MEIDEN

Annual Report 2011

For the Year Ended March 31, 2011

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 range, including 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 most of all. In order to realize these best solutions, we engage in the supply of various products and provide related services such as engineering, facility management (including operation and maintenance), repair and product-life support.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements regarding the future results and performance of the Meiden Group. Such statements are based on information available at the time of preparation of this report, and include various potential risks and uncertainties. As a result, actual results could differ materially from those anticipated by these forward-looking statements.

Financial Highlights

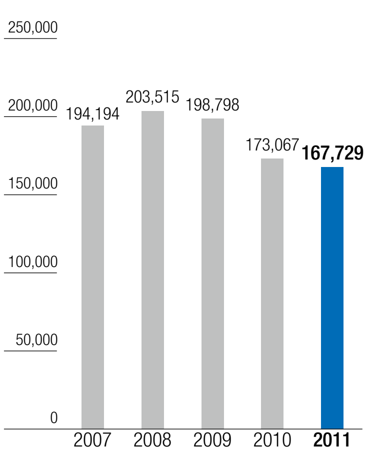
MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen (except per share data)					Thousands of U.S. dollars (except per share data)
	2007	2008	2009	2010	2011	2011
For the year:						
Orders received	¥202,044	¥213,148	¥188,803	¥161,464	¥168,826	$2,034,048
Net sales	194,194	203,515	198,798	173,067	167,729	2,020,831
Operating income	6,225	7,586	4,085	3,322	5,778	69,614
Net income (loss)	2,314	2,405	(1,083)	971	1,196	14,410
Capital expenditures	21,514	14,152	8,218	5,514	4,530	54,578
Depreciation and amortization	4,369	6,334	7,797	7,611	7,166	86,337
R&D expenses	6,041	6,530	6,939	6,836	7,413	89,313
Per share data (yen and U.S. dollars):						
Net income (loss)	10.18	10.59	(4.77)	4.28	5.27	0.06
Cash dividends	5.00	6.00	4.00	4.00	4.00	0.05
At year-end:						
Total assets	223,386	236,415	214,165	206,608	206,871	2,492,422
Total equity	64,135	60,175	52,702	54,132	52,722	635,205
Number of employees	6,775	6,825	7,133	7,144	6,994	–

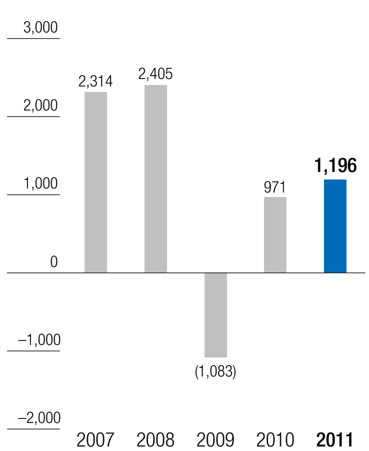
Notes: 1. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2011, which was ¥83 to U.S. $1.
2. Figures for employee numbers excludes those employees on temporary contracts.
3. The cash dividend for 2008 included a special dividend of ¥1.00 to commemorate the 110th anniversary of the establishment of the Company as well as the completion of the new head office building construction project.

The Company made efforts to reduce costs and cut back on fixed expenses, while implementing the policies under the medium-term management plan POWER 5.
As a result of these efforts, despite net sales for the Group falling 3.1% year on year to ¥167,729 million, operating income jumped 73.9% to ¥5,778 million (consolidated), and net income climbed 23.2% to ¥1,196 million (consolidated).

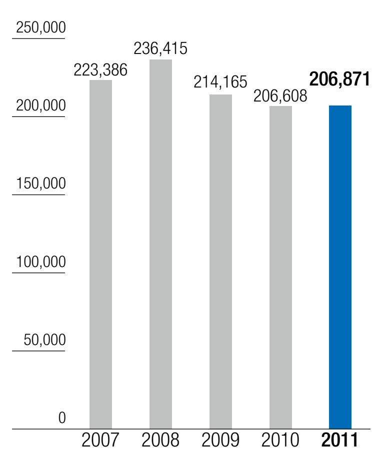
Net Sales
(Millions of yen)



Net Income (Loss)
(Millions of yen)



Total Assets
(Millions of yen)



Message from Management

Keiji Kataoka, Chairman

Junzo Inamura, President

We would like to send our sincere condolences and prayers to those whom were affected by the Great East Japan Earthquake on March 11, 2011 and hope for as speedy a recovery as possible.

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.

The Japanese economy in fiscal 2010 saw economic growth, especially in emerging economies drive increases in Japanese domestic production and exports with some industry sectors showing marked improvement in business performance. In general, the economy was on a gentle recovery track. However, it was later hampered by the rise in price of oil and commodities, and further disrupted by the earthquake in March, which caused problems in supply chains and increased overall uncertainty.

Although the Great East Japan Earthquake caused damage to our sales and maintenance bases in the Tohoku region, we were fortunate in that all of our employees escaped uninjured, and that our production hubs in Japan did not suffer significant damage. Working together as a Group, we are aiding the recovery of facilities operated by our affected customers and the rebuilding of the region by supplying our power apparatus in order to support a stable power supply.

Under these economic conditions, the Group made vigorous efforts to boost sales, but in spite of such efforts, sales for fiscal 2010 totaled ¥167,729 million (consolidated basis), a 3.1% decrease from the previous fiscal year.

With respect to earnings, the Company made efforts to reduce costs and fixed expenses. At the same time, we implemented measures to reinforce our existing businesses with growth potential and develop new businesses in line with the policies under POWER 5, a new medium-term management plan. As a result, net income before income taxes came to ¥2,102 million (consolidated) and net income for the year came to ¥1,196 million (consolidated).

Year-end dividends were ¥4 per share.

With respect to the outlook for the economy, we expect strong performance overseas on the back of continued growth in emerging economies. In contrast however, the aftereffects of the Great East Japan Earthquake will dampen growth in domestic markets for the foreseeable future. While there is a possibility that recovery and reconstruction efforts will breathe some life back into the Japanese economy, we anticipate the business environment for the Meiden Group to remain challenging.

Under these conditions, the Company has been solidly implementing measures in line with the policies under POWER 5, a new medium-term management plan. POWER 5 is a five-year business plan, covering the period from March 2010 to March 2014, with the slogan: "The challenge of the Meiden Group: Contributing to society through the "power" of manufacturing excellence." We are implementing the policy measures based on the following basic principles:

① Establish high growth and new business development

In preparing for the low-carbon society of the future, we will shift some of our unique heavy electrical engineering resources into new areas. To be specific, we will promote the development of new businesses based mostly on the component products and nurture said businesses as growth drivers. Such component products include motor drive units for pure electric vehicles, power conversion products, electric double layer capacitors, products for wind turbine applications, vacuum capacitors, among others. In addition, we will strongly promote new product developments and business development for the smart grid market as well as our existing businesses in water processing systems, traction power systems and the application of dynamometers in automotive testing systems.

② Develop business further in the private sector and overseas markets

For business development in private sector markets in Japan and overseas markets, we will strongly promote the strengthening of new product development, increase our overseas production, re-align our business organization, including Group companies, and further HR development. By increasing our competitive advantage in these ways, we intend to develop our business in such fields. We are targeting a ratio of overseas sales to net sales of 30% by fiscal 2013, the final year of the business plan.

③ Improve profitability through "selection and focus"

We will aim to establish a strong earnings platform by focusing our management resources on core businesses such as "component products," as well as private sector and overseas markets.

④ Enhance the power of manufacturing excellence

We will enhance our overall integrated strength as a manufacturing company, including R&D, manufacturing, sales & marketing and services. At the same time, we will boost productivity, cut costs, and reinforce our entire value chain.

⑤ Constantly promote CSR management

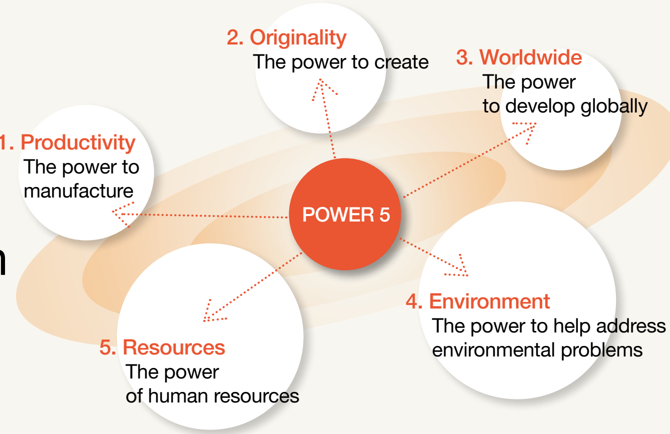
We will try to reduce the effect on the environment of our corporate activities and fulfill our corporate social responsibility (CSR) by contributing to society in the environment and energy fields through our products and services.

By implementing POWER 5, we aim to provide peace of mind and the best product experience to our customers through our products and services for social infrastructure building and the general industry. At the same time we aim to generate high earnings at the same time as being a company where each of our employees can work with pride and high job satisfaction.

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

Topics

Steady Progress in Executing Medium-Term Management Plan POWER 5



The Meiden Group is currently implementing policies outlined in its medium-term management plan—POWER 5. This five-year plan, covering the period from March 2010 to March 2014, is divided into two phases: Phase I and Phase II. Our goal in Phase I was to build a growth platform on which we would aim to promote further growth and expansion in the current phase, Phase II. In order to achieve the overall goal—to generate higher earnings—this plan is based on the following principles.

The Five Basic Principles of POWER 5:

1 Establish high growth and new businesses
2 Develop business further in the private sector and overseas markets
3 Improve profitability through "selection and focus"
4 Enhance the "Power of Manufacturing Excellence"
5 Constantly promote CSR management

Duration and Policy:

The five years are divided into a period in which we will lay the groundwork in building a future growth platform (Phase I), and a period of growth and expansion based on that platform (Phase II). On this basis, we will endeavor to develop our businesses and reinforce our strengths.

Specific Measures:

(1) Focused business development for high growth and a new business field

We will select and expand component products that can contribute to a low-carbon society.

(2) New business development for our existing heavy electrical equipment business

We will adopt strategies that allow us to maintain our current level of earnings in our existing heavy electrical business. We will employ our rich engineering resources, experience and track record, and servicing abilities in new markets in this industry.

By combining the five (5) power sources of POWER: Productivity, Organizational power and Worldwide presence, Environmental problem solving, and Resources (human resources), we aim to produce a company with "a passion for manufacturing excellence."

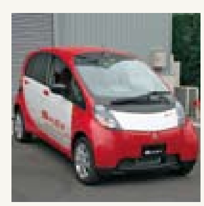
Phase I (FY2009–FY2010)

We anticipate a challenging business environment due to the sluggish market, but in order to achieve new growth, we will further restructure or downsize our non-performing businesses and establish the quality and systems that will allow us to concentrate management resources in the businesses that we choose to focus on.

Phase II (FY2011–FY2013)

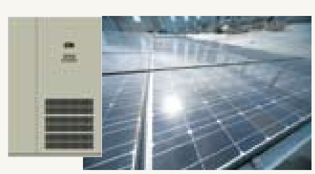
Drawing on the growth platform that we built during Phase I, we will concentrate R&D spending on our core businesses, promote the consolidation of production hubs, and increase facility investment. All of these efforts will contribute to producing higher earnings.

Electric double-layer capacitors



Motor drive units for pure electric vehicles

Products for wind turbines



Power conversion products

Water processing business systems

Traction power systems

Dynamometers in automotive testing systems

Vacuum capacitors

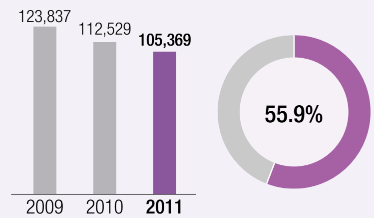
At a Glance

Social Infrastructure Systems

This sector 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, recycling industrial waste, etc.

