MEIDEN

Annual Report 2012

For the Year Ended March 31, 2012

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

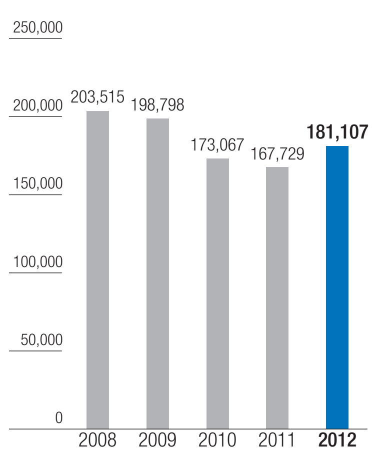
MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen (except per share data)					Thousands of U.S. dollars (except per share data)
	2008	2009	2010	2011	**2012**	**2012**
For the year:						
Orders received	¥213,148	¥188,803	¥161,464	¥168,826	**¥186,986**	**$2,280,317**
Net sales	203,515	198,798	173,067	167,729	**181,107**	**2,208,622**
Operating income	7,586	4,085	3,322	5,778	**6,279**	**76,573**
Net income (loss)	2,405	(1,083)	971	1,196	**1,679**	**20,476**
Capital expenditures	14,152	8,218	5,514	4,530	**6,823**	**83,207**
Depreciation and amortization	6,334	7,797	7,611	7,166	**7,008**	**85,463**
R&D expenses	6,530	6,939	6,836	7,413	**8,425**	**102,744**
Per share data (yen and U.S. dollars):						
Net income (loss)	10.59	(4.77)	4.28	5.27	**7.40**	**0.09**
Cash dividends	6.00	4.00	4.00	4.00	**4.00**	**0.05**
At year-end:						
Total assets	236,415	214,165	206,608	206,871	**211,733**	**2,582,110**
Total equity	60,175	52,702	54,132	52,722	**53,422**	**651,488**
Number of employees	6,825	7,133	7,144	6,994	**7,145**	**—**

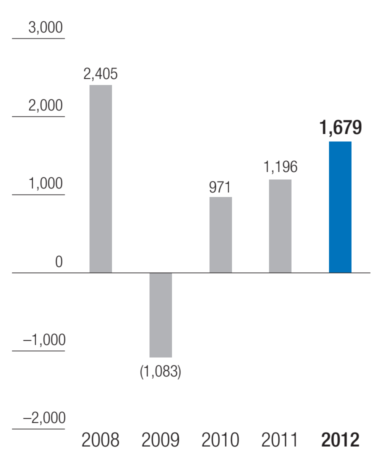
Notes: 1. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2012, which was ¥82 to U.S.$1.
2. Figures for employee numbers excludes those employees on temporary contracts.
3. The cash dividend for 2008 included a special dividend of ¥1.00 to commemorate the 110th anniversary of the 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 8.0% year on year to ¥181,107 million, operating income jumped 8.7% to ¥6,279 million (consolidated), and net income climbed 40.4% to ¥1,679 million (consolidated).

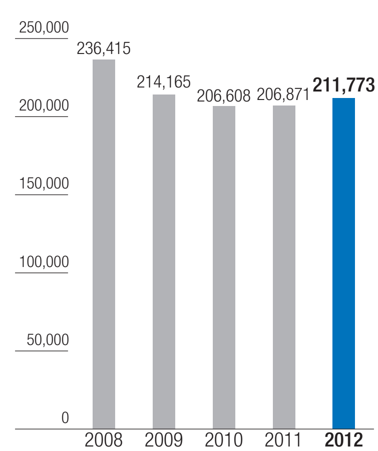
Net Sales
(Millions of yen)



Net Income (Loss)
(Millions of yen)



Total Assets
(Millions of yen)



Message from Management

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." The 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 2012 saw the prolonged impact of the Great East Japan Earthquake (the "Quake") and the flooding in Thailand as well as the impact from the slowdown of the world economy, especially in the euro area, and the yen's persistent strength. It was a challenging year.

Under these economic conditions, the Group made vigorous efforts to boost sales, which led to net sales on a consolidated basis of ¥181,107 million, up 8.0% year on 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, our medium-term management plan. As a result, net income before income taxes came to ¥3,086 million (consolidated) and net income for the year came to ¥1,679 million (consolidated).

The year-end dividend was ¥4 per share.

The economic outlook remains uncertain due to concerns over recession in the euro area and the slowdown of Asian economies. While there is an outlook of mild recovery spurred by the reconstruction demand after the Quake, we expect the business environment for the Meiden Group to remain challenging considering such factors as the strong yen and electricity shortages which may accelerate more companies moving their production to overseas countries.

