MEIDEN

ANNUAL REPORT

Empower for new days

2008

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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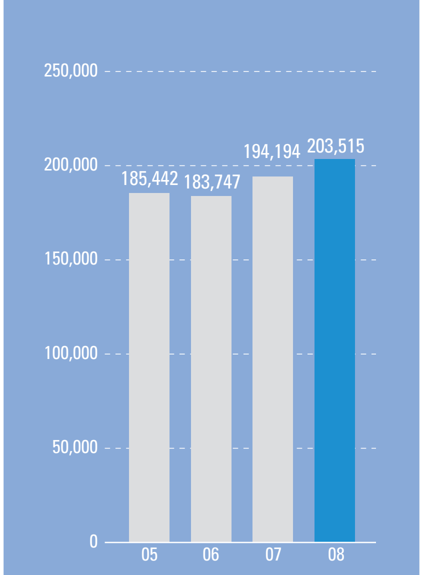
FINANCIAL HIGHLIGHTS

Years ended March 31

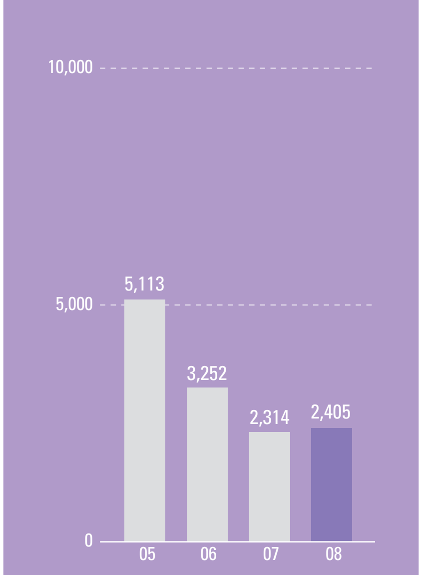
	Millions of yen			Thousands of U.S.dollars
	2008	2007	2006	**2008**
Net Sales	**¥203,515**	¥194,194	¥183,747	**$2,035,150**
Net Income	**2,405**	2,314	3,252	**24,050**
Net Income Per Share (yen, U.S.dollars)	**10.59**	10.18	14.12	**0.11**
Cash Dividends Paid	**1,363**	1,137	909	**13,630**
Total Assets	**236,415**	223,386	201,274	**2,364,150**
Number of Employees	**6,825**	6,775	6,561	—

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 ¥100 = U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2008. See Note 1 to Consolidated Financial Statements.

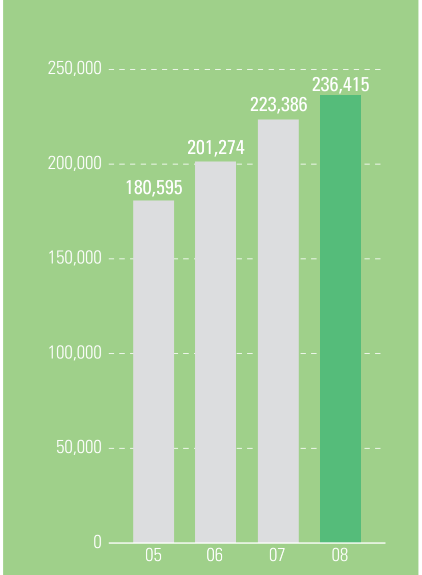
Net Sales (¥ millions)



Net Income (¥ millions)



Total Assets (¥ millions)



Message from Management

We, at Meidensha Corporation ("Meiden") and its consolidated subsidiary companies (collectively the "Meiden Group" or "the Company"), share the same corporate philosophy. The mission is: "Illuminating a more affluent tomorrow." The value is: "For customer peace of mind and satisfaction." Meiden Group positively seeks to produce innovations in technology and new values to realize a more vibrant society and better living conditions in the future. For customer satisfaction and assurance, we produce eco-friendly designs and approaches. We strongly promote courteous customer-support service. With top-quality products and services, we hope to help our customers in solving their various problems and in realizing their dreams.

Meiden Group products form a broad spectrum, from power systems, substation equipment, and electronic products to information and communication products. We not only perform the manufacturing and sales of these products, but also engage in the solutions business in Japan. This process includes finding customer-driven optimum solutions and offering engineering, system operations, and system maintenance and management to realize these solutions. Out of our business operations, we would like to positively seek to offer solutions to the various challenges of our times, such as the Global Climate Control problem. Through our contributions to building a more affluent future society, we would like to live up to our social responsibilities and seek sustainable growth as a company.

During the first half of fiscal 2007, the Japanese economy showed steady growth in exports and business capital investment. During the second half of fiscal 2007, the economy faced inflationary pressure caused by commodity price increases, such as in crude oil. The bearish stock market, which was triggered by the sub-prime loan problem in the U.S, was also a problem. There was volatility in the currency exchange market, which became a disruptive factor in the financial market. These economic conditions worsened business confidence and heightened the sense of uncertainty about the future.

In the heavy electrical industry market, the industry suffered a further decline in demand and a lowering of market prices due to several factors, including the decline in public investment spending. In the overseas market, there were the impacts of the above-mentioned economic situation. 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 2007 totaled 203,514 million yen (consolidated basis); 4.8% 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 4,925 million yen (consolidated basis), and net income for the year came to 2,405 million yen (consolidated basis).

Year-end dividends were 5 yen per share. 1 yen was added in memory of the 110th anniversary and the completion of the new head office building construction project, for a total declared dividend of 6 yen per share.

Under these conditions, the Company was able to welcome its 110th anniversary year. We were able to achieve this longevity thanks to special support by all the stakeholders, including shareholders and customers. In September 2007, we completed construction of a new building in Osaki, Tokyo, and moved our head office to this building. Osaki is the Meiden Group's founding site. Our head office returned to Osaki after about 50 years. By taking this opportunity, and with renewed passion, the Meiden Group plans to work harder to increase the corporate value of our Group. We value our relationships with the local community in Japan, including the Osaki community, and abroad. We also plan to see our overseas companies engaged in manufacturing contributing more to their local communities.

In fiscal 2008, the Company is working on the "Value-up Plan," which is a medium-term management plan. This year marks the last year of the three-year management plan. Under this Plan, the goals are to develop high value-added products, systems, and services by drawing on the solid basis of our engineering resources. By releasing such offerings to growing markets, we hope to build strong revenue sources. Our key specific action items are as follows:

(1) Strengthen Strategy for the Overseas Market Business

For overseas markets, we are promoting new product development, overseas production and improved service and maintenance systems, and are increasing the number of Japanese employees experienced in the overseas markets by having them work at overseas Meiden Group companies. Through these policies, we are expecting a revenue increase from the overseas markets and we plan to reinforce our overseas operations and export business so that the overseas markets will become a key revenue source for the Meiden Group.

(2) Promote Technology-driven Management

We will put our human and financial resources into R & D. In line with the marketing strategy, we plan to improve our R & D operations and management. We also plan to reinforce our intellectual property strategy and human resources development. With these actions, we would like to develop the solid technical bases and develop the high value-added products.

(3) New Business Development

While devoting our efforts to developing new businesses in the technology domain around our core business units of Meiden Group, we will also improve our ability to locate new areas with business potential, as well as our organizational function of the new business incubation support system. Through these actions, we plan to develop and promote new businesses in an efficient fashion.

(4) Promote CSR-based Management

We established a CSR (Corporate Social Responsibility) Promotion Committee and we will improve Group-wide CSR initiatives and promote CSR activities as an integral part of our corporate strategy. 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 would like to upgrade the quality of our overall corporate activities.

(5) Strengthen Group Strategy

Each Meiden Group company will improve 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 businesses, to realize the efficient management of all Meiden Group companies.