Net Sales (Millions of yen) | Composition of Sales (%)

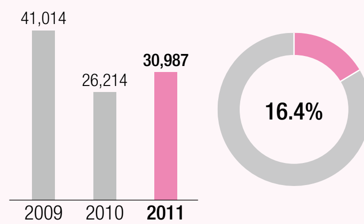


Industrial Systems

This sector 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 automotive testing systems and logistics support systems, we engage in the manufacture and marketing of motors, inverters, and other products for use in textile machinery, elevators, and other such equipment.

We are active in the information and telecommunications field, manufacturing and marketing component products for industrial computer and networking systems.

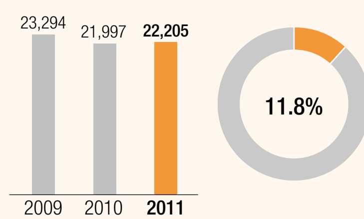
Net Sales (Millions of yen) | Composition of Sales (%)



Engineering Systems

This sector 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.

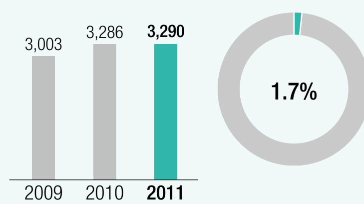
Net Sales (Millions of yen) | Composition of Sales (%)



Real Estate

This sector includes rentals of real estate holdings, including ThinkPark (Osaki, Shinagawa City, Tokyo).

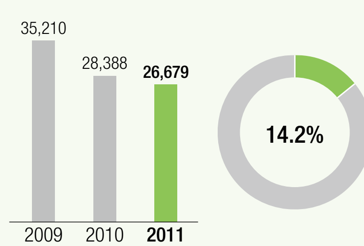
Net Sales (Millions of yen) | Composition of Sales (%)



Other

This sector 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.

Net Sales (Millions of yen) | Composition of Sales (%)



Review of Operations

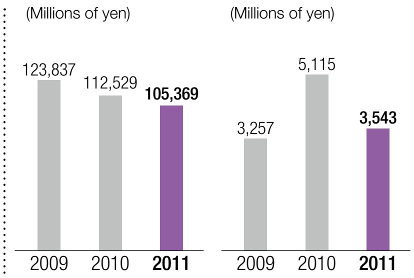
Social Infrastructure Systems Business Sector

In fiscal 2010, domestic and overseas markets recovered steadily, driven by demand for capital investments in energy-efficient systems to reduce CO_2 emissions, among others. However, sales in this sector decreased due to a decline in orders received in the previous fiscal year, as well as production and delivery delays stemming from the Great East Japan Earthquake.

As a result, sector sales fell 6.4%, to ¥105,369 million.

Net Sales

Operating Income



> Power, Railway & Private Sector Business Segment

The business environment remained challenging amid intense competition with rival firms in the public sector, including government agencies and local authorities in Japan. In the wake of the March 11 earthquake, huge changes are possible in both public sector and private sector markets: mostly on electric power and railways. This possibility for change is creating uncertainty in the business environment.

Under these circumstances, we focused on attracting orders for large-scale projects, including transformers for Shinkansen lines and other railways, as well as mega solar farm projects. At the same time, we have been working on attracting orders for new products in new fields through cost reductions. This cost reduction step includes the overseas production of dome products.


Traction power system

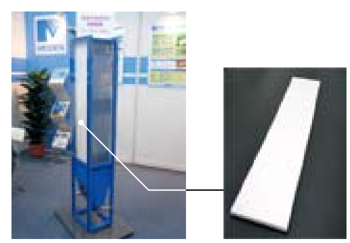

Mt. Komekura Mega Solar Project

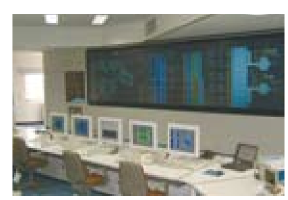

Power conditioner

> Environmental Engineering Business Segment

In Japan, the business environment was more challenging than ever with competition increasing, cutbacks in public sector investment, and a decrease in the construction of new drinking water and sewage treatment plants. Overseas, meanwhile, there is large potential demand for water and environmental systems against the background of increasing demand for water and serious water quality deterioration problems in emerging economies.

Amid such conditions, the Meiden Group has been working to secure orders in Japan in large scale retrofit or replacement projects for systems supplied by us. At the same time, we will strive to expand sales of new products, including supervisory control systems with improved wide area control functions in Japan. We are also making a feasibility study on mass-production of our flatsheet-type ceramic membranes in Singapore, in which we are conducting a demonstrative joint research project using a pilot plant in Singapore. We are also preparing to establish overseas sales channels for this product.


Ceramic membrane


Supervisory control system

> International Business Segment

In Asia, the Middle East, and Europe, we worked to increase sales of substation equipment for power transmission and distribution. However, it was a challenging environment with regard orders for export projects. This was due to project plan changes and delays, as well as the yen's appreciation.

Under such conditions, we focused on increasing sales of new, specialized products, such as inspection systems for overhead catenary systems (OCS), in addition to traction substation facilities. We also worked on boosting sales of products related to renewable energy, such as solar power.

"Catenary Eye"
(OCS inspection system)


Direct current breaker for railway use

Meiden signed MOU with Singapore's Public Utilities Board on Water Processing Technology Development

Meiden developed a flat sheet-type ceramic membrane for water processing systems and entered into a memorandum of understanding (MOU) with the Public Utilities Board (PUB) of Singapore regarding a joint development of water processing technology on June 30, 2010. Following this MOU, Meiden and PUB have been conducting demonstrative tests using a pilot plant in Singapore. Meiden provided the newly developed flat sheet-type ceramic membranes and plant control technology while PUB provided the facility management technology, drawn from their extensive experience in plant management and the testing site. The parties are working hard to develop this water processing technology (sewage and industrial waste water processing) and realize the earliest possible release of related products.

Flat sheet-type ceramic membrane features high durability and chemical resistance, as well as a long product life and easy maintenance. It allows stable filtration and could have energy-saving potential. We expect there will be a broad range of applications for this product in the water processing field.

At the signing ceremony

External view of flat sheet-type ceramic membrane unit

Meiden the first Japanese company to be awarded CGC Golden Sun certification

The Company obtained Golden Sun certification for its new SP100 Series photovoltaic (PV) power conditioner on August 30, 2010. Meiden became the first Japanese company in China to be awarded this certification.

The "Golden Sun Certificate" is a certificate issued by the China General Certification Center (CGC). In China, CGC is currently the only accreditation body for PV products. This certificate certifies that the product satisfies the required quality and performance standards for China's national solar farm projects.

Major components used in mega solar projects in China are required to use Golden Sun mark products. We are striving to develop our operations in order to increase the market share of our PV products in China.

Power conditioner

MSL Received Order for an Experimental Power Grid Facility in Singapore

Meiden Singapore Pte., Ltd. (MSL), a Meiden Group company, received an order for an experimental power grid facility in Singapore on June 3, 2010. The Institute for Chemical and Engineering Sciences (ICES), a research institute under the Agency for Science, Technology and Research (A*STAR) of Singapore placed the order as an EPC (Engineering, Procurement, and Construction) contract.

This demonstrative research plant will be installed on the premises of the Experimental Power Grid Center (EPGC) which was established by the Institute of Chemical and Engineering Sciences (ICES), an affiliated organization of A*STAR.

This plant will be able to connect and manage a wide range of distributed energy resources (DERs) and simulate a wide range of grid conditions and disturbances.

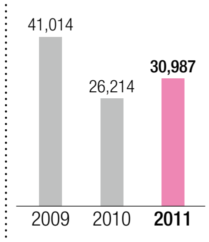
This plant is currently under construction and expected to be completed in September 2011.

Industrial Systems Business Sector

Sales in this sector increased 18.2% year-on-year, to ¥30,987 million, amid steady recovery in demand, albeit moderate.

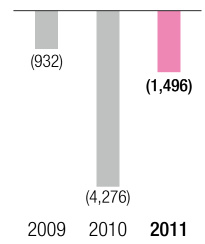
Net Sales

(Millions of yen)



Operating Loss

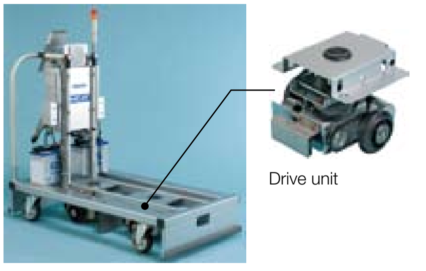
(Millions of yen)



Dynamometer and Logistic Systems Business Segment

In the dynamometer systems field, market conditions for testing equipment for auto-related manufacturers remained challenging. We reinforced our efforts to bolster sales of testing equipment for eco friendly vehicles, such as pure electric and hybrid cars. We are also actively working on business development in China, Thailand, India, and other overseas markets where demand for R&D-related facilities is growing.

With regards to logistics systems, demand for electrical modules for automatic guided vehicles (AGV) and forklifts are rising gradually. In order to develop business in China and Thailand, meanwhile, our subsidiaries in both those nations have started producing kits for AGVs.



Drive unit

AGV kit MCAT

Component Business Segment

In the second half of fiscal 2010, demand for components in semiconductor markets was in the doldrums. By contrast, demand for motor drive units used in injection molding machines and textile machinery is recovering steadily, but competition is also becoming more intense.

Against this background, we have been working on the mass production of motor drive units for the iMiEV pure electric vehicle made by Mitsubishi Motors Corporation. In addition, we are working to increase sales in the world market for vacuum capacitors, which are used in equipment for making semiconductor devices, solar cell panels, and other products. In addition, our subsidiary in China is building a plant that will produce inverters locally in addition to its existing motor manufacturing operations.

Low-inertia dynamometer

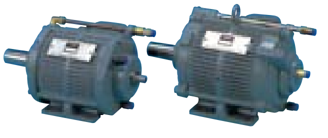
Motor drive units for pure electric vehicles

Pulsed power supply unit for excimer laser

Industrial computer

Vacuum capacitors

Inverter



Motor for textile machinery

Engineering Systems Business Sector

Despite continuation of intense price competition, demand for maintenance services is on a recovery path. Sales in this sector rose to ¥22,205 million, up 1.0% from the previous fiscal year.

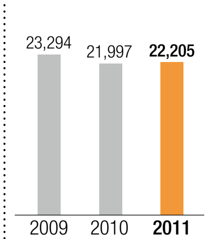
In addition to our regular maintenance services, we are stepping up promotion of new services that benefit customers. These include addition of diagnostic services for equipment status and remaining useful life.


Analysis of damage status and cause


Live wire diagnosis

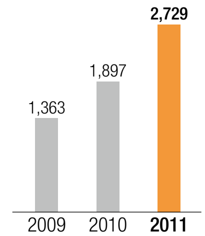
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)

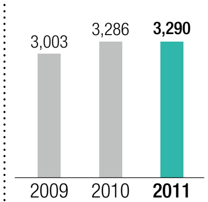


Real Estate Business Sector

The Meiden Group is engaged in the real estate leasing business, centering on ThinkPark Tower, an office and commercial building located in Osaki (Shinagawa City, Tokyo). Sales in this sector rose to ¥3,290 million, up 0.1% from the previous fiscal year.

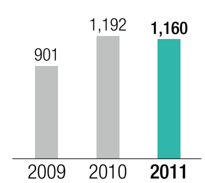
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)

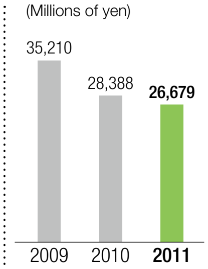


Other Businesses Sector

We are also involved in businesses that are not included in the aforementioned sectors and their reporting segments. These businesses, which include sales of other products, welfare services for employees, and provision of chemical products, declined to ¥26,679 million, a 6.0% decrease from the previous fiscal year.

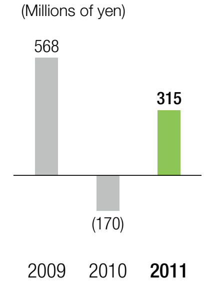
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Research & Development

With due consideration to the medium- and long-term market and technological trends, as well as our future business operations, the Meiden Group conducts R&D on basic core technologies as well as new product development applying these technologies.