Under these conditions, while the Group maintains its basic management direction—"The challenge of the Meiden Group: Contributing to society through the "power" of manufacturing excellence" under the POWER 5 medium-term management plan (the "Plan"), we implemented the key policies of "realistic realignment" and "more focus" of the Plan in line with the current management environment.

From March 2012, we entered Phase III period of POWER 5, which is a 3-year management plan covering fiscal 2012–2014. The following five (5) points will be the key policies under Phase III.

(1) Accelerate "Growth Businesses"

We will accelerate the growth of five businesses—motor drive units for pure electric vehicles, vacuum capacitors, smart grids, energy storage devices, and logistics system products (collectively "Growth Businesses") and seek to make them true growth businesses that will drive the Group's growth.

(2) Strengthen "Existing Core Businesses" and accelerate new business developments

We will work to strengthen our competitiveness in three existing core businesses—water processing, traction power supply, and dynamometer-applied systems ("Existing Core Businesses")—and to develop our business in new business fields, focusing on such development in overseas markets. In addition, we will accelerate our new servicing business development in the engineering systems business sector. We would like to strengthen our servicing competitiveness. At the same time, we would like to reinforce our servicing business at every stage of the product lifecycle.

(3) Strengthen Meiden Group overseas strategy

As a step toward the Growth Businesses and the Existing Core Businesses going global, we will actively promote the overseas operations of sales and marketing, production and product development for overseas markets. Further, we will seek M&A and business alliance opportunities. In so doing, we will aim to achieve our fiscal 2013 target: 30% of consolidated net sales from overseas sales.

(4) Enhance product competitiveness

We appointed a new executive officer in charge of overseeing our product strategy for three product lines: power transmission and distribution (T&D) products, power generation products, and power conversion products.

We would like to enhance product competitiveness in terms of price, performance, and other factors. Especially in the case of T&D products, we will promote the development of eco-friendly models and overseas production.

(5) Promote business realignment, alliances and M&A transactions

In Japan and abroad, we will promote cooperation with universities and strategic alliances with companies. We will also seek M&A opportunities.

In so doing, we will accelerate business development and make effective use of our management resources.

By implementing POWER 5, we aim to provide peace of mind and the best product experience to our customers through the stable supply of products and services that contribute to an affluent society. We also aim to make a highly profitable company. Further, we would like to become a company that gives each of our employees a high level of job satisfaction and a pride in being a member of the Company.

We ask all shareholders, as well as our customers and business partners, to give us their continuous support and advice.

Keiji Kataoka, Chairman

K. Kataoka

Junzo Inamura, President

J. Inamura

Topics

Medium-Term Management Plan

POWER 5 Phase III Has Started

In April 2009, the Meiden Group formulated its medium-term management plan POWER 5, a five-year plan covering the period from March 2010 to March 2014. Under this plan, the Company has steadily implemented measures to enhance its corporate value. However, the operating environment of the Meiden Group has been changing dramatically mainly due to the change in energy policy by the Japanese government after the Great East Japan Earthquake in March 2011, and the impact of the strong yen. In addition, we dissolved a joint venture in the power transmission and distribution field, one of our main businesses, and are now engaged in transforming our business structures to achieve new growth.

Operating in this climate, the Group is maintaining the basic direction of our POWER 5 medium-term management plan, which is encapsulated by the slogan: "The challenge of the Meiden Group: Contributing to society through the "power" of manufacturing excellence." We have also revised and reinforced priority policies in line with current business conditions, and from April 2012 we embarked on Phase III of the POWER 5 plan, which consists of initiatives to be conducted over the three-year period from fiscal 2012 to fiscal 2014.

Establishment of the initial five-year plan period (from April 2009)

Phase I (FY2009–FY2010) → Phase II (FY2011–FY2013)

Period of building a growth platform | Period of growth and expansion

Re-establishment of the plan period (from April 2012)

Phase I (FY2009–FY2010) → Phase II (FY2011) → Phase III (FY2012-FY2014)

Period of building a growth platform | Review strategies | Period of growth and expansion

POWER 5 We will implement the following five priority measures in Phase III.

1 Accelerate "Growth Businesses"

We will accelerate the growth of five businesses (collectively "Growth Businesses") and seek to make them true growth businesses that will drive the Group's growth.


Motors and inverters for electric vehicles business


Vacuum capacitors business


Smart grids business


Energy storage devices business


Logistics business

2 Strengthen "Existing Core Businesses" and accelerate new business developments

We will work to strengthen our competitiveness in our existing core businesses ("Existing Core Businesses") and to develop our business in new business fields, focusing on development in overseas markets. In addition, we will accelerate our new business development in the engineering systems business sector that is engaged in maintenance services for our products.