In addition to the above, we will enhance our offerings (products and services) to produce a new market segment and to release for the segment with high growth potential. To be specific, we will establish the following as strategic key businesses: the electric double layer capacitor (EDLC)-based dynamic voltage compensator, the drive system for an electric vehicle, etc. We will work hard to turn these products into core products for the Meiden Group.

From April, 2009, we will start a new medium-term management plan (fiscal 2009 – 2011). We will formulate a new management plan after a review of the current management plan, including remaining challenges and issues. In drafting the new management plan, we will incorporate input to resolve such issues and to strengthen our business further. We will reflect the specific measures to realize such objectives.

We ask every shareholder, as well as our customers and business partners, to give us your continued guidance and support.

Keiji Kataoka, Chairman

K. Kataoka

Junzo Inamura, President

J. Inamura

Building construction completion ceremony of ThinkPark Tower (September 4, 2007)

A ribbon-cutting ceremony marked the grand opening of ThinkPark Tower (October 25, 2007)


'Windy Road' in ThinkPark Forest

The Grand Opening of ThinkPark

ThinkPark Tower, a joint project of Meidensha Corporation and the World Trade Center Building, Inc., a Tokyo-based company, completed its construction and held its grand opening on October 25, 2007.

Located on the site of the former Meiden Tokyo Works near the West Exit of JR Osaki Station in Shinagawa City, Tokyo, ThinkPark Tower is a 30-story business and commercial building. The first and second floors comprise 'Think Park Plaza,' with shops and restaurants. Inside the ThinkPark Zone, there is 'Think Park Forest' (a.k.a. 'Osaki Forest'), which is a spacious open and natural zone.

Meidensha Corporation moved its head office functions to ThinkPark Tower in September 2007. Osaki is a memorial and the founding site of our company. We were able to return to this head office site about a half century after the Company moved its head office location to other Tokyo area in 1958.

Remembering the enterprising spirits of the founder and with a spirit of challenge and renewed passion, we would like to work harder to enhance our corporate value.

New Developments in the Motor and Inverter Business

—Drive Equipment for Electric Vehicle Application—

The Company is developing a motor and inverter for electric vehicle application as a new business area.

Mitsubishi Motor Corporation developed a next generation electric vehicle ('EV') called "i MiEV." We are now conducting field-testing on various roads. The i MiEV uses Meiden's motor and inverter for EV application.

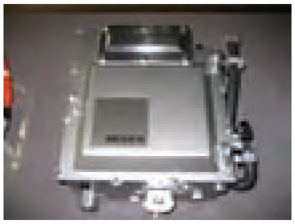
For use in EV applications, the motor and inverter have to be compact, lightweight, and low noise, and at the same time, they have to withstand vibrations and climate changes (high and low temperature) with a high degree of reliability.

Drawing on engineering resources developed over a century, and with renewed passion, we plan to make further refinements and innovations in this field.

The market release for the i MiEV is scheduled to be made in 2009, and to meet this target, development and field-testing work is now on track.

i MiEV

Motor



Inverter

Completion of the New Main Building at Meiden Numazu Works

The new main building was completed on May 24, 2007 at Meiden Numazu Works, which is a major production base for the Meiden Group.

The new main building is eight stories tall and is equipped with an earthquake resistant system that uses a hydraulic damper.

It uses the latest energy-saving systems, including an advanced lighting control system, a human-detection sensor (for lighting control), an ice thermal storage air-conditioning system (that makes the best use of the cheap nighttime power), building frame thermal storage, an energy-saving air barrier system for air conditioning the perimeter (the area from the exterior wall of a building to about five meters inside the building) of glass buildings, and Meiden products such as a building and energy management system (BEMS) and a solar power system.

With the completion of the new main building, which functions as a new entry point welcoming customers, we aim to improve the effective use of the office space in the Meiden Numazu Works and improve the efficiency of the factories.

The main building of Meiden Numazu Works

Internal view of EDLC

CapaPost

Delivery of the First Commercial Unit of the CapaPost

We commercialized a regenerative power storage system for the railway industry, called "CapaPost," and shipped the first commercial unit to Seibu Railway Co., Ltd., in November 2007.

A train requires a huge amount of energy to start up, but it discharges energy to stop. Formerly, the energy discharged was simply lost, but the CapaPost stores this discharged energy in a double layer capacitor and can use it effectively by supplying the power to another train when it starts up. This allows greater system-wide energy efficiency for railways.

It can also stabilize voltage fluctuations in the power supply system while trains are in operation, and makes possible a stable and reliable traction power supply.

We are strongly promoting this product as it is a vital application of our key product: the electric double layer capacitor (EDLC). Another EDLC application product we are promoting is the dynamic voltage compensator.

Release of Five-rack Medium Voltage Combination Starter

—Realizing space savings through a 40 percent smaller footprint—

The Company commercialized a new Medium Voltage combination starter (motor control center) for switching and control of motors, transformers and capacitors.

This product comes with the industry-leading top-class design of a quintuple rack enclosure, which features space saving and improved performance.

Recently, there has been a growing demand for electrical appliances in the energy sector for new installation, expansion and renewal. At the same time, there is an increasing demand for better safety design, including electric shock prevention, easy maintenance and eco-friendly features.

Reflecting these market needs, we made our electric appliances more compact (by improving the printed board packaging density), added eco-friendly feature through better performance, and improved the enclosure design and module unit development for easy maintenance and better safety. We were able to incorporate five medium voltage vacuum magnet contactors (VMC) instead of the conventional three VMCs.

The controllable load capacity under the given footprint increased 2.3 times compared with the conventional model and the footprint space was reduced to 40 percent compared with the conventional design.

We will continue to work hard to improve our product to provide the customer with the best product experience.

Conventional triple rack model

New quintuple rack model

Operating Performance Highlights

Social Infrastructure Systems Business Sector

In the domestic market, the business climate remained very challenging, due to cuts in the public works budget and intensified price competition. However, our overseas business operations, especially those in Southeast Asia and the Middle East, showed significant growth.

In the Power, Railways & Private Sector Business Segment, the demand for electrical equipment for public facilities was sluggish due to budget cuts in the domestic market, but demand for traction substations for the railroad industry was high in both the foreign and domestic markets. Our Company is trying to launch a virtual organization called the "Electric Railway Project" across the Company that will comprehensively handle order entry, product development, production, shipment and service in the Japanese market to develop the traction substation business.

In the Environment Engineering Segment, we focused our marketing efforts on the replacement demand for aged electrical equipment in water supply and sewage treatment plants. However, demand is still sluggish due to cuts in public spending. In this segment, we received orders for our new product, WATERCUBE, an in-house water supply system. In addition, we are also focusing on orders from private financial initiatives (PFI) projects, which represent such project activities to improve public facilities, etc., by utilizing private sector financing and other sources of funds. We are working to expand our business domain.

In the International Business Segment, demand for Meiden substation products has grown significantly, especially in Southeast Asia and the Middle East, including a traction substation for a new light rail transit (LRT) system for Dubai in the United Arab Emirates, and substation facilities for a petrochemical plant in Saudi Arabia. In addition, we saw solid growth of sales in terms of gas turbine generators and power-conditioning systems for solar power.

The Nippori-Toneri Liner

Substation Equipment

WATERCUBE

Okubo Water Purification Plant (a PFI project)

The new light trail transit (LRT) system in Dubai

Industrial Systems Business Sector

The investment climate for facilities in the domestic industry showed steady growth. Due to our selection of and focus on certain businesses, there was a slight decrease in sales, but overall operating profit increased compared with the previous fiscal year.

In the Information and Communication Business Segment, we saw an increase in sales of major products, such as pulsed power generators and vacuum capacitors for semiconductor manufacturing equipment, which is one of our key supply areas. In this segment, we started our release of information security products and are trying to provide other products with high added value.