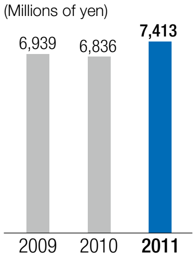
During fiscal 2010, the Group rearranged its R&D-related departments to create R&D units covering all functions, from basic core technology development to new product development, all coordinated under the same organization. By this reorganization, we were able to accelerate our R&D and enhance the level of our core technology.

With respect to the development of core technology, we are developing materials for the global climate control market such as very wide temperature range denitration catalysts for removing nitrogen oxides from coal-fired facilities in China, and zeolite separation membranes that allow the recycling of spent organic solvents. In addition, we are working on the development of power electronics products that apply next-generation power semiconductor devices. At the same time, we are also conducting research on a new power conversion method. In these ways and others we are reinforcing the R&D of our core technologies.

In new product development, we have developed a compact, highly efficient photovoltaic power conditioning system (PCS). We have also developed a compact water-cooled converter for wind turbine generator systems that can be installed inside the nacelle unit on top of the tower.

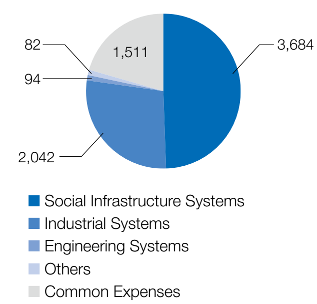
Research & Development Expenses

(Millions of yen)



Composition of R&D Expenses

(Millions of yen)



Meiden Started Joint Development of De-NOx Catalyst for Flue Gas

In October 2010, the Company started a joint development program for an ammonia de-NOx catalyst for flue gas produced by coal-burning systems which works in a very wide temperature range—from 220°C to 420°C. The other project members include the National Institute of Advanced Industrial Science and Technology (AIST), Japan and the Institute of Process Engineering (IPE), which is affiliated with the Chinese Academy of Sciences. This catalyst will be used for facilities burning coal, the main fuel source in China, such as industrial boilers and furnaces. This research project includes the joint development of a de-NOx catalyst and de-NOx unit for flare gas with the focus on developing a catalyst which is effective in a wide temperature range and has a high yet stable level of de-NOx performance.

This catalyst is originally in powder form and is molded into the honeycomb shape catalyst used previously as a de-NOx unit for Meiden diesel generating systems. AIST will evaluate the de-NOx performance of the honeycomb catalyst, IPE will develop the powder catalyst and test the performance, and durability of the honeycomb catalyst and Meiden will establish a processing technology for molding the catalyst into the honeycomb shape.

At the signing ceremony

Corporate Governance

The Meiden Group is committed to fair and transparent as well as prompt and efficient management. We continue to evaluate and improve our framework of internal control and governance to ensure appropriate operation of the Group's business.

Corporate Governance System of the Meiden Group

Basic Approach

In order to realize the Group's philosophy, we considered it essential to establish a framework for sound internal control and governance as a Group. To this end, we adopted a "Basic Policy" to evaluate and improve the governance framework in order to ensure appropriate operation of the Group's business at a regular Board of Directors meeting held in May 2006. We are committed to strengthening corporate governance.

Basic Policy

1. System to ensure the directors' compliance with laws and Articles of Incorporation in the performance of their duties.
2. System to manage and store information relating to the duties of the directors.
3. System regarding rules and other structures of risk management.
4. System to ensure directors' efficient execution of their duties.
5. System to ensure employees' compliance with laws and Articles of Incorporation in the performance of their duties.
6. System to ensure appropriate business operations by the company and its affiliates.
7. Matters relating to employees who assist corporate auditors with their duties.
8. Matters relating to the independence from directors of the above employees assisting corporate auditors.
9. System of reporting to the corporate auditors by directors and employees and system of reporting to the corporate auditors by others.
10. Other systems to ensure effective audit by the corporate auditor.

Implementation

In June 2003, the Company adopted an executive officer system. At the same time, we sought to reinforce the function of the Board of Directors. To this end, we separated the "decision-making and supervisory functions" and the "business execution function" of the Board of Directors. The former functions were assigned to the Company's directors, and the latter to the representative directors and executive officers who were delegated duties by the representative directors. As a result, the Board of Directors is responsible for making decisions from the standpoint of the entire Group, and for overseeing the overall management of the Group.

Two of the eight members of the Board of Directors are outside directors. This structure is designed to reinforce corporate governance by enhancing the Board's supervisory function concerning the execution of duties.

Executive officers appointed by the Board of Directors comply with Group management policies decided by the Board of Directors. They are responsible for executing their designated duties within the scope of the powers delegated by the representative directors, and perform their duties expeditiously while under the supervision of the representative directors.

The Company has adopted a corporate auditor system. The Board of Corporate Auditors consists of four members, two of whom are outside corporate auditors. The Board of Corporate Auditors communicates with directors, the internal auditing department, and other departments, while adhering to auditing policies, the division of duties, and auditing rules for corporate auditors stipulated by the Board of Corporate Auditors. The corporate auditors attend Board of Directors Meetings and other important meetings, and audit the duties of directors by means of monitoring the operations and financial conditions of the Group.

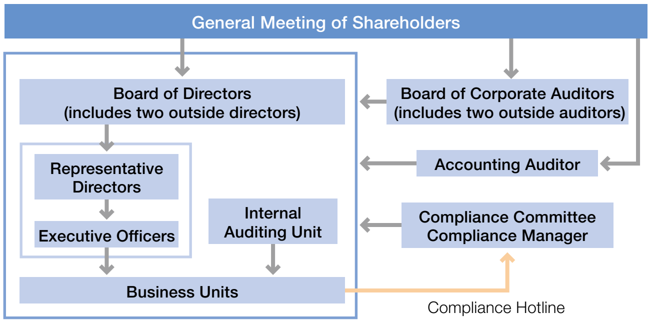
We have an Internal Auditors Office to assist the Board of Corporate Auditors which works under the direct control of the Board.

We have an Internal Auditing Unit which reports directly to the president. It operates as an internal auditing department, fulfilling the role of performing regular health checks of the Group. This Internal Auditing Unit conducts internal audits of the efficacy and efficiency of operations, the reliability of financial reporting, the status of compliance with laws, and the maintenance of assets covering the Company and all Group companies, including overseas companies.

It reports the results of internal audits to the top management, and also offers advice to the employees under internal audit review on the execution of their duties.

With respect to requirements regarding the guidance of internal control system for financial reporting in accordance with the Financial Instruments and Exchange Law in Japan, the Company adopted basic policies that conform to the Implementation Guidance for Management Assessment and Audit of Internal Controls over Financial Reporting (ICFR) by Japan's Financial Services Agency. The Internal Auditing Unit independently audits the effectiveness of improvements to, and implementation of internal control systems at the Company as well as at the overall Group level.

Governance Structure: Meiden's Execution of Duties, Management Supervision, and Internal Control System



Corporate Social Responsibility

Since April 2006, the Meiden Group has been actively promoting corporate social responsibility (CSR) through “CSR management.” The reasons for this approach is to reaffirm our awareness of the importance of fulfilling our social responsibilities, which we have practiced for more than 110 years since our founding, and to further enhance corporate value.

Approach to CSR

Our approach to CSR programs is: “Each and every employee shall work to realize the Group’s corporate philosophy so that the Meiden Group is needed by society.” The launch of CSR programs in 2006 coincided with the updating of the Group’s corporate philosophy. The new philosophy reflects our thinking: “By providing high quality products and services, we will help to solve the problems of our customers and produce the best product experiences for them. Further, through our business operations, we will positively contribute in solving the challenges faced by society, such as environmental issues, and we will contribute to the realization of a more affluent society to fulfill our social responsibilities. In order to fulfill these objectives, we need to keep solving such challenges.” Sharing such core values among the Group and implementing these ideas in our daily business is the essence of our CSR programs.

Group Corporate Philosophy

Corporate Mission

Illuminating a more affluent tomorrow

We will constantly strive to create new technologies and value, in order to help bring about a more affluent and comfortable society.

Providing Value

Offering customers peace of mind and satisfaction

We will work to protect the environment and provide caring business support to give customers peace of mind and satisfaction. We will also help customers solve their problems and realize their dreams through the provision of top-quality products and services.

Corporate Philosophy

(1) Definition of CSR

Under the Meiden Group’s definition of CSR, “Each and every employee shall work to realize the Group’s corporate philosophy so that the Meiden Group is needed by society.”

(2) Code of Conduct

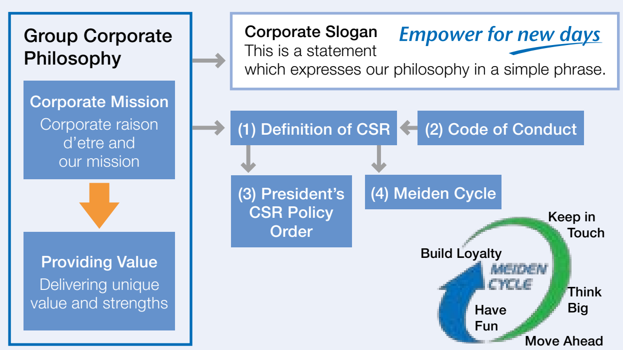
This code defines compliance in conducting our CSR programs and activities.

(3) President’s CSR Policy Order

This policy sets forth the policy of our CSR programs and activities in the medium term. The Policy Order asks each Group employee to implement CSR programs and activities in their daily work. We will draw up specific actions that reflect the given business climate and CSR challenges under the then current stage of the POWER 5 management plan.

(4) Meiden Cycle

Meiden Cycle shows the guiding spirits shared by all members of the Group in realizing the Group’s corporate philosophy.



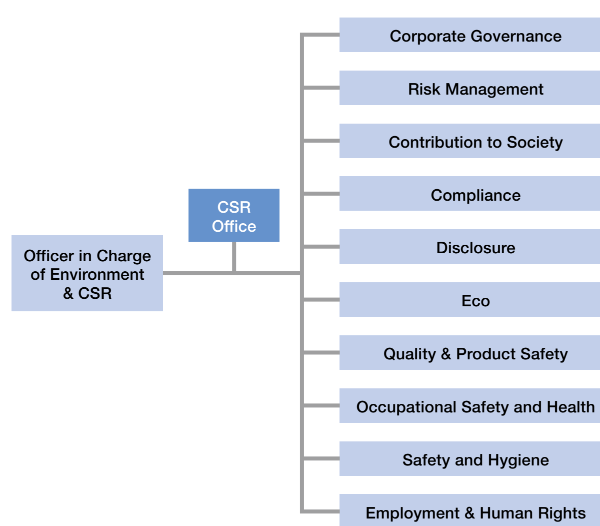
CSR Management Promotion Structure

At the Meiden Group, we promote the development of CSR programs and activities based on 10 promotion themes under the supervision of the officer in charge of Environment & CSR. Each theme is translated into the action program by the departments concerned and we positively promote the CSR programs across the board in the Meiden Group as a part of the Group’s CSR Committee activities.

The CSR Office coordinates the plans and results of each theme and promotes the CSR programs using the PCDA cycle, while taking action to increase the Group-wide awareness of CSR.

From March 2011, we entered Phase II of POWER 5, the medium-term management plan which we have been working on since fiscal 2009. As in Phase I, the promotion of CSR management is set as a key policy. We will promote CSR as a management strategy and aim to deeply embed our CSR principles in the everyday actions of each Group employee.

CSR Promotion Structure



Financial Section

Contents

Five-year Summary

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen (except per share data)					Thousands of U.S. dollars (except per share data)
	2007	2008	2009	2010	2011	2011
For the year:						
Orders received	¥202,044	¥213,148	¥188,803	¥161,464	**¥168,826**	**$2,034,048**
Net sales	194,194	203,515	198,798	173,067	**167,729**	**2,020,831**
Operating income	6,225	7,586	4,085	3,322	**5,778**	**69,614**
Net income (loss)	2,314	2,405	(1,083)	971	**1,196**	**14,410**
Capital expenditures	21,514	14,152	8,218	5,514	**4,530**	**54,578**
Depreciation and amortization	4,369	6,334	7,797	7,611	**7,166**	**86,337**
R&D expenses	6,041	6,530	6,939	6,836	**7,413**	**89,313**
Per share data (yen and U.S. dollars):						
Net income (loss)	10.18	10.59	(4.77)	4.28	**5.27**	**0.06**
Cash dividends	5.00	6.00	4.00	4.00	**4.00**	**0.05**
At year-end:						
Total assets	223,386	236,415	214,165	206,608	**206,871**	**2,492,422**
Total equity	64,135	60,175	52,702	54,132	**52,722**	**635,205**
Number of employees	6,775	6,825	7,133	7,144	**6,994**	**–**

Notes: 1. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2011, which was ¥83 to U.S. $1.
2. Figures for employee numbers excludes those employees on temporary contracts.
3. The cash dividend for 2008 included a special dividend of ¥1.00 to commemorate the 110th anniversary of the establishment of the Company as well as the completion of the new head office building construction project.