Water treatment business


Dynamometers business


Electric railways business


Engineering business

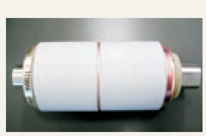
3 Strengthen Meiden Group overseas strategy

We will aim to achieve our fiscal 2013 target of 30% of consolidated net sales from overseas sales, and our fiscal 2014 target of 34%.

4 Enhance product competitiveness

For the three product lines of power transmission and distribution (T&D) products, power generation products, and power conversion products, we would like to enhance product competitiveness in terms of price, performance, and other factors. Especially in the case of T&D products, we will promote the development of eco-friendly models and overseas production.

Power transmission and distribution products



Power generation products

Power transformation products

5 Promote business realignment, alliances and M&A transactions

In Japan and abroad, we will promote cooperation with universities and strategic alliances with companies. We will also seek M&A opportunities. In so doing, we will accelerate business development and make effective use of our management resources.

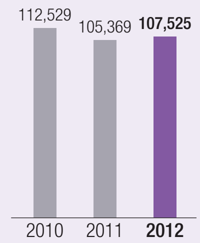
At a Glance

Social Infrastructure Systems

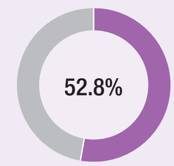
This sector includes business related to the construction of social infrastructure. We provide solution services of all kinds in relation to electric power quality, energy conservation, and related matters, and we engage in the manufacture and marketing of all types of electrical equipment involved in power generation, transmission, transforming, distribution, and other related functions for power companies, governments 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 of industrial waste, etc.

Net Sales
(Millions of yen)



Composition of Sales
(%)

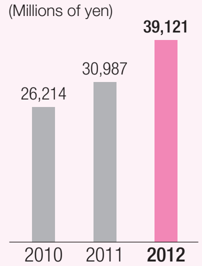


Industrial Systems

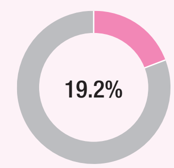
This sector includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations. In addition to providing private industry with automotive testing systems and logistics support systems, we engage in the manufacture and marketing of motors, 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)



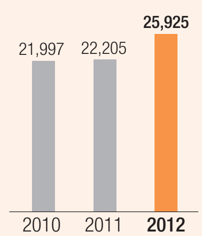
Composition of Sales
(%)



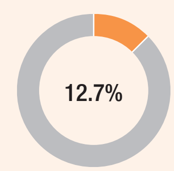
Engineering Systems

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)



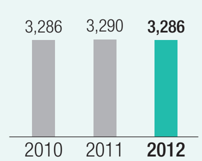
Composition of Sales
(%)



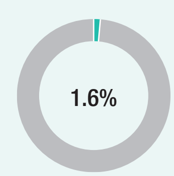
Real Estate

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

Net Sales
(Millions of yen)



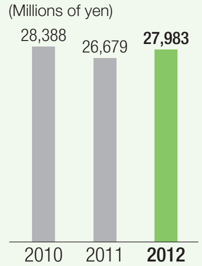
Composition of Sales
(%)



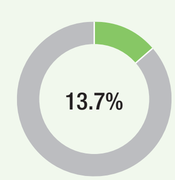
Other

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)



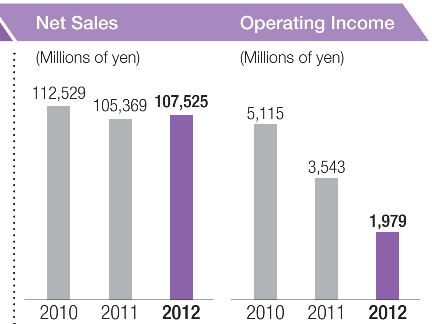
Composition of Sales
(%)



Review of Operations

Social Infrastructure Systems Business Sector

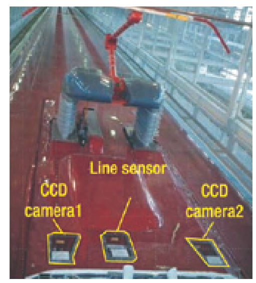
Orders had been stable from the second half of fiscal 2010 and there were demand from post-earthquake reconstruction activities and demand for power systems due to concerns about electricity shortages. Given these factors, the sector sales increased by 2.0% compared to fiscal 2010, to ¥107,525 million.



> Power, Railway & Private Sector Business Segment

The business environment became increasingly challenging as competition with other firms intensified, largely in the public sector, which consists of the government and other public offices, local governments, and others.