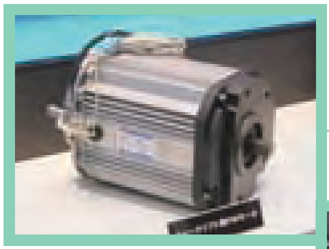
In the Motor Drive Application Business Segment, sales of our main product, motor drive systems for elevators and

Pulsed power generator

Vacuum capacitors

textile machinery, were strong, especially in overseas markets. Furthermore, increased awareness of the environment led to major growth in demand for electric forklifts. In this segment, the development of a motor drive system for electric vehicles gained momentum, and a project to commercialize electric vehicles using our product is in the pipeline. We are proactively looking for other new applications for our motor drive system in order to increase our business.

In the Dynamometer System Business Segment, given active investment in R&D in the automobile industry, sales of various dynamometer-applied automotive testing systems for Japanese automakers showed steady growth. As a new business development in the overseas market, we started contract automotive testing services for the auto industry in North America. Thus, we are positively promoting a policy that helps our business to go global.



Motor for electric forklift

Dynamometer

Engineering System Business Sector

In the Maintenance Service and Facility Management Service Segment, in addition to maintenance and inspection services for electrical equipment, we are also actively promoting our solutions business by proposing such items as energy saving, extending product life or renovating products on the basis of diagnostic findings of aged facilities. Thus, we are working hard to develop a new service business.

In the Maintenance Service for Semiconductor Manufacturing Equipment Segment, we are offering contract maintenance and inspection services to the semiconductor manufacturing system line of the device manufacturers. Thus, we are reinforcing our existing services.

Real Estate Business Sector

ThinkPark Tower, a business and commercial building, had its grand opening on 25 October 2007 as a joint venture between the World Trade Center Building, Inc., a Tokyo-based company, and our Company. ThinkPark Tower is located in Osaki, Shinagawa City, Tokyo. We are conducting a real estate rental service primarily out of this building.

ThinkPark Tower

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 the business process outsourcing service for accounting work. Orders and revenue remained steady for all these business sectors.

Overseas Operations

During fiscal year 2007, global expansion was losing speed in the face of a major financial crisis triggered by the sub-prime mortgage loan problem and related financial instruments. The U.S. economic slowdown intensified in fiscal 2007, remaining at a growth level of around 2% due to the continuing housing market correction. Emerging and developing economies were less affected by the financial market developments and continued to grow at a rapid pace, led by China and India.

The Middle East showed strong growth at around 6%. High oil prices are supporting increasing government spending on infrastructure and social projects.

The Southeast Asian economy, which is Meidensha Corporation's major market, posted about 6% growth in fiscal 2007. Singapore showed strong performance, at around 7%, led by brisk domestic demand (private investment and consumption), despite the slowdown of exports.

In the U.S. power sector, there was about a 3% level increase in total net power generation due to the power generation increase of natural gas-fired plants, coal-fired plants and renewable power (wind and solar power) plants.

In the automotive market in the U.S., the industry showed a 4% sales decline. U.S. auto sales in fiscal year 2007 were around 16 million vehicles. In particular, the sales of full-size pickup trucks and sport-utility vehicle, influenced by a shift in buyer preferences toward smaller, more fuel-efficient vehicles and crossovers, showed a significant decline. U.S. automakers faced high oil prices, weak consumer confidence and tighter credit.

The major products ordered in fiscal year 2007 were as follows:

In the field of power generation, GE Aero Energy Products in Texas placed orders as part of an on-going purchasing contract for generators for the GE LM6000 gas turbine. We also received orders for a power conditioning system (PCS) from a photovoltaic system integrator in Korea.

In the utility power substation market, we received orders for mobile substations for the Middle East market.

In the electric railroad substations market, we received an order for traction power substations for Dubai Municipality Head Quarters, U.A.E.

In the automotive market in North America, we received orders for seven automotive test systems for automaker's technical centers and factories.

In the Asia-Pacific automotive market (except Japan), we received orders for seven automotive test systems for automakers' technical centers and factories in Asia.

The major products manufactured and shipped during fiscal year 2007 were as follows:

In the substation market, we supplied and installed substations for the 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 supplied substations for the Middle East.

In the electric railroad substation market, 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 six test systems for automobile and truck transmissions and engines for several customers. We mostly completed the testing facility installation and the related building renovation work in March 2008 for Meiden Technical Center North America LLC, which is our new company for contract automotive testing service. The service was scheduled to start from May 2008.

In the Asia-Pacific automotive market (except Japan), we also shipped and supplied 16 test systems for automobile truck transmissions and engines for several customers.

In the power generation market, we shipped and installed a 10 MW biomass power generation plant (using waste coconut shell as a resource) for the Seguntor Bioenergy Power Plant Project in Malaysia, and shipped and installed a 10 MW biomass power generation plant (using empty fruit bunch ("EFB") as a resource) for the Kina Biopower Power Plant Project in Malaysia. We also supplied generators for Korea and the Middle East.

In other noteworthy events in our overseas operations, we established an office in Dubai, United Arab Emirates, in July 2007 for assisting the above-mentioned Dubai Metro Project and other business developments for our products. We also established Meiden India Pvt. Ltd. in New Delhi, India, in November 2007 for the business development of various Meiden products.

R & D Highlights

The Company is engaging in the full spectrum of R&D activities, such as the long-term development of core technology development, other wide-range development on core technologies, material development, product development, and manufacturing technology.

The following is a summary of the major R&D operations in each business segment.

Social Infrastructure Systems Business Sector

Energy Business Segment

We are enhancing our efforts to meet increased needs for a high-quality power supply. In particular, we are working on developing application products that use Electric Double Layer Capacitors (EDLC). In addition to large capacity dynamic voltage compensators, we commercialized a regenerative power storage system for DC electric railways, called “CapaPost.” We shipped the first commercial model for the Japanese market in November 2007.

Environmental Engineering Business Segment

In addition to our core engineering resources on water quality control in water supply and sewage systems, we incorporated the engineering services of operation, facility management, and system design technology to promote our solutions business.

We developed and launched sales of an in-house water supply system called “WaterCube,” which processes groundwater (water source) into safe and highly economical water for factory, school or hospital, etc. We are constantly working on product development of a membrane treatment system for water supply and sewage treatment system. The other challenge is to develop an advanced processing system for nitrogen and phosphorus removal from sewage water.

Industrial Systems Business Sector

Information and Communications Business Segment

We are working on improving the performance and reliability of pulsed power supply and vacuum capacitors for semiconductor manufacturing systems. We are also enhancing our product portfolio: (1) for application software for improving security and control accuracy for stable operation of the semiconductor manufacturing system and (2) for a built-in industrial controller for 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 permanent magnet synchronous motor that offers high efficiency and energy savings and high compact design potential. Combining this motor with the inverter, we are developing variable speed systems for elevator, forklift and electric vehicle applications.

Dynamometer Systems Business Segment

We are working on developing a wide variety of applied technologies and testing systems for various applications. These include a slim-type engine dynamometer system that can use the actual exhaust pipe layout of a vehicle. This system performs engine and exhaust pipe tests using actual exhaust pipe and layouts similar to those in an actual vehicle. We are also developing an advanced high-performance engine testing system that combines the software tools for engine optimization with vehicle model simulation software. Using this product, an automaker could test engine performance with the engine under test by using component modeling simulation software that contains simulation models of other (non-engine) vehicle components influencing the fuel economy and the driving performance.

Engineering System Business Sector

We are working on reductions of electrical facility management costs as well as the extension of life of products used in such electrical facilities. In this connection, we have developed a method to perform periodic inspections of electrical systems by monitoring under the live-wire operation. This is an example of the diagnostic technology improvement to monitor and detect the deterioration of the insulation or performance of the electrical facility. We are offering a consulting service for electrical facility management, such as reviews of the overall health level of the electrical facility and cost reduction and product life extension proposals for such facility. Thus, we are developing ‘life-cycle engineering services.’