Consolidated Financial Review

Outline of Profits and Loss

The overall economic climate in Japan experienced a moderate yet clear recovery during the current consolidated fiscal year, with domestic production and exports improving on the back of global economic growth, especially in emerging markets, together with significant recovery in business performance for some industries. However, companies are experiencing difficulties in the procurement of some parts and the future economic outlook is again unclear, due to the negative impact of the Great East Japan Earthquake that occurred in March 2011 as well as the high prices of crude oil and materials.

Under these conditions, the Meiden Group made company-wide efforts to reduce costs and fixed expenses while at the same time worked at implementing the policies called for by the medium-term management plan, POWER 5.

Based on the factors above, results are as follows for the Company and its consolidated subsidiaries. Sales were ¥167,729 million (down 3.1% from the previous fiscal year) and operating income was ¥5,778 million (up 73.9% from the previous fiscal year). As a result, net income increased 23.2% year on year to ¥1,196 million.

Financial Conditions

The amount of total assets on March 31, 2011 increased by ¥263 million (up 0.1%) compared to the amount of total assets at the end of the previous fiscal year, resulting in total assets of ¥206,871 million.

Due to a rise in inventories caused by an increase in the volume of orders received, current assets increased by ¥2,482 million (up 2.3%), resulting in total assets of ¥109,037 million at the end of the fiscal year under review. Fixed assets declined by ¥2,219 million (down 2.2%) due to a decline in the value of investment securities in turn caused by a drop in the stock prices of securities held by the Company, and the continual depreciation of property, plant, and equipment, resulting in fixed assets of ¥97,834 million at the end of the current fiscal year.

The amount of total liabilities at the end of the current fiscal year was ¥154,149 million, an increase of ¥1,673 million (up 1.1%). The amount of current liabilities at the end of the current fiscal year was ¥94,767 million, a decline of ¥12,955 million (down 12.0%), due mainly to decreases in short-term borrowings and commercial paper.

The amount of long-term liabilities at the end of the current fiscal year was ¥59,382 million, an increase of ¥14,628 million (up 32.7%), due mainly to an increase in long-term debt. The amount of net assets at the end of the current fiscal year was ¥52,722 million, a decline of ¥1,410 million (down 2.6%). This was mainly due to a decrease in unrealized gains on securities, net of taxes, and a foreign currency translation adjustment.

As a result, the capital to asset ratio decreased from 25.2% to 24.4% at the end of the current fiscal year.

Consolidated Balance Sheets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (as of March 31, 2011 and 2010)

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2011	2010	2011
Current assets:			
Cash and time deposits (Note 17)	¥ 12,067	¥ 11,236	$ 145,386
Receivables:			
Trade notes	4,325	2,387	52,108
Trade accounts	55,313	56,296	666,422
Loans receivable and advances	330	2,703	3,976
Due from unconsolidated subsidiaries and affiliates	772	1,351	9,301
Allowance for doubtful accounts	(309)	(656)	(3,723)
Inventories (Note 5)	30,314	28,040	365,229
Deferred income taxes (Note 15)	3,616	3,044	43,566
Other current assets	2,609	2,154	31,434
Total current assets	109,037	106,555	1,313,699
Property, plant and equipment:			
Land (Notes 8 and 16)	9,365	9,114	112,831
Buildings and structures (Notes 6, 8 and 16)	74,631	74,674	899,169
Machinery and equipment (Note 6)	56,801	56,078	684,349
Construction in progress	414	633	4,988
Less: Accumulated depreciation	(78,174)	(77,158)	(941,855)
Net property, plant and equipment	63,037	63,341	759,482
Investments and other assets:			
Investment securities (Notes 4 and 8)	13,775	16,553	165,964
Investments in unconsolidated subsidiaries and affiliates (Note 4)	9,233	9,241	111,241
Long-term loans receivable	378	384	4,554
Deferred income taxes (Note 15)	5,897	4,857	71,048
Other assets	5,580	5,765	67,229
Allowance for doubtful accounts	(66)	(88)	(795)
Total investments and other assets	34,797	36,712	419,241
Total assets	¥206,871	¥206,608	$2,492,422

See accompanying notes.

Liabilities and net assets	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term borrowings (Note 7)	¥ 2,969	¥ 13,027	$ 35,771
Commercial paper (Note 7)	22,000	30,000	265,060
Current portion of long-term debt (Notes 7 and 8)	5,664	4,463	68,241
Payables:			
Trade notes	5,553	5,469	66,904
Trade accounts	18,724	18,408	225,590
Due to unconsolidated subsidiaries and affiliates	3,713	4,046	44,735
Advances received from customers	8,519	7,930	102,639
Accrued income taxes	1,179	547	14,205
Accrued bonuses for employees	5,080	4,694	61,205
Provision for product warranties	865	46	10,422
Provision for loss on orders	625	494	7,530
Other current liabilities	19,876	18,598	239,469
Total current liabilities	94,767	107,722	1,141,771
Long-term liabilities:			
Long-term debt (Notes 7 and 8)	32,602	19,792	392,795
Employees' severance and retirement benefits (Note 9)	22,446	21,148	270,434
Reserve for retirement allowance for directors and corporate auditors	110	115	1,325
Provision for environmental measures	1,120	551	13,494
Provision for loss on guarantees	16	16	193
Deferred income taxes (Note 15)	20	37	241
Other long-term liabilities	3,068	3,111	36,964
Total long-term liabilities	59,382	44,754	715,446
Contingent liabilities (Note 11)			
Net assets (Note 10)**:**			
Common stock			
Authorized — 576,000,000 shares			
Issued and outstanding — 227,637,704 shares	17,070	17,070	205,663
Capital surplus	13,197	13,197	159,000
Retained earnings	19,057	19,244	229,602
Less: Treasury stock, at cost	(151)	(145)	(1,819)
Unrealized gains on securities, net of taxes	2,515	3,530	30,301
Unrealized losses on hedging derivatives, net of taxes	(46)	(51)	(554)
Foreign currency translation adjustment	(1,133)	(871)	(13,651)
Minority interests	2,213	2,158	26,663
Total net assets	52,722	54,132	635,205
Total liabilities and net assets	¥206,871	¥206,608	$2,492,422

Consolidated Statements of Operations

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2011, 2010, and 2009)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Net sales (Note 14)	¥167,729	¥173,067	¥198,798	$2,020,831
Cost of sales (Note 13)	128,910	134,720	158,403	1,553,133
Selling, general and administrative expenses (Note 13)	33,041	35,025	36,310	398,084
Operating income	5,778	3,322	4,085	69,614
Other income (expenses):				
Interest and dividend income	415	418	545	5,000
Interest expense	(901)	(1,051)	(1,322)	(10,855)
Equity in net income of affiliated companies	40	428	150	482
Gain on sales of marketable securities and investment securities (Note 4)	8	1	11	96
Loss on devaluation of securities	(1,121)	(32)	(288)	(13,506)
Loss on disposal of inventories	(57)	(355)	(326)	(687)
Loss on disposal of fixed assets	(167)	(132)	(133)	(2,012)
Loss on adjustment for changes of the accounting standard for asset retirement obligations	(25)	–	–	(301)
Gain on sales of fixed assets	7	24	118	84
Provision of allowance for doubtful accounts	(0)	(11)	(487)	(0)
Loss on product warranties	(800)	(220)	(502)	(9,639)
Provision for product warranties	–	–	(522)	–
Restructuring charges on a consolidated subsidiary	–	–	(662)	–
Provision for environmental measures	(605)	–	–	(7,289)
Early extra retirement payments	(270)	–	–	(3,253)
Others	(200)	(761)	(2,045)	(2,409)
Income (loss) before income taxes and minority interests	2,102	1,631	(1,378)	25,325
Income taxes (Note 15)**:**				
Current	1,399	617	891	16,855
Prior year	239	–	–	2,880
Deferred	(940)	(58)	(1,429)	(11,326)
Total	698	559	(538)	8,409
Income (loss) before minority interests	1,404	1,072	(840)	16,916
Minority interests	208	101	243	2,506
Net income (loss) (Note 19)	¥ 1,196	¥ 971	¥ (1,083)	$ 14,410

	Yen			U.S. dollars (Note 1)
	2011	2010	2009	2011
Amounts per share of common stock (Note 20)**:**				
Net income (loss)	¥ 5.27	¥ 4.28	¥ (4.77)	$ 0.06
Cash dividends applicable to the year	4.00	4.00	4.00	0.05

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2011, 2010, and 2009)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Income (loss) before minority interests	¥ 1,404	¥1,072	¥ (840)	$ 16,916
Other comprehensive income (loss)				
Unrealized gains (losses) on securities, net of taxes	(998)	1,164	(3,846)	(12,024)
Unrealized gains (losses) on hedging derivatives, net of taxes	5	54	(40)	60
Foreign currency translation adjustments	(363)	132	(1,262)	(4,374)
Share of other comprehensive income (loss) of affiliates accounted for using equity method	32	(1)	(33)	386
Total other comprehensive income (loss)	(1,324)	1,349	(5,181)	(15,952)
Comprehensive income (loss)	¥ 80	¥2,421	¥(6,021)	$ 963
Comprehensive income (loss) attributable to:				
Comprehensive income (loss) attributable to owners of the parent	(76)	2,206	(5,889)	(916)
Comprehensive income (loss) attributable to minority interests	156	215	(132)	1,880

See accompanying notes.

Consolidated Statements of Shareholders' Equity/Changes in Net Assets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2011, 2010, and 2009)

		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
Net assets at April 1, 2008	222,637,704	¥17,070	¥13,205	¥21,625	¥ (77)	¥ 6,241	¥(65)	¥ 3	¥2,173	¥60,175
Effect of changes in accounting policies applied to foreign subsidiaries				1						1
Net income (loss)				(1,083)						(1,083)
Cash dividends				(1,363)						(1,363)
Acquisition of treasury stock					(64)					(64)
Disposal of treasury stock			(8)		25					17
Net changes during the year						(3,840)	(17)	(948)	(176)	(4,981)
Balance at March 31, 2009	222,637,704	¥17,070	¥13,197	¥19,180	¥(116)	¥ 2,401	¥(82)	¥ (945)	¥1,997	¥52,702
Net assets at April 1, 2009	222,637,704	¥17,070	¥13,197	¥19,180	¥(116)	¥ 2,401	¥(82)	¥ (945)	¥1,997	¥52,702
Net income				971						971
Cash dividends				(908)						(908)
Change of scope of equity method				1						1
Acquisition of treasury stock					(30)					(30)
Disposal of treasury stock			0		1					1
Net changes during the year						1,129	31	74	161	1,395
Balance at March 31, 2010	222,637,704	¥17,070	¥13,197	¥19,244	¥(145)	¥ 3,530	¥(51)	¥ (871)	¥2,158	¥54,132
Net assets at April 1, 2010	222,637,704	¥17,070	¥13,197	¥19,244	¥(145)	¥ 3,530	¥(51)	¥ (871)	¥2,158	¥54,132
Net income				1,196						1,196
Cash dividends				(908)						(908)
New consolidated investment				(428)						(428)
Change of scope of equity method				(47)						(47)
Acquisition of treasury stock					(6)					(6)
Disposal of treasury stock			0		0					0
Net changes during the year						(1,015)	5	(262)	55	(1,217)
Balance at March 31, 2011	222,637,704	¥17,070	¥13,197	¥19,057	¥(151)	¥ 2,515	¥(46)	¥(1,133)	¥2,213	¥52,722

		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, 2010	222,637,704	$205,663	$159,000	$231,855	$(1,747)	$ 42,530	$(614)	$(10,494)	$26,000	$652,193
Net income				14,410						14,410
Cash dividends				(10,940)						(10,940)
New consolidated investment				(5,157)						(5,157)
Change of scope of equity method				(566)						(566)
Acquisition of treasury stock					(72)					(72)
Disposal of treasury stock			0		0					0
Net changes during the year						(12,229)	60	(3,157)	663	(14,663)
Balance at March 31, 2011	222,637,704	$205,663	$159,000	$229,602	$(1,819)	$ 30,301	$(554)	$(13,651)	$26,663	$635,205

See accompanying notes.