Given the above, we actively marketed and proposed products and services for energy conservation and business continuity plans against disasters. At the same time, we engaged in the business development of various energy systems using renewable energy resources like a solar power system. In the traction power supply system sector, we focused on sales of our unique products such as the overhead catenary system (“OCS”) inspection system featuring our image recognition technology, as well as on the sales of our conventional traction substations.



“Catenary Eye”
(OCS inspection system)

> Environmental Engineering Business Segment

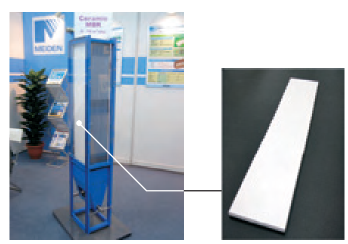
The business environment became increasingly challenging due to such factors as public spending cuts, fewer water processing plant construction projects, and more competition in the market.

Against the above backdrop, we worked hard for the earliest possible recovery of sewage water treatment plants hit by the Great East Japan Earthquake (the “Quake”). We focused our efforts in securing orders for both new and renovation work as regards electrical systems for drinking water and sewage treatment plants. Another focus was to secure business process outsourcing (“BPO”) contracts for water processing facility operation & maintenance management.

Additionally, as a new business sector, we did the preparatory work for the serial production of ceramic membranes for sewage and industrial waste water treatment plants. In February 2012, we sealed a business alliance with Organo Corporation for the public sector water processing facility business in Japan. We actively marketed and offered to potential customers a comprehensive proposal for a water processing facility.


Mt. Komekura Mega Solar Project


PCS for solar power


Ceramic membrane


Facility management at work in a drinking water treatment plant

> International Business Segment

The business climate for getting orders from overseas markets continued to be challenging due to the ongoing strength of the yen.

Given such circumstances, we worked hard to increase sales of power distribution substations and traction substations as well as the sales of power systems. We actively worked on the sales development of a power conditioning subsystem (PCS) for solar power.

Additionally, we worked for the emergency restoration projects for the customer facilities damaged by the flooding in Thailand. We actively participated in a feasibility study project for a micro grid system for an island nation as a part of our study for the global release of this system.


Experimental power grid plant in Singapore including micro grid research

Meiden Inked MOU with Toshiba on Small & Medium-sized Hydro Power Systems Business Collaboration

In October 2011, Meiden signed a memorandum of understanding (MOU) on a business and technology collaboration with Toshiba Corporation (Toshiba). The purpose is to mutually enhance the strength of the companies' small and medium-sized hydro power plant systems field businesses.

Under this collaboration, the two companies will work to build the cooperation where Toshiba will supply the turbines and related services to Meiden, and Meiden will provide the hydro turbine generators and related services to Toshiba. In so doing, this collaboration will reinforce the mutual hydro power plant system businesses.

Through this cooperation, the companies will aim to enhance each hydro power plant systems business primarily in Japan, whereby Toshiba will reinforce small capacity range hydro power plant systems and Meiden will reinforce such business by procuring the hydro turbines from Toshiba. In the Japanese small capacity range hydro power plant systems market, it has a big growth potential, and the companies will work to provide highly efficient hydro power plant systems and related services with a view to increasing their respective market shares.

The companies intend to expand their cooperation into the overseas small and medium capacity range hydro power plant systems market.

Hydroelectric generator

Meiden Supplied PV Power Conditioners to a 21 MW Solar Park in Bulgaria

During fiscal 2011, Meiden supplied its photovoltaic (PV) power conditioners to a 21 MW Solar PV Project built in Bulgaria.

This 21 MW Zlataritsa Project in north-central Bulgaria was undertaken by SDN Company Ltd. ("SDN"), a world-leading South Korean solar system integrator, and started commercial operation in February 2012. For this PV Project, we shipped a total of 84 units of 250-kW PV power conditioners. SDN has another PV Project in Bulgaria: the 5 MW Ostar Kamak PV Project. It started commercial operation in the summer of 2011. We have supplied a total of 20 units of 250 kW PV power conditioners.

The PV power conditioner for these projects is our SP100 series IEC-compliant model. As a "transformer inside" model, this power conditioner offers a world-top level energy efficiency of 97%. This model also received the Golden Sun Certificate issued by the China General Certification Center (CGC). The certificate certifies that the product satisfies the required quality and performance standards of a Chinese national solar farm project.

We would like to actively promote the development of renewable energy-related products and innovations, as well as marketing.

SP100 Series Power Conditioner PV Inverters

Zlataritsa PV Project in Bulgaria

Sojitz and Meiden Received an Order for a Traction Substation for MTR Hong Kong —First Overseas Order for CAPAPOST, Regenerative Energy Storage System—

Meiden and Sojitz Corporation (Sojitz) in cooperation with GTECH Services (Hong Kong) Limited, recently received an order for a traction substation system from MTR Corporation Limited (MTR), a rail and metro network operator in Hong Kong.