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CONSOLIDATED FINANCIAL REVIEW

Outline of Profits and Losses

During this consolidated fiscal year, although Japan's economy saw exports and investment in equipment growing stronger during the first half of the period, a drop in stock prices and confusion in the financial markets, impelled by a rise in commodity prices due to a surge in prices for crude oil and other raw materials and the subprime loan problem in the United States, led to an increased sense that the economy was slowing and more uncertainty about the economy in the second half.

The heavy electrical industry market in Japan suffered a further decline in demand and a downward trend of market prices due to several factors, mainly a curb in public sector capital investment. Meanwhile, in overseas markets, Southeast Asia and the Near and Middle East saw a continued expansion of their economies. In Europe and North America, however, the Company faced a very challenging market situation.

Under these economic circumstances, the Company and its consolidated subsidiaries have made a sustained sales effort, yielding major increases in our overseas businesses. Sales totaled 203,515 million yen, up 4.8% from the previous fiscal year.

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 639 million yen over the previous fiscal year to 4,296 million yen. Net income for the year increased by 91 million yen to 2,405 million yen.

Financial Conditions

With respect to consolidated cash flow, cash flow from operations saw growth in the rate of increase of inventory assets and a greater decrease in liabilities for purchases, but a greater decrease in notes and accounts receivable led to an increase over the previous period of ¥722 million, yielding an income of ¥4,351 million. Due to the acquisition of property, plant and equipment, and a resulting decrease in expenditures, cash flow from investments included ¥12,870 million of expenditures, an increase over the previous period of ¥8,687 million. Concerning financial cash flow, income from long-term borrowing decreased, but short-term borrowing grew, increasing ¥115 million over the previous period, for a total income of ¥13,117 million. As a result, the amount of cash and cash equivalents at the end of the period was ¥4,683 million higher than the previous period, for a total of ¥10,169 million.

FIVE-YEAR SUMMARY

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31)

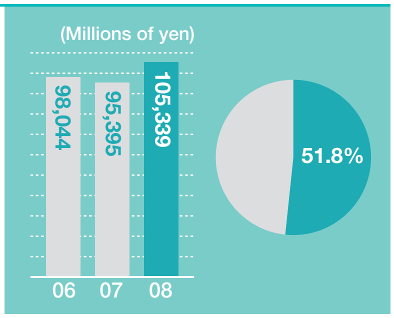
	Millions of yen				
	2008	2007	2006	2005	2004
Net Sales	**¥203,515**	¥194,194	¥183,747	¥185,442	¥181,560
Net Income	**2,405**	2,314	3,252	5,113	2,335
Net Income Per Share (Yen)	**10.59**	10.18	14.12	22.33	10.14
Cash Dividends Paid	**1,363**	1,137	909	682	—
Depreciation and amortization	**6,334**	4,369	3,872	3,906	4,262
Total Assets	**236,415**	223,386	201,274	180,595	194,163
Net property, plant and equipment	**66,822**	61,523	46,501	35,838	43,215
Shareholders' equity per share (Yen)	**255.31**	272.20	265.64	232.19	209.91

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.

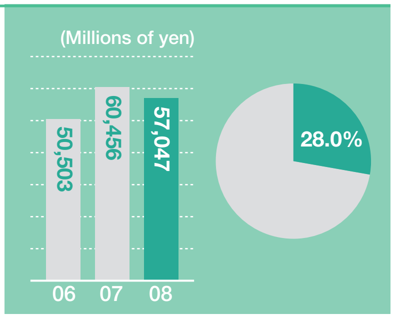
We are also involved in the field of water supply and sewerage treatment for local governments. Our activities include manufacturing and marketing products for the control of treatment equipment and processes of all kinds, and for the improvement of IT networks. We are further developing environmental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



Industrial Systems

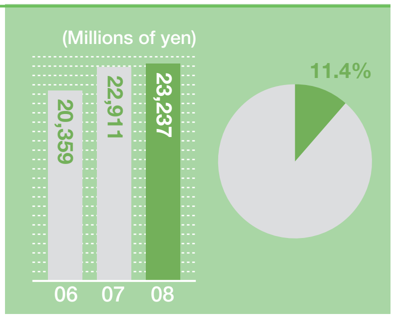
This segment includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations. In addition to providing private industry with power substations, motor vehicle testing systems, and logistics support systems, we engage in the manufacture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



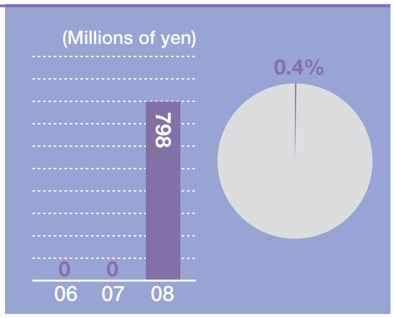
Engineering Systems

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.



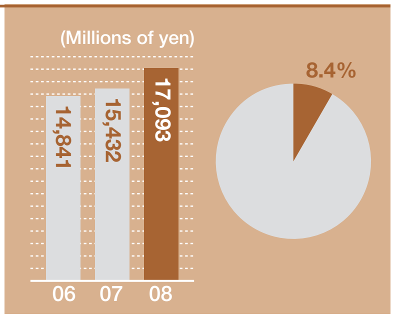
Real Estate

This segment includes rentals of real estate holdings, including Think Park (Tokyo and Osaki).



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, 2008 and 2007)

	Millions of yen		Thousands of U.S.dollars (Note1)
	2008	2007	2008
Assets			
Current assets:			
Cash and time deposits (Note 17)	¥10,284	¥5,452	$102,840
Short-term securities (Notes 4 and 17)	—	34	—
Receivables:			
Trade notes (Note 3)	5,209	6,515	52,090
Trade accounts	64,060	65,284	640,600
Loans and advances	4,294	2,273	42,940
Due from unconsolidated subsidiaries and affiliates	4,167	1,584	41,670
Allowance for doubtful accounts	(915)	(955)	(9,150)
Inventories (Note 5)	37,231	29,679	372,310
Deferred income taxes (Note 16)	2,829	2,852	28,290
Other current assets	4,015	3,511	40,150
Total current assets	131,174	116,229	1,311,740
Property, plant and equipment:			
Land (Note 9)	8,211	7,989	82,110
Buildings and structures (Notes 7 and 9)	71,566	43,391	715,660
Machinery and equipment (Notes 7 and 9)	54,169	53,121	541,690
Construction in progress (Note 9)	1,533	23,907	15,330
Less: Accumulated depreciation	(68,657)	(66,885)	(686,570)
Net property, plant and equipment	66,822	61,523	668,220
Investment and other assets:			
Investment securities (Notes 4 and 9)	19,870	27,602	198,700
Investments in unconsolidated subsidiaries and affiliates (Note 4)	9,600	9,216	96,000
Long-term loans	423	82	4,230
Deferred income taxes (Note 16)	1,884	45	18,840
Other assets	6,737	8,831	67,370
Allowance for doubtful accounts	(95)	(142)	(950)
Total investment and other assets	38,419	45,634	384,190
Total assets	¥236,415	¥223,386	$2,364,150

See accompanying notes.