Consolidated Statements of Cash Flows

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2011, 2010, and 2009)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Operating activities:				
Income (loss) before income taxes and minority interests	¥ 2,102	¥ 1,631	¥ (1,378)	$ 25,325
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	7,166	7,611	7,797	86,337
Increase in allowances	2,835	730	4,020	34,157
Interest and dividend income	(415)	(418)	(545)	(5,000)
Equity in net income of affiliated companies	(40)	(428)	(150)	(482)
Interest expense	901	1,051	1,322	10,855
Gain on sales of marketable securities and investment securities	(8)	(1)	(11)	(96)
Gain on sales of fixed assets	(7)	(24)	(118)	(84)
Loss on disposal of fixed assets	167	132	133	2,012
Loss on devaluation of securities	1,121	32	288	13,506
Decrease (increase) in receivables	(580)	623	6,368	(6,988)
Decrease (increase) in inventories	(2,381)	9,396	(995)	(28,687)
Increase (decrease) in payables	4,747	(3,977)	(8,491)	57,193
Other-net	327	1,392	1,239	3,940
Subtotal	15,935	17,750	9,479	191,988
Interest and dividend received	426	438	543	5,133
Interest expense paid	(858)	(1,145)	(1,259)	(10,337)
Income taxes paid	(793)	(769)	(1,509)	(9,554)
Net cash provided by operating activities	14,710	16,274	7,254	177,229
Investing activities:				
Purchase of marketable securities and investment securities	(132)	(742)	(786)	(1,590)
Proceeds from sales of marketable securities and investment securities	28	1	20	337
Proceeds from sales of stocks of subsidiaries and affiliates	140	–	–	1,687
Purchase of property, plant and equipment	(3,727)	(4,244)	(7,038)	(44,904)
Proceeds from sales of property, plant and equipment	121	254	140	1,458
Proceeds from subsidy	1,465	200	–	17,651
Other-net	(2,213)	(980)	(1,117)	(26,663)
Net cash used in investing activities	(4,318)	(5,511)	(8,781)	(52,024)
Financing activities:				
Increase (decrease) in short-term bank loans	(11,597)	(29,737)	28,663	(139,723)
Increase (decrease) in commercial paper	(8,000)	30,000	(30,000)	(96,386)
Proceeds from long-term debt	16,808	4,435	50	202,506
Repayment of long-term debt	(5,793)	(6,426)	(2,435)	(69,795)
Cash dividends paid	(906)	(908)	(1,388)	(10,916)
Cash dividends paid to minority shareholders	(41)	(19)	(24)	(494)
Other-net	(70)	(88)	(49)	(843)
Net cash used in financing activities	(9,599)	(2,743)	(5,183)	(115,651)
Effects of exchange rate changes on cash and cash equivalents	(164)	37	(336)	(1,976)
Net increase (decrease) in cash and cash equivalents	629	8,057	(7,046)	7,578
Cash and cash equivalents at beginning of year	11,180	3,123	10,169	134,699
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	177	–	–	2,133
Cash and cash equivalents at end of year (Note 17)	¥ 11,986	¥ 11,180	¥ 3,123	$ 144,410

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 of Meidensha Corporation ("the Company") and its consolidated subsidiaries 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.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2 v) 1), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2010 and 2011, are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the company and its consolidated subsidiaries ("the Companies") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2011, which was ¥83 to U.S. $1. The convenience translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could be in the future when 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 39 consolidated subsidiaries in 2011, 38 consolidated subsidiaries in 2010 and 2009.

Meiden Nuclear Engineering Corporation and Noto Community Wind Power Co., Ltd. have been added to the scope of consolidation from the fiscal year ended March 31, 2011 due to their increased importance.

SHANGHAI MEIDEN SEMICONDUCTOR CO., LTD. was removed from the scope of consolidation following its liquidation in the fiscal year ended March 31, 2011.

All significant inter-company accounts and transactions have been eliminated in consolidation. 9 unconsolidated subsidiaries, whose total assets, sales, net income (loss), 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 2011.

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 Companies acquired control of the respective subsidiaries.

The fiscal year-end for consolidated overseas subsidiaries is December 31, 2010. In preparing the consolidated financial statements, the financial statements as of December 31 of these subsidiaries are used. However, adjustments are made as necessary upon consolidation to reflect any significant transactions from January 1 to March 31.

b) Equity Method

Investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method in the years ended March 31, 2011, 2010, and 2009.

From the fiscal year ended March 31, 2011, the equity method was not applied to MEIDEN ELECTRIC ENGINEERING SDN. BHD. due to its diminished importance following a resolution to liquidate the company.

The equity method was applied to 3 affiliates during the fiscal year 2011.

From the fiscal year ended March 31, 2011, the equity method was not applied to MHS Konecranes Co., Ltd. due to the transfer of all shares of this company held by Meidensha Corporation.

The equity method was applied to 4 affiliates and 1 unconsolidated subsidiary during the fiscal year 2010 and 5 affiliates and 1 unconsolidated subsidiary during the fiscal year 2009. Investments in 9 unconsolidated subsidiaries and 4 other affiliated companies, that would not have material effect on the consolidated financial statements, are stated at cost in 2011.

AE POWER METAL ENGINEERING SDN. BHD, the one of the affiliates, whose financial statements fall on December 31 and these statements are used to prepare the consolidated financial statements.

<Changes in Accounting Policy>

Effective from the fiscal year ended March 31, 2011, the Companies have applied the “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (Practical Issues Task Force (“PITF”) No. 24 of March 10, 2008).

The impact of this change is immaterial in the fiscal year ended March 31, 2011.

c) Securities

Securities are classified based on the intent of holding as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by unconsolidated 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 Companies 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 operations 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.

d) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value, and the Companies 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 Companies 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 operations in the period which includes the inception date, and
(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

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

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

e) Inventories

Inventories of the Companies are stated at cost determined principally by the weighted-average method as to materials and supplies, and the specific identification method as to finished products and work-in-process. In the following paragraph, effective April 1, 2008, the Companies adopted a new accounting standard for measurement of inventories, and the carrying amounts stated on the balance sheet have been calculated after a devaluation reflecting reduced profitability.

<Changes in Accounting Policy>

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Companies previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value.

Replacement cost may be used in lieu of the net realizable value, if appropriate.

As a result of the adoption of ASBJ Statement No. 9, operating income decreased by ¥835 million, and loss before income taxes and minority interests increased by ¥835 million for the year ended March 31, 2009. The effects on segment information are described in Note 14.

f) Property, Plant and Equipment, and Depreciation

The Companies compute depreciation of the remaining assets principally by the declining-balance method at rates based on the useful lives and residual values determined in accordance with the Corporation Tax Law of Japan. However, the Companies compute depreciation by the straight-line method for buildings (exclusive of building improvements) acquired after March 31, 1998, and building improvements, structures and machinery belonging to the Company's Real Estate Division (Osaki, Shinagawa City, Tokyo).

<Additional Information>

Effective from the year ended March 31, 2009, the Company and certain consolidated subsidiaries changed the useful lives based on the reassessment of the useful lives in light of the change in the Corporation Tax Law of Japan. As a result, operating income decreased by ¥454 million, and loss before income taxes and minority interests increased by ¥454 million in the year ended March 31, 2009. The effects on segment information are described in Note 14.

g) Lease

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets up to no residual values. However, as permitted, finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases with disclosure of certain "as if capitalized" information.

h) Allowance for Doubtful Accounts

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

i) Accrued Bonuses for Employees

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

j) Provision for Product Warranties

The Companies make provision for product warranty by estimating individually the expected charge-free expenses.

k) Provision for Loss on Orders

The Companies make provision for losses on orders by estimating the expected losses incurred after the balance sheet date.

l) Provision for Environmental Measures

An amount is posted for the expected future amount required to provide for expenditures related to environmental measures such as the processing of hazardous substances as required by laws and regulations.

m) Provision for Loss on Guarantees

The Company provides for losses on guarantee obligations for its non-consolidated companies, based on the estimated amount of loss, taking into account the financial condition of each non-consolidated company and other factors.

n) 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.

o) Employees' Severance and Retirement Benefits

The Companies 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 Companies 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.

<Change in Accounting Policy>

Effective from the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No. 19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined taking into consideration fluctuations in the yield of long-term government and gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements for the year ended March 31, 2010.

p) Income Tax

The Companies 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 statements of operations. 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.

q) Amounts per Share of Common Stock

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

For the years ended March 31, 2011, 2010, and 2009, 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 operations represent actual amounts applicable to the respective years.

r) Amortization of Goodwill and Amortization Period

Goodwill is amortized using the straight-line method over a period of effectiveness.

s) 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 and with insignificant risks of change in value are considered to be cash and cash equivalents.

t) 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 statements of operations items resulting from transactions with the Companies at the rates used by the Companies.

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

u) Reclassifications

Certain prior year amounts have been reclassified and restated to conform to the current year presentation.

These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

v) Change in Accounting Policies

1) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from April, 2008, the Practical Issues Task Force No. 18 “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (“PITF No. 18”), issued by the Accounting Standards Board of Japan on March 17, 2006, has been applied to the Companies. PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries’ financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

1. Goodwill not subject to amortization
2. Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
3. Capitalized expenditures for research and development activities
4. Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
5. Retrospective treatment of a change in accounting policies
6. Accounting for net income attributable to minority interests

2) New Accounting Standards for Lease Transactions as Lessee

Prior to April 1, 2008, the Companies accounted for finance leases that do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain “as if capitalized” information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, “Accounting Standard for Lease Transactions” and Guidance No. 16, “Guidance on Accounting Standard for Lease Transactions.” The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Companies adopted the new accounting standards for finance leases commencing after March 31, 2008, and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases that commenced prior to April 1, 2008, and that have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain “as if capitalized” information.

3) Accounting Standard for Construction Contracts

Effective from the year ended March 31, 2010, the domestic companies adopted the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, issued on December 27, 2007) and the “Guidance on Accounting

Standard for Construction Contracts” (ASBJ Guidance No. 18, issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing in the year ended March 31, 2010. The percentage/stage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

As a result of the adoption, sales increased by ¥1,393 million, and operating income and income before income taxes and minority interests increased by ¥395 million for the year ended March 31, 2010. Effects of the change on the segment information are described in Note 14.

Changes in Notes to the Consolidated Financial Statements

(Adoption of accounting standard for asset retirement obligations)

From the fiscal year ended March 31, 2011, the Companies have adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 of March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008). These changes had a negligible impact on operating income and segment performance in the fiscal year ended March 31, 2011. As a result of adopting these standards, “Income before income taxes and minority interests” decreased by ¥25 million ($301 thousand) for the fiscal year ended March 31, 2011.

Change in Presentation Method

(Consolidated Statements of Income)

The Companies have adopted the “Cabinet Office Ordinance Regarding Partial Amendment of the Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5 of March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008). As a result, “Income (loss) before minority interests” is included in the financial statements from the fiscal year ended March 31, 2011.

<Additional Information>

Effective March 31, 2011, the Companies adopted “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25 on June 30, 2010) and “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, revised on June 30, 2010). As a result of the adoption of these standards, the Companies have presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

3. Financial Instruments

Information on financial instruments for the year ended March 31, 2011 required pursuant to the revised accounting standards is as follows:

1. Items relating to condition of financial instruments

(1) Policy initiatives for financial instruments

It is Meiden Group policy to limit fund management to short-term deposits, and use bank loans and the issue of short-term bonds for financing. Derivatives are used only to hedge the market fluctuation risks described below and are not used for speculative transactions.