The order included switchgears, transformers, and the CAPAPOST system. This order marks the first overseas order for CAPAPOST. CAPAPOST is an energy storage system using a proprietary electric double-layer capacitor that will be installed in the traction substation.

CAPAPOST absorbs the regenerative power generated when a train decelerates using a brake by converting the kinetic energy to electric energy. Then, CAPAPOST feeds the power to other trains that are running. Thus we can realize the recovery of a resource. This system reduces energy consumption by approximately 10 percent and contributes to the reduction of the train's carbon footprint.

This order was for the South Island Line (East) (SIL(E)) Project, a new seven-kilometer metro line currently under construction by MTR. When completed, it will connect Admiralty Station in Hong Kong Island's Central District to South Horizons Station, which is under construction. Upon completion, SIL(E) will be the first railway line connecting the southern part of the island to the MTR network.

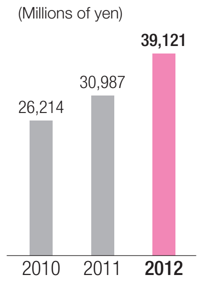
With the track record of an official adoption of CAPAPOST by MTR, a leading railway operator in Asia, we aim to develop the CAPAPOST business in other overseas markets.

CAPAPOST

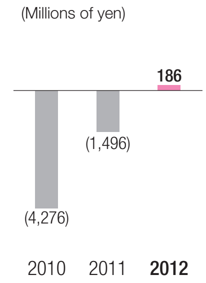
Industrial Systems Business Sector

Some parts of the component business segment remained somewhat stagnant, but the dynamometer and logistics systems business was in a recovery phase, with an increase of 26.2% year on year to ¥39,121 million.

Net Sales



Operating Income (Loss)



Dynamometer and Logistic Systems Business Segment

In the automotive testing field, the order receiving climate improved due to several factors: the resumption of R&D spending after its postponement because of the Quake, the development of products for fuel-efficient vehicles, and the construction of R&D centers in foreign countries to meet the overseas production of Japanese automakers. We focused on the business development of testing systems for eco-friendly vehicles, such as pure electric vehicles and hybrid cars. We actively worked to expand sales in overseas markets like China, India and Southeast Asia where demand for auto-related R&D facilities is on the rise.

In the area of logistics systems, the demand for motor drive units for forklifts increased. We worked to promote the sales both in Japan and overseas. The capital spending on automatic guided vehicles (AGVs) showed there is a recovery trend mostly in the auto industry. We also worked on the sales in other industries such as pharmaceuticals, chemicals and warehousing. In the overseas markets for AGVs, there were rising demand in China, Southeast Asia and other emerging countries. We reinforced the knock-down productions and sales conducted through our Meiden Group companies in those countries.

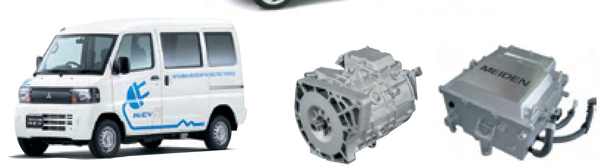
Automatic guided vehicle (AGV)

Low-inertia dynamometer

Component Business Segment

Demand for the modular units for semiconductor manufacturing systems showed some decline after the second half of fiscal 2011. The motor demand for injection molding machines showed an increase due to the factory recovery needs after the flooding in Thailand. Additionally, we worked to increase the production of motor drive units for pure electric vehicles: the i-MiEV and MINICAB MiEV produced by Mitsubishi Motors Corporation.

We started the local production of general purpose industrial inverters at a new plant constructed by our company, Meiden Hangzhou Drive Systems Co., Ltd., in China.



Motor drive unit for pure electric vehicle

Industrial computer

Vacuum capacitors

Inverter

Engineering Systems Business Sector

In the maintenance service sector, price competition remained intense, but we managed to generate a sales increase of 16.8% year on year to ¥25,925 million due to restoration and recovery demands after the Quake.

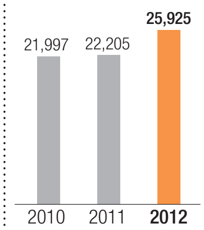
In addition to regular maintenance and inspection services, we also actively worked on maintenance service for power supply facilities, where the service demand has increased after the Quake. We actively did the marketing and service proposals for the facility health assessment service and the facility remaining-life assessment service.