	Millions of yen		Thousands of U.S.dollars (Note1)
	2008	2007	2008
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (Note 8)	¥14,349	¥9,814	$143,490
Commercial paper (Note 8)	30,000	20,000	300,000
Current portion of long-term debt (Notes 8 and 9)	2,435	1,519	24,350
Payables:			
Trade notes (Note 3)	8,347	11,059	83,470
Trade accounts	25,839	26,538	258,390
Due to unconsolidated subsidiaries and affiliates	7,052	5,921	70,520
Advances received from customers	13,392	9,976	133,920
Accrued income taxes	1,166	4,624	11,660
Accrued bonuses for employees	4,915	4,472	49,150
Other current liabilities	21,262	18,978	212,620
Total current liabilities	128,757	112,901	1,287,570
Long-term debt (Notes 8 and 9)	26,233	27,827	262,330
Employees' severance and retirement benefits (Note 10)	17,193	15,505	171,930
Reserve for retirement allowance for directors and corporate auditors	152	426	1,520
Deferred income taxes (Note 16)	30	1,721	300
Other Long-term liabilities	3,875	871	38,750
Total Long-term liabilities	47,483	46,350	474,830
Contingent liabilities (Note 12)			
Net assets (Notes 2 and 11)			
Common stock			
Authorized – 576,000,000 shares			
Issued and outstanding – 227,637,704 shares	17,070	17,070	170,700
Capital surplus	13,205	13,204	132,050
Retained earnings	21,625	20,681	216,250
Less:Treasury stock, at cost	(77)	(57)	(770)
Unrealized gains on securities, net of taxes	6,241	11,063	62,410
Unrealized losses on hedging derivatives, net of taxes	(65)	(37)	(650)
Foreign currency translation adjustment	3	(73)	30
Minority interests	2,173	2,284	21,730
Total net assets	60,175	64,135	601,750
Total liabilities and net assets	¥236,415	¥223,386	$2,364,150

CONSOLIDATED STATEMENTS OF INCOME

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2008, 2007 and 2006)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2008	2007	2006	**2008**
Net sales (Note 15)	**¥203,515**	¥194,194	¥183,747	**$2,035,150**
Cost of sales (Notes 14 and 15)	**159,094**	152,731	141,776	**1,590,940**
Selling, general and administrative expenses (Notes 14 and 15)	**36,835**	35,238	35,473	**368,350**
Operating income	**7,586**	6,225	6,498	**75,860**
Other income (expenses):				
Interest and dividend income	**548**	471	382	**5,480**
Interest expense	**(1,027)**	(606)	(627)	**(10,270)**
Equity in net income (loss) of affiliated companies	**344**	180	(289)	**3,440**
Gain on sales of marketable securities and investment securities	**242**	272	579	**2,420**
Loss on devaluation of securities	**(168)**	(127)	(37)	**(1,680)**
Loss on disposal of inventories	**(141)**	(100)	(21)	**(1,410)**
Loss on disposal of fixed assets	**(294)**	(337)	(152)	**(2,940)**
Gain on sales of fixed assets	**4**	217	3	**40**
Development working expenses for the Osaki station west exit	**—**	(93)	(59)	**—**
Moving expenses of office	**(657)**	—	—	**(6,570)**
Impairment loss of fixed assets (Note 6)	**—**	—	(250)	**—**
Restructuring charges on a consolidated subsidiary	**(382)**	—	—	**(3,820)**
Others	**(1,759)**	(1,167)	(1,704)	**(17,590)**
Income before income taxes and minority interests	**4,296**	4,935	4,323	**42,960**
Income taxes (Note 16):				
Current	**2,143**	1,325	329	**21,430**
Past	**—**	3,655	—	**—**
Deferred	**(381)**	(2,421)	591	**(3,810)**
	1,762	2,559	920	**17,620**
Minority interests	**129**	62	151	**1,290**
Net income	**¥2,405**	¥2,314	¥3,252	**$24,050**

	Yen			U.S.dollars (Note1)
	2008	2007	2006	**2008**
Amounts per share of common stock (Note 2):				
Net income	¥10.59	¥10.18	¥14.12	$0.11
Cash dividends applicable to the year	6.00	5.00	5.00	0.06

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/CHANGES IN NET ASSETS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2008, 2007 and 2006)

	Millions of yen						
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustment	Treasury stock, at cost
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	—	—	0	—	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**
Net assets at April 1, 2007	222,637,704	17,070	13,204	20,681	(57)	11,063	(37)	(73)	2,284	64,135
Net income				2,405						2,405
Cash dividends				(1,136)						(1,136)
Decrease in retained earnings due to addition of consolidated subsidiaries				(3 25)						(325)
Acquisition of treasury stock					(24)					(24)
Disposal of treasury stock			1		4					5
Net changes during the year			1	944	(20)	(4,822)	(28)	76	(111)	(3,960)
Balance at March 31, 2008	**222,637,704**	**¥17,070**	**13,205**	**21,625**	**(77)**	**6,241**	**(65)**	**3**	**2,173**	**60,175**

	Thousands of U.S. dollars (Note 1)									
	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, 2007	222,637,704	$170,700	$132,040	$206,810	$(570)	$110,630	($370)	$(730)	$22,840	$641,350
Net income				24,050						24,050
Cash dividends				(11,360)						(11,360)
Decrease in retained earnings due to addition of consolidated subsidiaries				(3,250)						(3,250)
Acquisition of treasury stock					(240)					(240)
Disposal of treasury stock			10		40					50
Net changes during the year			10	9,440	(200)	(48,220)	(280)	760	(1,110)	(39,600)
Balance at March 31, 2008	**222,637,704**	**$170,700**	**$132,050**	**$216,250**	**($770)**	**$62,410**	**($650)**	**$30**	**$21,730**	**$601,750**

CONSOLIDATED STATEMENTS OF CASH FLOWS

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2008, 2007 and 2006)

	Millions of yen			Thousands of U.S.dollars (Note1)
	2008	2007	2006	**2008**
Operating activities:				
Income before income taxes and minority interests	**¥4,296**	¥4,935	¥4,323	**¥42,960**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,335**	4,369	3,872	**63,350**
Increase (decrease) in allowances	**1,891**	(200)	625	**18,910**
Interest and dividend income	**(548)**	(471)	(382)	**(5,480)**
Equity in net loss (income) of affiliated companies	**(344)**	(180)	289	**(3,440)**
Interest expense	**1,027**	606	627	**10,270**
Gain on sales of marketable securities and investment securities	**(242)**	(272)	(579)	**(2,420)**
Gain on sales of fixed assets	**(4)**	(217)	(3)	**(40)**
Loss on disposal of fixed assets	**294**	337	152	**2,940**
Loss on devaluation of securities	**168**	124	37	**1,680**
Decrease (increase) in receivables	**2,494**	(8,466)	1,277	**24,940**
Decrease (increase) in inventories	**(7,854)**	(5,846)	(2,017)	**(78,540)**
Increase (decrease)in payables	**(2,794)**	6,412	104	**(27,940)**
Other-net	**5,823**	3,283	(622)	**58,230**
Sub-total	**10,542**	4,414	7,703	**105,420**
Interest and dividend received	**532**	473	387	**5,320**
Interest expense paid	**(1,206)**	(805)	(624)	**(12,060)**
Income taxes paid	**(5,517)**	(453)	(532)	**(55,170)**
Net cash provided by operating activities	**4,351**	3,629	6,934	**43,510**
Investing activities:				
Purchase of marketable securities and investment securities	**(492)**	(585)	(801)	**(4,920)**
Proceeds from sales of marketable securities and investment securities	**260**	526	754	**2,600**
Purchase of property, plant and equipment	**(12,647)**	(20,312)	(13,738)	**(126,470)**
Proceeds from sales of property, plant and equipment	**65**	28	72	**650**
Proceeds from sale of investment in consolidated subsidiary in resulting change in scope of consolidation	**56**	—	—	**560**
Other-net	**(112)**	(1,214)	(1,612)	**(1,120)**
Net cash used in investing activities	**(12,870)**	(21,557)	(15,325)	**(128,700)**
Financing activities:				
Increase (decrese) in short-term bank loans	**4,791**	(5,870)	(457)	**47,910**
Increase in commercial paper	**10,000**	10,000	10,000	**100,000**
Proceeds from long-term debt	**830**	16,170	3,000	**8,300**
Repayment of long-term debt	**(1,516)**	(6,358)	(4,771)	**(15,160)**
Cash dividends paid	**(1,125)**	(1,126)	(899)	**(11,250)**
Other-net	**137**	186	270	**1,370**
Net cash provided by financing activities	**13,117**	13,002	7,143	**131,170**
Effects of exchange rate change on cash and cash equivalents	**71**	175	51	**710**
Net increase (decrease) in cash and cash equivalents	**4,669**	(4,751)	(1,197)	**46,690**
Cash and cash equivalents at beginning of year	**5,486**	10,081	11,044	**54,860**
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	**14**	156	234	**140**
Cash and cash equivalents at end of year (Note 17)	**¥10,169**	¥5,486	¥10,081	**$101,690**

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 Financial Instruments 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.