(2) Types of financial instruments and risks

Operating claims such as trade notes and trade accounts receivable are exposed to the credit risk of the customer. Operating claims denominated in foreign currencies that arise from our business operations overseas are also exposed to currency rate fluctuation risk. However, in principle, this exposure is hedged through forward exchange contracts, except for cases in which the claims are less than the balance of operating debt denominated in the same foreign currency.

Stocks that are investment securities, which mainly consist of stocks of corporations the Companies have business or capital alliances with, are exposed to market value fluctuation risk.

The majority of operating debt such as trade notes and trade accounts payable has payment dates within one year. In addition there are some foreign currency-denominated notes and accounts payable related to raw materials purchases that are exposed to currency rate fluctuation risk. Short-term borrowings and commercial paper are mainly used for financing operations transactions, while long-term debt is used for financing capital investment and operating capital. Borrowings with a floating rate are exposed to interest rate fluctuation risk. However derivatives transactions are used as instruments to hedge the fluctuation risk for interest paid and to ensure that a fixed interest rate is paid.

Derivatives transactions consist of forward exchange contracts to hedge currency fluctuation risk associated with foreign currency-denominated operating debt and interest rate swaps to hedge interest rate payment fluctuation risk associated with borrowings.

Refer to Note 2 d) (Derivatives and Hedge Accounting) for information relating to hedge accounting concerning hedge instruments, hedged items, hedge policies, and the method used for evaluating the effectiveness of hedges.

(3) Risk management structure for financial instruments

(i) Credit risk (risk relating to counterparty not performing contracts, etc.) management

For each counterparty, operating claims balances are managed based on credit management regulations and structures are in place to allow regular assessment of the creditworthiness of major counterparties.

To reduce the credit risk of contracted financial institutions when using derivatives transactions, transactions are only conducted with financial institutions with a high credit ranking.

(ii) Market risk (currency and interest rate fluctuation risk) management

Forward exchange contracts are used to hedge future currency rate fluctuation risk associated with foreign currency-denominated operating debt. In addition, interest rate swap transactions are used to control interest rate payment risk associated with borrowings.

The fair value of investment securities and financial position of the issuer are assessed regularly.

The purposes, types of transactions, and deciding authorities for derivative transactions are stipulated in derivatives transactions management regulations and approval regulations, and conduct and management of these transactions is in accordance with even more specific operation rules.

(iii) Management of liquidity risk (risk that payment cannot be conducted on payment date) associated with financing

Although operating debt and borrowings are exposed to liquidity risk, this risk is managed through methods such as preparing and renewing cash flow planning as required.

(iv) Supplementary explanation concerning fair value of financial instruments

The fair value of financial instruments includes amounts based on market value and amounts that have been reasonably estimated when no market value is available. Because the calculation of these amounts incorporate elements subject to fluctuation, if different preconditions are used the resulting amounts could vary. Please note that for the contract amounts related to derivatives transactions included in the note "Derivatives and hedge accounting," the amounts themselves do not indicate the market risk associated with derivatives transactions.

2. Items related to the calculation of fair value of financial instruments and securities and derivatives transactions

Assets

(1) Cash and time deposits, (2) Trade notes and trade accounts receivable

These assets are settled in the short-term and fair value is nearly equivalent with book value, so the book value is used.

(3) Investment securities

The fair value of stocks is the price at the exchange and the fair value of debt securities is the price at the exchange or price presented by correspondent financial institutions, etc. Refer to Note 4 (Securities) for information by the purpose of ownership for securities.

(4) Long-term loans receivable

The fair value of long-term loans is calculated by discounting by the interest rate assumed for a new loan of the same type.

Liabilities

(1) Trade notes and trade accounts payable, (2) Short-term borrowings, (3) Commercial paper, (4) Accrued income taxes

These liabilities are settled in the short-term and fair value is nearly equivalent with book value, so the book value is used.

(5) Long-term debt

The fair value of long-term debt is calculated by discounting by the interest rate assumed for receiving a new loan of the same type. For the fair value of long-term debt with floating rate interest subject to special treatment with interest rate swaps, the total of principal and interest that is treated together with the hedged long-term debt is discounted by the interest reasonably expected to be applied for a similar type of debt.

Derivatives transactions

Because the special treatment of interest rate swaps is treated together with the hedged long-term borrowings, the fair value is stated within the fair value of the relevant long-term borrowings. Because the allocation treatment of forward exchange contracts is treated together with the hedged foreign currency-denominated account receivable, the fair value is stated within the fair value of the relevant foreign currency-denominated account receivable. Please refer to Note 2 d) (Derivatives and Hedge Accounting) for information on derivatives transactions.

3. Fair value of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2011 and March 31, 2010 are as follows:

	Millions of yen		
2011	Amount posted	Fair value	Difference
Cash and time deposits	¥12,067	¥12,067	¥ –
Trade notes and trade accounts receivable (*1)	60,184	60,184	–
Investment securities	13,096	13,096	–
Long-term loans receivable	379	382	3
Total assets	¥85,726	¥85,729	¥ 3
Trade notes and trade accounts payable (*2)	¥27,989	¥27,989	¥ –
Short-term borrowings	2,969	2,969	–
Commercial paper	22,000	22,000	–
Accrued income taxes	1,179	1,179	–
Long-term debt	38,267	38,364	97
Total liabilities	¥92,404	¥92,501	¥97
Derivatives transactions	¥ (54)	¥ (54)	¥ –

	Millions of yen		
2010	Amount posted	Fair value	Difference
Cash and time deposits	¥11,236	¥11,236	¥ –
Trade notes and trade accounts receivable (*1)	59,327	59,327	–
Investment securities	15,851	15,851	–
Long-term loans receivable	386	401	15
Total assets	¥86,800	¥86,815	¥15
Trade notes and trade accounts payable (*2)	¥27,923	¥27,923	¥ –
Short-term borrowings	13,027	13,027	–
Commercial paper	30,000	30,000	–
Accrued income taxes	547	547	–
Long-term debt	24,255	24,328	73
Total liabilities	¥95,752	¥95,825	¥73
Derivatives transactions	¥ 74	¥ 74	¥ –

	Thousands of U.S. dollars		
2011	Amount posted	Fair value	Difference
Cash and time deposits	$ 145,386	$ 145,386	$ –
Trade notes and trade accounts receivable (*1)	725,108	725,108	–
Investment securities	157,783	157,783	–
Long-term loans receivable	4,566	4,602	36
Total assets	$1,032,843	$1,032,879	$ 36
Trade notes and trade accounts payable (*2)	$ 337,217	$ 337,217	$ –
Short-term borrowings	35,771	35,771	–
Commercial paper	265,060	265,060	–
Accrued income taxes	14,205	14,205	–
Long-term debt	461,048	462,217	1,157
Total liabilities	$1,113,301	$1,114,470	$1,157
Derivatives transactions	$ (651)	$ (651)	$ –

*1, *2 Those for unconsolidated subsidiaries and affiliates are included.

<Additional Information>

Effective from the year ended March 31, 2010, the Companies adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 10, 2008).

4. Derivatives and Hedge Accounting

(1) Derivatives transactions not subject to hedge accounting

Not applicable for the current fiscal year

(2) Derivatives transactions subject to hedge accounting

(i) Currency related

2011

Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts (Millions of yen)	Amount of contracts over one year (Millions of yen)	Fair value (Millions of yen)
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts receivable (planned transactions)	¥340	¥–	¥311
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts payable (planned transactions)	11	–	11
Basic accounting method	EUR-denominated forward exchange contracts	Accounts payable (planned transactions)	68	–	70
Basic accounting method	SG dollar-denominated forward exchange contracts	Accounts payable (planned transactions)	2	–	2
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts receivable	11	–	10
Allocation treatment of forward exchange contracts	SG dollar-denominated forward exchange contracts	Accounts payable	13	–	14

2010

Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts (Millions of yen)	Amount of contracts over one year (Millions of yen)	Fair value (Millions of yen)
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts receivable (planned transactions)	¥229	¥229	¥224
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts receivable	125	–	128

2011

Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts (Thousands of U.S. dollars)	Amount of contracts over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts receivable (planned transactions)	$4,096	$–	$3,747
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts payable (planned transactions)	133	–	133
Basic accounting method	EUR -denominated forward exchange contracts	Accounts payable (planned transactions)	819	–	843
Basic accounting method	SG dollar-denominated forward exchange contracts	Accounts payable (planned transactions)	24	–	24
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts receivable	133	–	120
Allocation treatment of forward exchange contracts	SG dollar-denominated forward exchange contracts	Accounts payable	157	–	169

<Note> Fair value calculation

Calculation is based on the amount presented by the counterparty financial institution.

(ii) Interest rate related

2011			Millions of yen		
Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Interest rate swap transactions	Long-term debt	**¥ 2,166**	**¥ 1,987**	**¥ (85)**
Special treatment for interest rate swaps	Interest rate swap transactions	Long-term debt	**12,803**	**10,877**	**(469)**

2010			Millions of yen		
Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Interest rate swap transactions	Long-term debt	¥ 1,202	¥1,077	¥ (69)
Special treatment for interest rate swaps	Interest rate swap transactions	Long-term debt	13,365	2,443	(491)

2011			Thousands of U.S. dollars		
Hedge accounting method	Types of derivatives transactions	Major hedged items	Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Interest rate swap transactions	Long-term debt	**$ 26,096**	**$ 23,940**	**$(1,024)**
Special treatment for interest rate swaps	Interest rate swap transactions	Long-term debt	**154,253**	**131,048**	**(5,651)**

<Note> Fair value calculation
Calculation is based on the amount presented by the counterparty financial institution.

4. Securities

A. The following tables summarize acquisition costs and book values of securities with fair value as of March 31, 2011 and 2010.

	Millions of yen		
2011	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	**¥6,030**	**¥10,998**	**¥4,968**
Subtotal	**6,030**	**10,998**	**4,968**
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	**2,867**	**2,098**	**(769)**
Subtotal	**2,867**	**2,098**	**(769)**
Total	**¥8,897**	**¥13,096**	**¥4,199**

<Note> The company recognized shrinkage loss of ¥1,102 million ($13,277 thousand) on its available-for-sale securities for the year ended March 31, 2011.

	Millions of yen		
2010	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	¥7,506	¥13,930	¥6,424
Subtotal	7,506	13,930	6,424
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	2,490	1,921	(569)
Subtotal	2,490	1,921	(569)
Total	¥9,996	¥15,851	¥5,855

2011	Thousands of U.S. dollars Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	$ 72,651	$132,506	$59,855
Subtotal	72,651	132,506	59,855
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	34,542	25,277	(9,265)
Subtotal	34,542	25,277	(9,265)
Total	$107,193	$157,783	$50,590

B. The following table summarizes book values of securities with no fair value as of March 31, 2011 and 2010.

(a) Available-for-sale securities;

	Book value Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Non-listed equity securities	¥679	¥702	$8,181

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

	Book value Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in unconsolidated subsidiaries	¥ 88	¥ 94	$ 1,060
Investments in affiliated companies	9,145	9,147	110,181
Total	¥9,233	¥9,241	$111,241

C. Total sales amounts of available-for-sale securities sold, gains and losses, in the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Sales amount	¥28	¥1	¥21	$337
Gains	8	1	11	96
Losses	–	–	–	–

5. Inventories

Inventories as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products	¥ 3,395	¥ 3,782	$ 40,904
Work-in-process	25,364	22,831	305,590
Materials and supplies	1,555	1,427	18,735
Total	¥30,314	¥28,040	$365,229

6. Subsidies Received from the Japanese Government

The Companies 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, 2011 and 2010, were ¥2,815 million ($33,916 thousand) and ¥1,331 million.

7. 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, 2011 and 1.6% as of March 31, 2010, respectively.