Failure status analysis and its possible cause analysis

Facility diagnosis at the power "on" condition

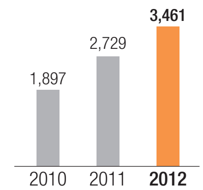
Net Sales

(Millions of yen)



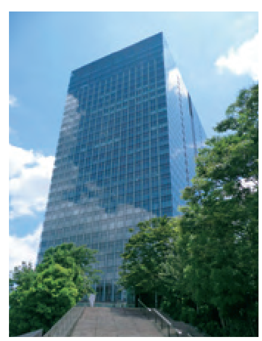
Operating Income

(Millions of yen)



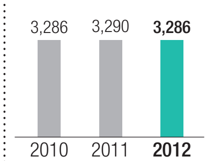
Real Estate Business Sector

The Meiden Group is involved in real estate leasing, primarily ThinkPark Tower, an office and commercial building in Tokyo's Shinagawa City. Sector sales totaled ¥3,286 million, almost the same level as in fiscal 2010.



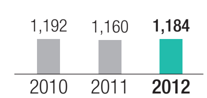
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)

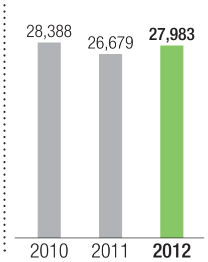


Other Businesses Sector

Sales from businesses not included in the above-mentioned sectors and other reporting segments. These businesses, which include sales of other products, welfare services for employees, and the provision of chemical products, increased 4.9% over fiscal 2010 to ¥27,983 million.

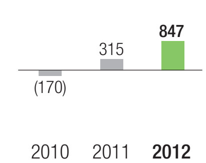
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



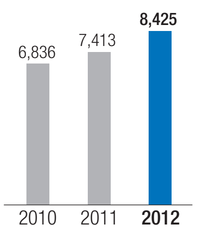
Research & Development

With due consideration to medium- and long-term market and technological trends, the Meiden Group promotes new product development and conducts R&D on basic core technologies using a clear future road-map, and drawing on our long-standing engineering resources.

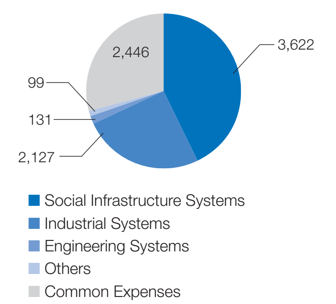
In the area of new product development, we developed "Aqua Smart Cloud", a cloud-computing technology-based monitoring and control system which streamlines the operation and maintenance work of water processing facilities (both drinking water and sewage treatment plant facilities). We also developed an IEC Standard-compliant medium-voltage inverter that was designed for release in overseas markets.

In the meantime, in the area of basic core technologies, we promoted the development of inverter products that make use of next-generation power semiconductor devices (silicon carbide). In the area of motor technologies for pure electric vehicles and others, we have been accelerating the development of motors that use less rare earth metals to avoid the availability risk of such resources. Moreover, with regard to basic core technologies with their clear future road-map, we conducted a joint development program with Sumitomo Electric Industries, Ltd. ("SEI") on high-capacity electric double layer capacitors using SEI's aluminum Celmet, mostly for automotive applications. Also, under the Yokohama Smart City Project, we have been working on the demonstrative testing program to develop the effective control of the use of energy resources using a storage battery system. As a result of these activities, total R&D expenses in fiscal 2011 amounted to ¥8,425 million.

Research & Development Expenses



Composition of R&D Expenses



Update on Joint Development of EDLC Using SEI's Aluminum-Celmet

Meiden commercialized its bipolar electric double-layer capacitor (EDLC) for high-voltage/high-current storage in 2006. The EDLC features a compact size by using bipolar structure and long life even with a high number of charge-discharge cycles. Making effective use of these features, Meiden has being doing the EDLC business primarily for power infrastructure systems such as the dynamic voltage compensator (DVC) for a stable power supply and regenerative power storage for traction power supply systems. For wider applications of EDLC, the Company has actively conducted its device-level development to achieve better performance and development for finding further applications.

Since 2011, the Company entered a joint research program with Sumitomo Electric Industries, Ltd. (SEI) on the development of an EDLC using SEI's porous metal "Aluminum-Celmet."*1 Recently, we achieved about a 3.4 times higher volumetric energy density, together with a wider operating temperature range, and higher output density than the conventional EDLC that uses aluminum foil, activated carbon, and organic electrolytes.

Meiden and SEI will continue the joint development to achieve about a 5 times higher volumetric energy density than the conventional level. The parties recognize that the main market for such EDLC will be in the automotive field such as electrically assisted acceleration for pure EV or hybrid EV, or regenerative power storage during vehicle deceleration.