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, 2008, which was ¥100 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 38 consolidated subsidiaries in 2008 (36 in 2007 and 32 in 2006). 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 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, 2008, 2007 and 2006.

Investments in six affiliated companies are accounted for by the equity method in 2008, and investments in five affiliated companies are accounted for by the equity method in 2007 and 2006. 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 market 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. However, depreciation is mainly computed using the straight-line method with respect to the buildings (exclusive of building improvements) acquired on or after April 1, 1998, and building improvements, structures and machinery belonging to the Company's Real Estate Division (Tokyo, Osaki). Their useful lives and residual values are mainly based on the Corporation Tax Law.

<Changes in Accounting Policy>

With the revision of the Corporation Tax Law in FY2007, the Company and certain consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007.

As a result of this change, operating income and income before income taxes and minority interests decreased by ¥212 million ($2,120 thousand) in the year ended March 31, 2008. The impact of such change on segment information is stated in Segment Information.

<Additional Information>

With the revision of the Corporation Tax Law in FY2007, the Company and certain consolidated subsidiaries have depreciated the difference between memorandum price and 5% of acquired amount of property, plant and equipment acquired on or before March 31, 2007, equally over the five years from proceeding consolidated accounting year at the year in which the Company and certain consolidated subsidiaries completed the depreciation for 95% of acquired amount.

As a result, operating income and income before income taxes and minority interests decreased by ¥309 million ($3,090 thousand) in the year ended March 31, 2008. The impact of such change on segment information is stated in Segment Information.

i) 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.

j) Accrued Bonuses for Employees

The Company provides for the payment of employee bonuses, based on the estimated projected amounts for employee bonus payments.

k) Reserve for Retirement Allowance for Directors and Corporate Auditors

Certain consolidated subsidiaries recorded 100% of obligation based on their rules and regulations under the assumption that all directors and corporate auditors retired at the balance sheet date.

l) 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 each 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 (10 years), 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 (from 12 to 15 years) commencing with the following period.

The net transition obligation (¥38,222 million) has been recognized in expenses in equal amounts over 15 years.

m) 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.

n) 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, 2008 and 2007, were ¥214 million ($2,140 thousand) and ¥242 million, respectively.

o) 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, 2008, 2007 and 2006, 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.

p) 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.

q) 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
	2008	2007	**2008**
Trade notes receivable	—	¥461	—
Trade notes payable	—	39	—

4. Securities

A. The following tables summarize acquisition costs and book values of securities with fair value as of March 31, 2008 and 2007.

	Millions of yen		
2008	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥8,149	¥18,532	¥10,383
	¥8,149	¥18,532	¥10,383
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	¥673	¥569	¥(104)
Others	55	52	(3)
	¥728	¥621	¥(107)

	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)

	Thousands of U.S. dollars		
2008	Acquisition cost	Book value	Difference
Securities with book value(fair value) exceeding acquisition cost:			
Equity securities	$81,490	$185,320	$103,830
	$81,490	$185,320	$103,830
Securities with book value(fair value) not exceeding acquisition cost:			
Equity securities	$6,730	$5,690	$(1,040)
Others	550	520	(30)
	$7,280	$6,210	$(1,070)

B. The following table summarizes book values of securities with no fair value as of March 31, 2008 and 2007.

(a) Available-for-sale securities;

	Book value		
	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Non-listed foreign securities	**—**	¥34	**—**
Non-listed equity securities	**717**	757	**7,170**
Total	**¥717**	¥791	**$7,170**

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

	Book value		
	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Investments in unconsolidated subsidiaries	**¥314**	¥344	**$3,140**
Investments in affiliated companies	**9,286**	8,872	**92,860**
Total	**¥9,600**	¥9,216	**$96,000**

C. Maturities of available-for-sale securities with maturities as of March 31, 2008 and 2007.

	Millions of yen			
Year ended March 31, 2008	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Others	—	—	—	—

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

	Millions of yen			
Year ended March 31, 2008	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Others	—	—	—	—

D. Total sales amounts of available-for-sale securities sold, gains and losses, in the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S.dollars
	2008	2007	2006	**2008**
Sales amount	¥260	¥311	¥754	$2,600
Gains	242	272	579	2,420
Losses	—	—	—	—

5. Inventories

Inventories as of March 31, 2008 and 2007 were as follows.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Finished products	**¥3,659**	¥2,897	**$36,590**
Semi-finished products	**5,466**	3,682	**54,660**
Work-in-process	**26,461**	21,156	**264,610**
Materials and supplies	**1,645**	1,944	**16,450**
Total	**¥37,231**	¥29,679	**$372,310**

6. 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, 2008 and 2007, were ¥1,331 million ($13,310 thousand) and ¥1,235 million, respectively.

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 1.5% as of March 31, 2008 and 1.6% as of March 31, 2007, respectively.

Long-term debt and commercial paper as of March 31, 2008 and 2007 consisted of the following.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
0.4% to 6.0% loans from banks and insurance companies	**¥28,668**	¥29,346	**$286,680**
Less: Current portion	**(2,435)**	(1,519)	**(24,350)**
Total	**¥26,233**	¥27,827	**$262,330**
Commercial paper, bearing interest rates of 0.8%	**¥30,000**	¥20,000	**$300,000**

The annual maturities of long-term debts as of March 31, 2008 were as follows.

Year ended March 31	Millions of yen	Thousands of U.S.dollars
2009	¥2,435	$24,350
2010	6,270	62,700
2011	4,458	44,580
2012	2,956	29,560
2013	1,843	18,430
2014 and thereafter	10,706	107,060

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, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Total lending commitments:	**¥35,000**	¥30,000	**$350,000**
Less amounts currently executed:	**12,600**	8,100	**126,000**
Unexecuted balance	**¥22,400**	¥21,900	**224,000**

9. Pledged Assets

The following assets were pledged as collateral as of March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Land	**¥1,479**	¥1,479	**$14,790**
Buildings and structures	**21,691**	—	**216,910**
Machineries & equipments	**323**	—	**3,230**
Investment securities	**20**	32	**200**
Construction in progress	**—**	19,029	**—**
Total	**¥23,513**	¥20,540	**$235,130**

Obligation with collateral pledged as of March 31, 2008 and 2007 was as follows.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Long-term debt (Including current portion of long-term debt)	**¥14,000**	¥14,000	**$140,000**

In addition to the above, investment securities of ¥2 million ($20 thousand) as of March 31, 2008 and 2007 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 ¥2,150 million ($21,500 thousand) and ¥2,280 million as of March 31, 2008 and 2007, respectively.

Total business assets of this affiliate are amounting to ¥3,237 million ($32,370 thousand) and ¥3,390 million as of March 31, 2008 and 2007, respectively.

10. Employees' Severance and Retirement 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, 2008 and 2007 consist of the following.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Projected benefit obligation	**¥53,475**	¥51,681	**$534,750**
Unrecognized prior service costs	**1,737**	2,074	**17,370**
Unrecognized actuarial differences	**(6,105)**	(1,896)	**(61,050)**
Less fair value of pension assets	**(20,037)**	(22,779)	**(200,370)**
Less unrecognized net transition obligation	**(11,877)**	(13,575)	**(118,770)**
Liability for severance and retirement benefits	**¥17,193**	¥15,505	**$171,930**

Included in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 are severance and retirement benefit expenses comprising the following.