Long-term debt and commercial paper as of March 31, 2011 and 2010 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
1.2% to 7.6% loans from banks and insurance companies	¥38,266	¥24,255	$461,036
Less: Current portion	5,664	4,463	68,241
Total	¥32,602	¥19,792	$392,795
Commercial paper, bearing interest rates of 0.2%	¥22,000	¥30,000	$265,060

The annual maturities of long-term debts as of March 31, 2011 were as follows:

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2012	¥5,664	$ 68,241
2013	5,857	70,566
2014	8,647	104,181
2015	5,914	71,253
2016	4,818	58,048
2017 and thereafter	7,366	88,747

Commitment Line Agreement

The Company renewed an agreement with a syndicate of 15 Japanese banks to set up a commitment line by multiple financial institutions for the Company.

The unexecuted balances of lending commitments for the company as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total lending commitments	¥25,000	¥40,000	$301,205
Less amounts currently executed	–	11,600	–
Unexecuted balance	¥25,000	¥28,400	$301,205

8. Pledged Assets

The following assets were pledged as collateral as of March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Land	¥ 1,479	¥ 1,479	$ 17,819
Buildings and structures	18,974	19,846	228,603
Investment securities	21	17	253
Total	¥20,474	¥21,342	$246,675

Obligations with collateral pledged as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term debt (Including current portion of long-term debt)	¥9,800	¥11,200	$118,072

In addition to the above, investment securities of ¥2 million ($24 thousand) as of March 31, 2011 and 2010 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 ¥4,921 million ($59,289 thousand) and ¥1,642 million as of March 31, 2011 and 2010, respectively.

Total business assets of this affiliate are amounting to ¥7,703 million ($92,807 thousand) and ¥2,618 million as of March 31, 2011 and 2010, respectively.

9. Employees' Severance and Retirement Benefits

The Companies 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, 2011 and 2010 consist of the following.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 53,432	¥ 54,386	$ 643,759
Unrecognized prior service costs	725	1,062	8,735
Unrecognized actuarial differences	(6,782)	(6,760)	(81,711)
Less fair value of pension assets	(18,144)	(19,058)	(218,602)
Less unrecognized net transition obligation	(6,785)	(8,482)	(81,747)
Liability for severance and retirement benefits	¥ 22,446	¥ 21,148	$ 270,434

Included in the consolidated statements of income for the years ended March 31, 2011, 2010, and 2009 are severance and retirement benefit expenses comprising the following.

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service costs—benefits earned during the year	¥2,412	¥2,326	¥2,287	$29,060
Interest cost on projected benefit obligation	1,418	1,431	1,392	17,084
Expected return on plan assets	(543)	(327)	(575)	(6,542)
Amortization of prior service costs	(338)	(337)	(337)	(4,072)
Amortization of net transition obligation	1,698	1,697	1,697	20,458
Amortization of actuarial differences	728	859	593	8,771
Severance and retirement benefit expenses	¥5,375	¥5,649	¥5,057	$64,759

The discount rate and the rate of expected return on plan assets used by the Companies are 2.7% and 3.0% for 2011, and 2.7% and 2.0% for 2010 and 2.7% and 3.0% for 2009, 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.

10. Net Assets

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 unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 24, 2011, the shareholders approved cash dividends amounting to ¥908 million ($10,940 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

11. Contingent Liabilities

Contingent liabilities as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Repurchase of note discounted and endorsed	¥ 67	¥ 51	$ 807
Guarantees of loans from banks to employees and unconsolidated subsidiaries and affiliates	151	183	1,819

12. Lease Information

(1) Prior to April 1, 2008, 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, 2011 and 2010, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assumed acquisition cost			
Machinery and equipment	¥ 981	¥1,045	$11,819
Others	15	97	181
Accumulated depreciation	(560)	(604)	(6,747)
Net book value	¥ 436	¥ 538	$ 5,253

(ii) Future minimum lease payments, inclusive of interest, as of March 31, 2011 and 2010 totaled ¥436 million ($5,253 thousand) and ¥538 million, including ¥76 million ($916 thousand) and ¥101 million due within one year, respectively.

(iii) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2011, 2010 and 2009, were ¥101 million ($1,217 thousand), ¥127 million and ¥179 million, respectively.

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

(2) Future lease receivables under non-cancelable operating leases as lessor as of March 31, 2009 totaled ¥14 million due within one year, respectively.

As discussed in Note 2 v), effective for the year ended March 31, 2009, the Companies adopted the new accounting standard for leases to recognize leased property and lease obligations on the balance sheet. Finance leases commencing prior to April 1, 2008, which do not transfer ownership of the leased property to the lessee, are accounted for as operating leases.

13. Research & Development Expenses

Research and development expenses are charged to income as incurred. The amounts charged to income for the years ended March 31, 2011, 2010, and 2009 were ¥7,413 million ($89,313 thousand), ¥6,836 million and ¥6,939 million, respectively.

14. Segment Information

General information about reportable segments

Each reportable segment of the Companies is a business unit within the Companies, for which discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors Meeting in order to determine distribution of management resources and evaluate business results by each reportable segment.

The Companies position segments identified by products and services, propose comprehensive strategies with respect to products and services, and operate its business activities.

The Companies position segments identified by products and services, including "Social Infrastructure Systems," "Industrial Systems," "Engineering," and "Real Estate."

Description of business of each reportable segment is as follows:

Reportable segments	Description of business
Social Infrastructure Systems	This segment includes business related to the construction of social infrastructure.
Industrial Systems	This segment includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations.
Engineering	This segment provides service relating to the remote management and monitoring of facilities and so on.
Real Estate	This segment includes rentals of real estate holdings.

Basis of measurement about reported segment profit or loss, segment assets, segment liabilities, and other material items

Accounting methods for each reportable segment are the same as statements on "Basis of Presenting Consolidated Financial Statements."

The operating income (loss) for each reportable segment is in conformity to the operating income of consolidated statements of operations.

Inter-segment sales and transfers are based on market prices.

Information about reported segment profit or loss, segment assets, segment liabilities, and other material items.

Segment information for the year ended March 31, 2011 is as follows:

	Millions of yen								
Year ended March 31, 2011	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Subtotal	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	¥100,686	¥26,356	¥21,770	¥ 3,026	¥151,838	¥15,891	¥167,729	¥ –	¥167,729
Inter-segment	4,683	4,631	435	264	10,013	10,788	20,801	(20,801)	–
Total	¥105,369	¥30,987	¥22,205	¥ 3,290	¥161,851	¥26,679	¥188,530	¥(20,801)	¥167,729
Operating income (loss)	¥ 3,543	¥ (1,496)	¥ 2,729	¥ 1,160	¥ 5,936	¥ 315	¥ 6,251	¥ (473)	¥ 5,778
Identifiable assets	¥ 76,064	¥36,045	¥12,983	¥21,818	¥146,910	¥ 7,721	¥154,631	¥ 52,240	¥206,871
Other items									
Depreciation and amortization	2,157	1,462	217	885	4,721	441	5,162	2,004	7,166
Capital expenditures	1,527	1,291	105	55	2,978	182	3,160	1,370	4,530

	Thousands of U.S. dollars								
Year ended March 31, 2011	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Subtotal	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	$1,213,084	$317,542	$262,289	$ 36,458	$1,829,373	$191,458	$2,020,831	$ –	$2,020,831
Inter-segment	56,422	55,795	5,241	3,181	120,639	129,976	250,615	(250,615)	–
Total	$1,296,506	$373,337	$267,530	$ 39,639	$1,950,012	$321,434	$2,271,446	$(250,615)	$2,020,831
Operating income (loss)	$ 42,687	$ (18,024)	$ 32,879	$ 13,976	$ 71,518	$ 3,795	$ 75,313	$ (5,699)	$ 69,614
Identifiable assets	$ 916,434	$434,277	$156,422	$262,867	$1,770,000	$ 93,024	$1,863,024	$ 629,398	$2,492,422
Other items									
Depreciation and amortization	25,988	17,614	2,615	10,663	56,880	5,313	62,193	24,144	86,337
Capital expenditures	18,398	15,554	1,265	663	35,880	2,192	38,072	16,506	54,578

<Notes>

1. "Others" segment comprises business operations that are not included in the reporting segments. These operations include other product sales, employee welfare and benefit services, and the provision of chemical and other products.
2. Segment operating income (loss) is reconciled with operating income reported on the consolidated financial statements.
3. "Adjustments" for segment operating income (loss) of ¥(473) million ($(5,699) thousand) includes eliminations of inter-segment sales transfers of ¥1,082 million ($13,036 thousand), adjustments for Inventories of ¥(44) million ($(530) thousand), and corporate operating expenses of ¥(1,511) million ($(18,205) thousand) that are not allocated to the reportable segments. The corporate operating expenses mainly include R&D expenses incurred at the fundamental research laboratory and other facilities that are not affiliated with the reportable segments.
4. "Adjustments" for segment assets of ¥52,240 million ($629,398 thousand) includes eliminations of inter-segment receivables and other assets of ¥(14,051) million ($(169,289) thousand), and corporate assets of ¥66,291 million ($798,687 thousand) that are not allocated to the reportable segments. Corporate assets mainly include cash and time deposits, investment securities, and the assets related to the fundamental research laboratory and other facilities that are not affiliated with the reportable segments.
5. "Adjustments" for capital expenditures of ¥1,370 million ($16,506 thousand) mainly include investments for corporate information systems that are not affiliated with the reportable segments.

Segment information for the years ended March 31, 2010 and 2009, which is restated in conformity with the requirements of the Standard, is as follows:

	Millions of yen								
Year ended March 31, 2010	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Subtotal	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	¥108,599	¥22,297	¥21,576	¥ 3,022	¥155,494	¥17,573	¥173,067	¥ –	¥173,067
Inter-segment	3,930	3,917	421	264	8,532	10,815	19,347	(19,347)	–
Total	¥112,529	¥26,214	¥21,997	¥ 3,286	¥164,026	¥28,388	¥192,414	¥(19,347)	¥173,067
Operating income (loss)	¥ 5,115	¥ (4,276)	¥ 1,897	¥ 1,192	¥ 3,928	¥ (171)	¥ 3,757	¥ (435)	¥ 3,322
Identifiable assets	¥ 75,729	¥31,909	¥12,665	¥22,775	¥143,078	¥ 8,477	¥151,555	¥ 55,053	¥206,608
Other items									
Depreciation and amortization	2,236	1,521	258	901	4,916	456	5,372	2,239	7,611
Capital expenditures	1,570	2,265	67	228	4,130	442	4,572	942	5,514

	Millions of yen								
Year ended March 31, 2009	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Subtotal	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	¥114,653	¥36,307	¥22,859	¥ 2,740	¥176,559	¥22,239	¥198,798	¥ –	¥198,798
Inter-segment	9,184	4,707	435	263	14,589	12,971	27,560	(27,560)	–
Total	¥123,837	¥41,014	¥23,294	¥ 3,003	¥191,148	¥35,210	¥226,358	¥(27,560)	¥198,798
Operating income (loss)	¥ 3,257	¥ (932)	¥ 1,363	¥ 901	¥ 4,589	¥ 568	¥ 5,157	¥ (1,072)	¥ 4,085
Identifiable assets	¥ 76,415	¥43,104	¥13,395	¥23,824	¥156,738	¥12,688	¥169,426	¥ 44,739	¥214,165
Other items									
Depreciation and amortization	2,618	1,264	305	927	5,114	442	5,556	2,241	7,797
Capital expenditures	1,639	3,100	156	442	5,337	601	5,938	2,280	8,218

<Notes>

1. "Others" segment comprises business operations that are not included in the reporting segments. These operations include other product sales, employee welfare and benefit services, and the provision of chemical and other products.
2. Segment operating income (loss) is reconciled with operating income reported on the consolidated financial statements.

<Changes in Accounting Policy>

As noted in "Notes to Consolidated Financial Statements" 2 v), the Companies have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on March 31, 2008). These changes had a negligible impact on segment operating income (loss) for the year ended March 31, 2011.

As noted in "Notes to Consolidated Financial Statements" 2 o), the Companies have applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008), effective from the year ended March 31, 2010. This change had no impact on the consolidated financial statements for the year ended March 31, 2010.

As noted in "Notes to Consolidated Financial Statements" 2 v), the Companies have applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007) , effective from the year ended March 31, 2010. Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing in the year ended March 31, 2010. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost. As a result of the adoption, sales increased by ¥1,393 million, and operating income increased by ¥395 million for the year ended March 31, 2010.

