
  Facsimile: 86-571-8369-6818

- **MEIDEN ZHENGZHOU ELECTRIC CO., LTD.**
  No.87 Hehuan Street,
  Zhengzhou Hi-Tech Industries
  Development Zone,
  Zhengzhou, Henan Province
  P.C. 450001, P.R.China
  Phone: 86-371-67848800
  Facsimile: 86-371-67848797

- **MEIDEN SHANGHAI CO., LTD.**
  15D, Hengji Plaza, No.99
  Huaihai-Donglu, Huangpu-Qu,
  Shanghai, P.C. 200021, P.R.China
  Phone: 86-21-63860358
  Facsimile: 86-21-63860058

HONG KONG

- **MEIDEN PACIFIC (CHINA) LTD.**
  Unit 01-02A, 16/F, Tower 1, Ever Gain
  Plaza, 88 Container Port Road,
  Kwai Chung, N.T., Hong Kong
  Phone: 852-2503-2468
  Facsimile: 852-2887-8046

INDONESIA

- **P.T. MEIDEN ENGINEERING INDONESIA**
  20th Floor, Summitmas I,
  Jl. Jenderal Sudirman Kaveling
  61-62, P.O.BOX 6920/KBY/
  Summitmas I
  Jakarta Selatan 12190, Indonesia
  Phone: 62-21-520-0612
  Facsimile: 62-21-520-0240

KOREA

- **MEIDEN KOREA CO., LTD.**
  Royal Building No.410,
  5 Dangju-Dong, Chongro-ku,
  Seoul, Korea
  Phone: 82-2-736-0232~3
  Facsimile: 82-2-736-0234

MALAYSIA

- **MEIDEN ELECTRIC ENGINEERING SDN. BHD.**
  G. 03, Ground Floor,
  Wisma Academy, 4A, Jalan 19/1,
  46300 Petaling Jaya,
  Selangor Darul Ehsan, Malaysia
  Phone: 60-3-79554646
  Facsimile: 60-3-79546466

SINGAPORE

- **MEIDEN ASIA PTE. LTD.**
  5, Jalan Pesawat, Jurong Industrial Estate, Singapore 619363
  Phone: 65-6268-8222
  Facsimile: 65-6264-4292

- **MEIDEN SINGAPORE PTE. LTD.**
  5, Jalan Pesawat, Jurong Industrial Estate, Singapore 619363
  Phone: 65-6268-8222
  Facsimile: 65-6264-4292

- **MEIDEN POWER SOLUTIONS (SINGAPORE) PTE. LTD.**
  14 Penjuru Close
  Singapore 608610
  Phone: 65-6377-5387
  Facsimile: 65-6377-5386

THAILAND

- **THAI MEIDENSHA CO., LTD.**
  15th Floor, Rasa Tower II,
  555 Phaholyothin Road, Chatuchak,
  Chatuchak, Bangkok
  10900,Thailand
  Phone: 66-2792-4200
  Facsimile: 66-2792-4299

- **MEIDEN ELECTRIC (THAILAND) LTD.**
  898 Moo 2, Bangpa-in Industrial Estate, Udomsorayuth Rd., Klongjig, Bangpa-in, Ayudhaya 13160, Thailand
  Phone: 66-35-258258
  Facsimile: 66-35-221388

UNITED ARAB EMIRATES

- **MEIDENSHA CORPORATION**
  Room 905, Al Reem Tower
  Al Maktoum Street, Deira,
  P.O.Box 117841, Dubai,
  United Alab Emirates
  Phone: 971-4-229-9653
  Facsimile: 971-4-229-9654

THE UNITED KINGDOM

- **MEIDEN EUROPE LTD.**
  NYK Complex Bradbourne Drive,
  Tilbrook, Milton Keynes MK7 8BN,
  England, U.K.
  Phone: 44-1908-276000
  Facsimile: 44-1908-276010

THE UNITED STATES

- **MEIDEN AMERICA, INC.**
  15800 Centennial Drive, Northville Township, MI 48168, U.S.A.
  Phone: 1-734-656-1400
  Facsimile: 1-734-459-1863

- **MEIDEN TECHNICAL CENTER NORTH AMERICA LLC**
  15810 Cetennial Drire, Northville Township, MI 48168, U.S.A.
  Phone: 1-734-656-1400
  Facsimile: 1-734-459-1863

CONSOLIDATED SUBSIDIARY COMPANIES

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 Electric Mfg. Co., Ltd.
Capital ¥400 million
Manufacture and sales of electric motors
825 Nakadate, Chuo-shi,
Yamanashi 490-3801 Japan
Phone: 55-274-7910 Fax: 55-274-7946

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: 3-5487-6437 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 ¥60 million
Engineering and programming of software
809, Oka-Isshikitorimachi, Numazu-shi,
Shizuoka 410-0012 Japan
Phone: 55-923-4966 Fax: 55-923-1191

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: 3-5487-6514 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: 3-3716-3686 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: 55-924-4630 Fax: 55-922-4013

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: 3-3490-4821 Fax: 3-3490-4910

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: 55-929-5555 Fax: 55-929-5566

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: 55-929-4300 Fax: 55-929-4399

❖ MEIDEN SINGAPORE PTE. LTD.
Capital S$25.4 million
Manufacture and sales of transformers, switchgears and circuit-breakers and related engineering and constructing service

❖ THAI MEIDENSHA CO., LTD.
Capital TB20 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$6.3 million
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

❖ MEIDEN HANGZHOU DRIVE SYSTEMS Co., Ltd.
Capital US$5.7 million
Manufacture and sales of electrical morors

❖ DONGGUAN MEIDEN ELECTRICAL ENGINEERING CO., LTD.
Capital HK$8.4 million
Manufacture and sales of switchgears and slaes of electric products and components

❖ MEIDEN ZHENGZHOU ELECTRIC CO., LTD.,
Capital CNY20 million
Manufacture and sales of surge arresters

❖ MEIDEN SHANGHAI CO., LTD.
Capital ¥50 million
Sales of electric products and components

❖ MEIDEN TECHNICAL CENTER NORTH AMERICA LLC
Capital US$6 million
Testing service of engine and drive train

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

(From September 18)
ThinkPark Tower, 2-1-1, Osaki, Shinagawa-ku,
Tokyo 141-6029 Japan

FOUNDED

1897

COMMON STOCK

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

¥17,070 million
($161,038 thousand)

SHAREHOLDERS

19,259

TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd.

BOARD OF DIRECTORS

(AS OF JUNE 28, 2007)

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
Junzo Inamura

DIRECTORS

Tetsuro Kawakami
Yasuo Matoi

SENIOR CORPORATE AUDITORS

Tadashi Sanada
Kazuo Hosoya

CORPORATE AUDITORS

Masayuki Tsubonoya
Nobuyuki Watanabe

MEIDEN