	Millions of yen			Thousands of U.S.dollars
	2008	2007	2006	**2008**
Service costs - benefits earned during the year	**¥2,243**	¥2,080	¥2,266	**$22,430**
Interest cost on projected benefit obligation	**1,344**	1,226	1,174	**13,440**
Expected return on plan assets	**(656)**	(495)	(239)	**(6,560)**
Amortization of prior service costs	**(337)**	(405)	(460)	**(3,370)**
Amortization of net transition obligation	**1,698**	1,698	1,698	**16,980**
Amortization of actuarial defferences	**268**	290	395	**2,680**
Severance and retirement benefit expenses	**¥4,560**	¥4,394	¥4,834	**$45,600**

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 2008 and 2007, 2.7% and 2.0% for 2006, 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. (i) Severance and retirement benefit expenses of consolidated subsidiaries using the simplified method are included in the "Service Costs" above, excluding the amortization of net transition obligation. (ii) Major expenses of the universally-established welfare program service are included in the "Service Costs" above.

11. Net Asets

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 27, 2008, the shareholders approved cash dividends amounting to 1,363 million ($13,630 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

12. Contingent Liabilities

Contingent liabilities as of March 31, 2008 and 2007, were as follows.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Repurchase of note discounted and endorsed	**¥88**	¥767	**$880**
Guarantees of loans from banks to employees and unconsolidated subsidiaries and affiliates	**392**	¥363	**3,920**

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, 2008 and 2007, are summarized as follows.

	Millions of yen		Thousands of U.S.dollars
	2008	2007	**2008**
Assumed acquisition cost			
Machinery and equipment	**¥1,489**	¥787	**$14,890**
Others	**207**	319	**2,070**
Accumulated depreciation	**(851)**	(772)	**(8,510)**
Net book value	**¥845**	¥334	**$8,450**

(ii) Future minimum lease payments, inclusive of interest, as of March 31, 2008 and 2007 totaled ¥845 million ($8,450 thousand) and ¥334 million, including ¥180 million ($1,800 thousand) and ¥59 million due within one year, respectively.

(iii) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2008, 2007 and 2006, were ¥229 million ($2,290 thousand), ¥192 million and ¥294 million, respectively.

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

(2) Future lease receivable under non-cancelable operating leases as lessor as of March 31, 2008 and 2007 totaled ¥51 million ($510 thousand) and ¥119 million, including ¥37 million ($370 thousand) and ¥68 million due within one year, respectively.

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, 2008, 2007 and 2006 were ¥6,530 million ($65,300 thousand), ¥6,041 million, and ¥5,494 million, respectively.

15. Segment Information

Industry segments:

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

Effective for the year ended March 31, 2008, the Company has changed its classification of businesses. The Real Estate business which was included in the other sectors for the year ended March 31, 2007 and 2006, is disclosed as a separate segment because Real Estate business become material.

Year ended March 31, 2008	Millions of yen							
	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Others	Total	Eliminations or Corporate	Consolidated
Net sales:								
Outside customers	¥105,340	¥57,047	¥23,237	¥798	¥17,093	¥203,515	—	¥203,515
Inter-segment	5,910	6,665	510	241	12,001	25,327	(25,327)	—
Total	**111,250**	**63,712**	**23,747**	**1,039**	**29,094**	**228,842**	**(25,327)**	**203,515**
Operating expenses	107,554	61,438	22,094	902	28,331	220,319	(24,390)	195,929
Operating income (loss)	¥3,696	¥2,274	¥1,653	¥137	¥763	¥8,523	¥(937)	¥7,586
Identifiable assets	¥77,987	¥56,738	¥14,654	¥24,202	¥5,917	¥179,498	¥56,917	¥236,415
Depreciation and amortization	2,256	1,017	334	549	206	4,362	1,972	6,334
Capital expenditures	1,908	2,219	117	4,796	450	9,490	4,662	14,152

Year ended March 31, 2007	Millions of yen							
	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	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	259	9,113	21,389	(21,389)	—
Total	**100,521**	**66,953**	**23,305**	**259**	**24,545**	**215,583**	**(21,389)**	**194,194**
Operating expenses	97,414	65,543	21,510	50	23,994	208,511	(20,542)	187,969
Operating income (loss)	¥3,107	¥1,410	¥1,795	¥209	¥551	¥7,072	¥(847)	¥6,225
Identifiable assets	¥75,996	¥51,107	¥18,288	¥598	¥31,928	¥177,917	¥45,469	¥223,386
Depreciation and amortization	1,683	754	317	—	142	2,896	1,473	4,369
Capital expenditures	2,795	812	294	13,511	158	17,570	3,944	21,514

Year ended March 31, 2006	Millions of yen							
	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	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	259	8,720	21,976	(21,976)	—
Total	**102,848**	**58,445**	**20,610**	**259**	**23,561**	**205,723**	**(21,976)**	**183,747**
Operating expenses	98,609	57,644	19,082	82	23,383	198,800	(21,551)	177,249
Operating income (loss)	¥4,239	¥802	¥1,528	¥177	¥177	¥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, 2008	Thousands of U.S. dollars							
	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Others	Total	Eliminations or Corporate	Consolidated
Net sales:								
Outside customers	$1,053,400	$570,470	$232,370	$7,980	$170,930	$2,035,150	—	$2,035,150
Inter-segment	59,100	66,650	5,100	2,410	120,010	253,270	(253,270)	—
Total	**1,112,500**	**637,120**	**237,470**	**10,390**	**290,940**	**2,288,420**	**(253,270)**	**2,035,150**
Operating expenses	1,075,540	614,380	220,940	9,020	283,310	2,203,190	(243,900)	1,959,290
Operating income (loss)	$36,960	$22,740	$16,530	$1,370	$7,630	$85,230	$(9,370)	$75,860
Identifiable assets	$779,870	$567,380	$146,540	$242,020	$59,170	$1,794,980	$569,170	$2,364,150
Depreciation and amortization	22,560	10,170	3,340	5,490	2,060	43,620	19,720	63,340
Capital expenditures	19,080	22,190	1,170	47,960	4,500	94,900	46,620	141,520

The above Industry segment information for the year ended March 31, 2007 and 2006 was restated based on the new classification.

Changes in Accounting Policy

As noted in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" 2 h), with the revision of the Corporation Tax Law in FY2007 from the beginning of the current consolidated accounting period, the depreciation method for property, plants, and equipment acquired on or after April 1, 2007 has been changed to one based on the revised Corporation Tax Law. As a result, the operating expenses in this consolidated accounting period increased by ¥82 million ($820 thousand) in the social infrastructure systems business, ¥43 million ($430 thousand) in the industrial systems business, ¥7 million ($70 thousand) in the engineering business, ¥13 million ($130 thousand) in the real estate business, and ¥4 million ($40 thousand) in the other businesses. 'Eliminates or corporate' increased by ¥64 million ($640 thousand) and operating profits also decreased by a similar amount.

Additional Information

As noted in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" 2 h), with the revision of the Corporation Tax Law in FY2007, due to the application of depreciation methods based the Corporation Tax Law prior to its revision, property, plant and equipment acquired on or before March 31, 2007, was treated as follows: Beginning with the next consolidated accounting year after the consolidated accounting year in which the value reaches 5% of the acquisition price, the difference between 5% of the acquisition price and the memorandum price was amortized in equal amounts over a five-year period and included in the posting of depreciation expenses. As a result, the operating expenses for the current consolidated accounting year increased by ¥159 million ($1,590 thousand) for the social infrastructure systems business, ¥80 million ($800 thousand) for the industrial systems business, ¥15 million ($150 thousand) for the engineering business, and ¥4 million ($40 thousand) for other businesses. 'Eliminates or corporate' increased by ¥52 million ($520 thousand) and operating profits also decreased by a similar amount.

Geografic information:

Geografic information is not disclosed due to its insignificance.

Overseas sales information:

Overseas sales information for the year ended March 31, 2008 and 2007 are as follows: the information for 2006 is not disclosed due to its insignificance.