As noted in "Notes to Consolidated Financial Statements" 2 e), the Companies have applied "Accounting Standard for Measurement of Inventories," effective from the year ended March 31, 2009. As a result, operating income in this consolidated accounting period decreased by ¥654 million in "Social Infrastructure Systems" business, ¥130 million in "Industrial Systems" business, ¥50 million in "Engineering" business, and ¥1 million in "Others" business.

<Additional Information>

Effective April 1, 2010, the Companies adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

As noted in "Notes to Consolidated Financial Statements" 2 f), with the revision of the Corporation Tax Law in FY2008 from the beginning of the current consolidated accounting period, the depreciation method for property, plant, and equipment acquired on or after April 1, 2008 has been changed to one based on the revised Corporation Tax Law. As a result, operating income decreased by ¥266 million for "Social Infrastructure Systems" business, ¥138 million for "Industrial Systems" business, ¥17 million for "Engineering" business, ¥1 million for "Others" business, and ¥33 million for "Adjustments" for the year ended March 31, 2009.

Related information

Related information about geographic areas:

Information about geographic areas for the years ended March 31, 2011, 2010, and 2009 are as follows:

	Millions of yen			
Year ended March 31, 2011	Japan	Asia	Other Areas	Total
Net sales	**¥140,411**	**¥23,939**	**¥3,379**	**¥167,729**

	Millions of yen			
Year ended March 31, 2010	Japan	Asia	Other Areas	Total
Net sales	¥141,490	¥27,186	¥4,391	¥173,067

	Millions of yen			
Year ended March 31, 2009	Japan	Asia	Other Areas	Total
Net sales	¥167,145	¥27,393	¥4,260	¥198,798

	Thousands of U.S. dollars			
Year ended March 31, 2011	Japan	Asia	Other Areas	Total
Net sales	**$1,691,699**	**$288,422**	**$40,710**	**$2,020,831**

15. Income Taxes

The Companies 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, 2011, 2010, and 2009, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2011 and 2010.

	2011	2010	2009
Statutory tax rate	39.69%	39.69%	39.69%
Permanent difference (social expenses, etc.)	3.63	2.04	
Per capital inhabitant tax	5.13	6.69	
Net changes in valuation allowance	4.61	11.28	↑
Equity in loss (income) of affiliated companies	(0.76)	(10.41)	Intentionally
Tax deduction	(13.06)		omitted
Statutory tax rates variance of overseas subsidiaries	(9.99)	(18.72)	↓
Effects due to reclaiming taxes	3.61	–	
Other-net	0.36	3.71	
Effective tax rate	33.22%	34.28%	39.05%

Notes for 2009, on the above table were omitted due to the immaterial differences between the statutory tax rate and the Companies' effective tax rate.

Significant components of deferred tax assets and liabilities of the Companies as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Net operating loss carry forwards	¥ 962	¥ 931	$ 11,590
Allowance for retirement benefits	8,315	7,813	100,181
Bonuses	1,952	1,786	23,518
Others	3,346	2,940	40,313
Gross deferred tax assets	14,575	13,470	175,602
Less: Valuation allowance	(1,666)	(1,637)	(20,072)
Total deferred tax assets	12,909	11,833	155,530
Deferred tax liabilities:			
Reserve for special depreciation	484	391	5,831
Unrealized gains on securities, net of taxes	1,669	2,326	20,108
Deferred gain from division of corporation	1,131	1,131	13,627
Others	132	121	1,591
Gross deferred tax liabilities	3,416	3,969	41,157
Net deferred tax assets	¥ 9,493	¥ 7,864	$114,373

16. Investment and Rental Property

The Company owns some rental office buildings and rental commercial facilities for the purpose of earning rent income in Tokyo and other regions. Pursuant to the new requirements, information about fair value of investment and rental property is disclosed as follows:

	Millions of yen			
	2010 end-of-year balance	Increase (decrease) during 2011	2011 end-of-year balance	2011 fair value
Rental real estate	¥20,197	**¥(800)**	**¥19,397**	**¥46,945**

<Notes>

1. Figures stated above are the amount after accumulated depreciation is deducted from the cost of acquisition.
2. The decrease in investment and rental property during the year ended March 31, 2011, is mainly attributable to depreciation ¥800 million ($9,638 thousand).
3. The fair value at March 31, 2011 shows the appraisal value from an independent real estate appraiser.

	Millions of yen			
	2009 end-of-year balance	Increase (decrease) during 2010	2010 end-of-year balance	2010 fair value
Rental real estate	¥20,979	¥(782)	¥20,197	¥46,954

<Notes>

1. Figures stated above are the amount after accumulated depreciation is deducted from the cost of acquisition.
2. The decrease in investment and rental property during the year ended March 31, 2010, is mainly attributable to depreciation ¥782 million.
3. The fair value at March 31, 2010 shows the appraisal value from an independent real estate appraiser.

	Thousand of U.S dollars			
	2010 end-of-year balance	Increase (decrease) during 2011	2011 end-of-year balance	2011 fair value
Rental real estate	$243,337	**$(9,638)**	**$233,699**	**$565,602**

The profits and losses associated with rental real estate and real estate that contains portions that are used as rental real estate for the fiscal years ended March 31, 2011, 2010, and 2009 are described below.

	Millions of yen		
Year ended March 31, 2011	Operating income	Operating cost	Operating profit
Rental real estate	**¥3,290**	**¥2,130**	**¥1,160**

	Millions of yen		
Year ended March 31, 2010	Operating income	Operating cost	Operating profit
Rental real estate	¥3,286	¥2,094	¥1,192

	Millions of yen		
Year ended March 31, 2009	Operating income	Operating cost	Operating profit
Rental real estate	¥3,003	¥2,102	¥901

	Thousands of U.S. dollars		
Year ended March 31, 2011	Operating income	Operating cost	Operating profit
Rental real estate	**$39,639**	**$25,663**	**$13,976**

<Additional Information>

Effective from the fiscal year ended March 31, 2010, the Companies adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, issued on November 28, 2008) and "Rental Property" (ASBJ Guidance No. 23, issued on November 28, 2008) for the years ending on or after March 31, 2010.

17. Cash and Cash Equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥12,067	¥11,236	$145,386
Time deposits with maturities exceeding three months	(81)	(56)	(976)
Cash and cash equivalents	¥11,986	¥11,180	$144,410

18. Related Party Transactions

Information on related party transactions for the years ended March 31, 2011, 2010, and 2009, and the related amounts as of those dates are summarized as follows:

	Millions of yen	
Year ended March 31, 2011	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	¥9,840	¥2,890

	Millions of yen	
Year ended March 31, 2010	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	¥9,635	¥2,762

	Millions of yen	
Year ended March 31, 2009	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	¥11,272	¥3,233

	Thousands of U.S. dollars	
Year ended March 31, 2011	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	$118,554	$34,819

<Note>
The amount of purchase of finished products and accounts payable is based on market price.

<Additional Information>

ASBJ Statement No. 11, “Accounting Standard for Related Party Disclosures” and ASBJ Guidance No. 13, “Guidance on Accounting Standard for Related Party Disclosures” issued by the Accounting Standards Board of Japan on October 17, 2006, require certain additional related party disclosures effective for years beginning on or after April 1, 2008. Even pursuant to the new accounting standard, applicable related parties within the new definition of additional related party disclosures remain unchanged from the previous year as per above.

19. Net Income (Loss) per Share

The basis of per share amount calculation for the years ended March 31, 2011, 2010, and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Basic earnings per share:				
Net income (loss)	¥1,196	¥971	¥(1,083)	$14,410
Earnings not attributable to common shareholders	–	–	–	–
Net income (loss) allocated to common stocks	1,196	971	(1,083)	14,410

Diluted net income per share is not presented, since the Company has never issued any dilutive securities.

	Thousands of shares		
	2011	2010	2009
Weighted-average number of common stocks	226,956	226,983	227,110

20. Subsequent Events

The following appropriation of retained earnings at March 31, 2011 was approved at the annual meeting of the Company's shareholders held on June 24, 2011.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥4.0 ($0.05) per share	¥908	$10,940

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, 2011and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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 financial position of MEIDENSHA CORPORATION and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 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 24, 2011

KPMG AZSA LLC

Consolidated Subsidiary Companies

JAPAN

- **MEIDEN SHOJI Co., Ltd.**
  Sales of electric products and components
  Capital ¥300 million

- **Kofu Meidensha Electric Mfg. Co., Ltd.**
  Manufacture and sales of electric motors
  Capital ¥400 million

- **Meiden Plant Systems Corporation**
  Constructing service
  Capital ¥400 million

- **MEIDEN CHEMICAL CO., LTD.**
  Insulating varnish and molded instrument transformer
  Capital ¥95 million

- **MEIDEN KOHSAN CO., LTD.**
  Sales of products and materials, and agent service of insurance
  Capital ¥100 million

- **MEIDEN SOFTWARE CORPORATION**
  Engineering and programming of software
  Capital ¥50 million

- **MEIDEN FOUNDRY INDUSTRIAL Co., Ltd.**
  Casting
  Capital ¥50 million

- **MEIDEN SYSTEM ENGINEERING Co., Ltd.**
  System engineering of plants
  Capital ¥50 million

- **Meiden Kankyo Service Co., Ltd.**
  Maintenance and control service of water treatment equipment
  Capital ¥100 million

- **HOKUTO DENKO CORPORATION**
  Manufacture and sales of electric sensors
  Capital ¥25 million

- **MEIDEN SYSCON Co., Ltd.**
  Manufacture and sales of switchgear and relays
  Capital ¥20 million

- **Meiden Kiden Kogyo Co., Ltd.**
  Machining and repairing service
  Capital ¥20 million

- **MEIDEN MEDIAFRONT CORPORATION**
  Printing and copy service
  Capital ¥40 million

- **Meiden Sheet Metal Products Corporation**
  Manufacture and sales of sheet metal
  Capital ¥90 million

- **MSA Co., Ltd.**
  Manufacture and sales of surge arresters
  Capital ¥40 million

- **Meiden System Technology Co., Ltd.**
  Engineering and programming software
  Capital ¥30 million

CHINA

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

- **MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD.**
  Manufacture and sales of electrical motors
  Capital US$11.6 million

- **MEIDEN ZHENGZHOU ELECTRIC CO., LTD.**
  Manufacture and sales of surge arresters
  Capital RMB40 million

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

HONG KONG

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

INDONESIA

- **P. T. MEIDEN ENGINEERING INDONESIA**
  Engineering and constructing service
  Capital US$320 million

MALAYSIA

- **MEIDEN ASIA PTE. LTD.**
  (MALAYSIA BRANCH OFFICE)

SINGAPORE

- **MEIDEN ASIA PTE. LTD.**
  Business management for Southeast Asia operations
  Capital S$5 million

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

THAILAND

- **THAI MEIDENSHA CO., LTD.**
  Engineering and constructing service
  Capital TB20 million

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

THE UNITED KINGDOM

- **MEIDEN EUROPE LTD.**
  Sales of electric products and components
  Capital €750 thousand

THE UNITED STATES

- **MEIDEN AMERICA, INC.**
  Sales of dynamometer products and engineering and consulting services
  Capital US$16.5 million

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

Plus 10 domestic subsidiaries

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 ($205,663 thousand)

SHAREHOLDERS
26,074

TRANSFER AGENT
The Sumitomo Trust & Banking Co., Ltd.

Board of Directors

(As of June 24, 2011)

CHAIRMAN
Keiji Kataoka

PRESIDENT
Junzo Inamura

EXECUTIVE VICE PRESIDENT
Hiroshi Sugiyama

EXECUTIVE VICE PRESIDENT
Noriyasu Nagai

EXECUTIVE VICE PRESIDENT
Yuji Hamasaki

EXECUTIVE VICE PRESIDENT
Kozo Masaki

DIRECTORS AND SENIOR
MANAGING EXECUTIVE OFFICERS
Shuji Yamamoto
Atsushi Kubota

DIRECTORS
Tetsuro Kawakami
Botaro Hirosaki

SENIOR CORPORATE AUDITORS
Kazuo Hosoya
Kaoru Sutou

CORPORATE AUDITORS
Hideo Fujii
Sanpei Nozaki

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