We plan to release the sample unit in fiscal 2013 and to commercialize the product in fiscal 2015.

*1 Aluminum-Celmet is a trademark of Sumitomo Electric Industries, Ltd.

Image of electric double-layer capacitor (EDLC) using Aluminum-Celmet

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.

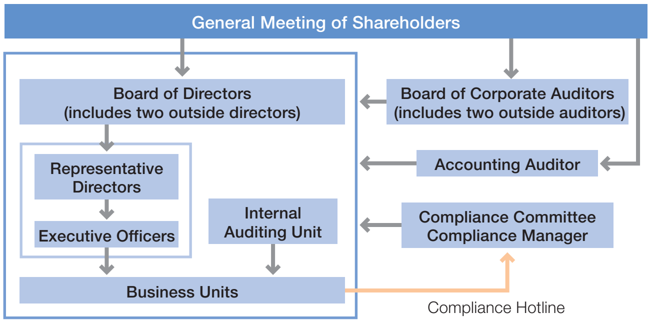
We have an Internal Auditors Office to assist the Board of Corporate Auditors which works under the direct control of the Board.

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

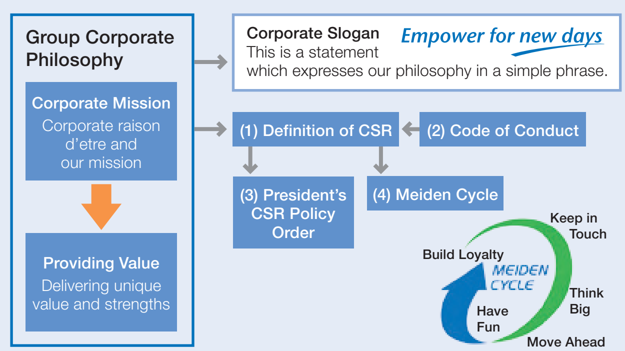
This code defines compliance in conducting our CSR programs and activities.

(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.



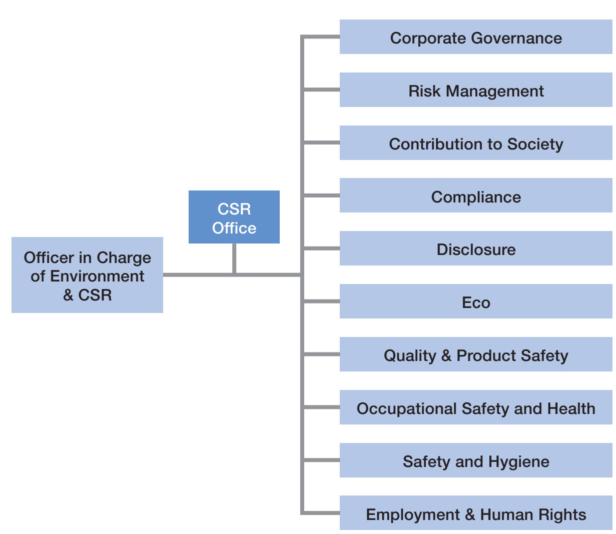
> CSR Management Promotion Structure

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



Consolidated Financial Review

Outline of Profits and Losses

The Japanese economy faced difficult conditions in fiscal 2011, the year ended March 31, 2012. In addition to the impact of the Great East Japan Earthquake in March 2011, the economy was negatively impacted by the persistently strong yen and stagnant European and other overseas economies.

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 ¥181,107 million (up 8.0% from the previous fiscal year) and operating income was ¥6,279 million (up 8.7% from the previous fiscal year). As a result, net income increased 40.4% year on year to ¥1,679 million.

Financial Conditions

The amount of total assets on March 31, 2012 increased by ¥4,862 million (up 2.4%) compared to the amount of total assets at the end of the previous fiscal year, resulting in total assets of ¥211,733 million.

Accompanying a rise in inventories, current assets increased by ¥7,548 million (up 6.9%), resulting in total current assets of ¥116,585 million at the end of the fiscal year under review. Fixed assets declined by ¥2,686 million (down 2.7%) due to the continual depreciation of property, plant, and equipment, resulting in fixed assets of ¥95,148 million at the end of the current fiscal year.

The amount of total liabilities at the end of the current fiscal year was ¥158,311 million, an increase of ¥4,162 million (up 2.7%). The amount of current liabilities at the end of the current fiscal year was ¥102,028 million, an increase of ¥7,261 million (up 7.7%), due mainly to increases in payables and commercial paper.

The amount of long-term liabilities at the end of the current fiscal year was ¥56,283 million, a decline of ¥3,099 million (down 5.2%), due mainly to a decrease in long-term debt.