Year ended March 31, 2008	Millions of yen		
	Asia	Other Areas	Total
Overseas sales	¥31,325	¥2,773	¥34,098
Consolidated sales	—	—	¥203,515
Percentage of total sales	15.4	1.4	16.8

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

Year ended March 31, 2008	Thousands of U.S.dollars		
	Asia	Other Areas	Total
Overseas sales	$313,250	$27,730	$340,980
Consolidated sales	—	—	$2,035,150
Percentage of total sales	15.4	1.4	16.8

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, 2008, 2007 and 2006, 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, 2008, 2007 and 2006.

	2008	2007	**2006**
Statutory tax rate	**39.69%**	39.69%	**39.69%**
Permanent difference (Social expenses,etc.)	**3.25**	5.99	**(3.68)**
Per capital inhabitant tax	**2.60**	2.39	**2.67**
Net changes in valuation allowance	**1.37**	1.52	**(18.46)**
Equity in loss (income) of affiliated companies	**(3.18)**	(1.44)	**2.65**
Tax deduction	**(4.29)**	(7.41)	**—**
Additional taxes	**—**	7.58	**—**
Other-net	**1.57**	3.54	**(1.60)**
Effective tax rate	**41.01%**	51.86%	**21.27%**

Significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Deferred tax assets:			
Net operating loss carry forwards	¥172	¥150	$1,720
Allowance for retirement benefits	6,330	5,654	63,300
Bonuses	1,922	1,783	19,220
Other	2,676	3,012	26,760
Gross deferred tax assets	11,100	10,599	111,000
Less:Valuation allowance	(1,091)	(1,033)	(10,910)
	10,009	9,566	100,090
Deferred tax liabilities:			
Reserve for special depreciation	101	—	1,010
Unrealized holding gains on securities	4,081	7,261	40,810
Deferred gain from division of corporation	1,131	1,131	11,310
Other	12	—	120
Gross deferred tax liabilities	5,325	8,392	53,250
Net deferred tax assets	¥4,684	¥1,174	$46,840

17. Cash and Cash Equivalents

A. 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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2008	2007	2008
Cash and time deposits	¥10,284	¥5,452	$102,840
Short-term securities	—	34	—
Time deposits with maturities exceeding three months	(115)	—	(1,150)
Cash and cash equivalents	¥10,169	¥5,486	$101,690

B. In the year ended March 31 2008, the Company sold a part of shares of MEIDEN HOIST SYSTEM COMPANY, LTD. and excluded MEIDEN HOIST SYSTEM COMPANY, LTD. from the scope of consolidation. The assets and liabilities amounts of MEIDEN HOIST SYSTEM COMPANY, LTD. related to the sales prices of shares and proceeds from the sale of the investment were as follows:

MEIDEN HOIST SYSTEM COMPANY, LTD. (as of March 31, 2008)

	Millions of yen	Thousands of U.S.dollars
Current assets	¥2,001	$20,010
Non-current assets	51	510
Current liabilities	(1,416)	(14,160)
Non-current liabilities	(28)	(280)
Minority interets	(511)	(5,110)
Gain on sale of investments in affiliate	152	1,520
Sales price of shares	249	2,490
Cash and cash equivalents owned by the subsidiary	(193)	(1,930)
Proceeds from sale of investment in consolidated subsidiary resulting in change in scope of consolidation	56	560

18. Related Party Transactions

Significant transactions with related parties for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen	
Year ended March 31, 2008	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	¥10,042	¥3,069
Japan Motor & Generator Co., Ltd.	7,620	2,702

	Millions of yen	
Year ended March 31, 2007	Purchase of finished products	Accounts payable
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	Accounts payable
Japan AE Power Systems Corporation	¥6,713	¥2,287
Japan Motor & Generator Co., Ltd.	6,715	2,963

	Thousands of U.S. dollars	
Year ended March 31, 2008	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	$100,420	$30,690
Japan Motor & Generator Co., Ltd.	76,200	27,020

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, 2008 and 2007, the related consolidated statements of income for the three years in the period ended March 31, 2008, the consolidated statements of changes in net assets for the years ended March 31, 2008 and 2007, the consolidated statement of shareholders' equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the three years in the period ended March 31, 2008, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 27, 2008

KPMG AZSA & Co.

OVERSEAS AFFILIATES

(AS OF JULY, 2008)

CHINA

DONGGUAN MEIDEN ELECTRICAL ENGINEERING CO., LTD.

Yan Wu Industrial District,
Wan Jiang Country, Dongguan,
Guangdong 523049 P.R.China

Phone: 86-769-22285210
Facsimile: 86-769-22285250

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.

15F, 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

INDIA

MEIDEN INDIA PVT. LTD.

910, International Trade Tower,
Nehru Place, New Delhi-110019,
India

Phone: 91-11-46539381
Facsimile: 91-11-46539385

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**

  15800 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 409-3801 Japan
Phone: 55-274-7910 Fax: 55-274-7996

Meiden Plant Engineering & Construction Co., Ltd.
Capital ¥130 million
Constructing service
Meiko Building, 5-5, Osaki 5-chome,
Shinagawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6426 Fax: 3-5487-6487

MEIDEN CHEMICAL CO., LTD.
Capital ¥95 million
Insulating varnish and molded instrument transformer
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 55-923-0238 Fax: 55-923-0886

Meiden Kohsan Co., Ltd.
Capital ¥100 million
Sales of products and materials, and agent service of insurance
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-3490-3737 Fax: 3-3490-3906

MEIDEN SOFTWARE CORPORATION
Capital ¥50 million
Engineering and programming of software
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 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: 3-5487-6500 Fax: 3-5487-6516

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

HOKUTO DENKO CORPORATION
Capital ¥25 million
Manufacture and sales of electric sensors
22-13, Himonya 4-chome, Meguro-ku,
Tokyo 152-0003 Japan
Phone: 3-3716-3686 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: 3-3490-4767 Fax: 3-3779-3083

Meiden Sheet Metal Products Corporation
Capital ¥90 million
Manufacture and sales of sheet metal
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 55-929-5555 Fax: 55-929-5566

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$16.5 million
Sales of dynamometer products and engineering and consulting services

❖ MEIDEN HANGZHOU DRIVE SYSTEMS Co., Ltd.
Capital US$8.6 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 CNY30 million
Manufacture and sales of surge arresters

❖ MEIDEN SHANGHAI CO., LTD.
Capital ¥320 million
Sales of electric products and components

❖ MEIDEN TECHNICAL CENTER NORTH AMERICA LLC
Capital US$16.2 million
Testing service of engine and drive train

❖ MEIDEN ASIA PTE. LTD.
Capital S$6.6 million
Business management for Southeast Asia operations

❖ MEIDEN POWER SOLUTIONS (SINGAPORE) PTE. LTD.
Capital S$1 million
Manufacture and sales of dynamic voltage compensators

Plus 7 domestic subsidiaries.

❖ Please see page 40-41 to find contact information for overseas affiliates.

CORPORATE DATA

CORPORATE NAME
MEIDENSHA CORPORATION (Kabushiki Kaisha Meidensha)

HEAD OFFICE
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 27, 2008)

CHAIRMAN
Keiji Kataoka

PRESIDENT
Junzo Inamura

EXECUTIVE VICE PRESIDENT
Masaaki Kato

EXECUTIVE VICE PRESIDENT
Kosuke Sato

DIRECTOR AND SENIOR MANAGING EXECUTIVE OFFICER
Hiroshi Sugiyama
Ken Torikai
Noriyasu Nagai

DIRECTORS
Tetsuro Kawakami
Yasuo Matoi

SENIOR CORPORATE AUDITORS
Kazuo Hosoya
Sumio Kimura

CORPORATE AUDITORS
Hideo Fujii
Sanpei Nozaki

MEIDEN