Retained earnings increased due to the increase in net income, and the amount of net assets at the end of the current fiscal year was ¥53,422 million, an increase of ¥700 million (up 1.3%).

As a result, the capital to asset ratio decreased from 24.4% to 24.2% at the end of the current fiscal year.

Consolidated Balance Sheets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (as of March 31, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2012	2011	2012
Current assets:			
Cash and time deposits (Note 18)	¥ 12,748	¥ 12,067	$ 155,463
Receivables:			
Trade notes	2,533	4,325	30,890
Trade accounts	62,199	55,313	758,524
Loans receivable and advances	321	330	3,915
Due from unconsolidated subsidiaries and affiliates	895	772	10,915
Allowance for doubtful accounts	(336)	(309)	(4,098)
Inventories (Note 5)	31,571	30,314	385,012
Deferred income taxes (Note 16)	3,501	3,616	42,695
Other current assets	3,153	2,609	38,452
Total current assets	116,585	109,037	1,421,768
Property, plant and equipment:			
Land (Notes 8 and 17)	9,356	9,365	114,098
Buildings and structures (Notes 6, 8 and 17)	75,551	74,631	921,354
Machinery and equipment (Note 6)	54,930	56,801	669,878
Construction in progress	1,510	414	18,415
Less: Accumulated depreciation	(79,974)	(78,174)	(975,293)
Net property, plant and equipment	61,373	63,037	748,452
Investments and other assets:			
Investment securities (Notes 4 and 8)	13,173	13,775	160,646
Investments in unconsolidated subsidiaries and affiliates (Note 4)	8,138	9,233	99,244
Long-term loans receivable	29	378	354
Deferred income taxes (Note 16)	6,617	5,897	80,695
Other assets	5,911	5,580	72,085
Allowance for doubtful accounts	(93)	(66)	(1,134)
Total investments and other assets	33,775	34,797	411,890
Total assets	¥211,733	¥206,871	$2,582,110

See accompanying notes.

Liabilities and net assets	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Short-term borrowings (Note 7)	¥ 1,736	¥ 2,969	$ 21,171
Commercial paper (Note 7)	23,500	22,000	286,585
Current portion of long-term debt (Notes 7 and 8)	5,957	5,664	72,646
Payables:			
Trade notes	6,412	5,553	78,195
Trade accounts	22,751	18,724	277,451
Due to unconsolidated subsidiaries and affiliates	3,863	3,713	47,110
Advances received from customers	8,331	8,519	101,598
Accrued income taxes	1,254	1,179	15,293
Accrued bonuses for employees	4,798	5,080	58,512
Provision for product warranties	249	865	3,037
Provision for loss on orders	659	625	8,037
Other current liabilities	22,518	19,876	274,609
Total current liabilities	102,028	94,767	1,244,244
Long-term liabilities:			
Long-term debt (Notes 7 and 8)	27,858	32,602	339,732
Employees' severance and retirement benefits (Note 9)	24,171	22,446	294,768
Reserve for retirement allowance for directors and corporate auditors	116	110	1,415
Provision for environmental measures	1,070	1,120	13,049
Provision for loss on guarantees	12	16	146
Deferred income taxes (Note 16)	44	20	537
Other long-term liabilities	3,012	3,068	36,731
Total long-term liabilities	56,283	59,382	686,378
Contingent liabilities (Note 12)			
Net assets (Note 10)**:**			
Common stock			
Authorized —576,000,000 shares			
Issued and outstanding—227,637,704 shares	17,070	17,070	208,171
Capital surplus	13,197	13,197	160,939
Retained earnings	19,825	19,057	241,768
Less: Treasury stock, at cost	(152)	(151)	(1,854)
Unrealized gains on securities, net of taxes	2,665	2,515	32,500
Unrealized losses on hedging derivatives, net of taxes	(90)	(46)	(1,097)
Foreign currency translation adjustment	(1,309)	(1,133)	(15,963)
Minority interests	2,216	2,213	27,024
Total net assets	53,422	52,722	651,488
Total liabilities and net assets	¥211,733	¥206,871	$2,582,110

See accompanying notes.

Consolidated Statements of Income

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2012, 2011 and 2010)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Net sales (Note 15)	¥181,107	¥167,729	¥173,067	$2,208,622
Cost of sales (Notes 14)	138,890	128,910	134,720	1,693,781
Selling, general and administrative expenses (Notes 14)	35,938	33,041	35,025	438,268
Operating income	6,279	5,778	3,322	76,573
Other income (expenses):				
Interest and dividend income	394	415	418	4,805
Interest expense	(880)	(901)	(1,051)	(10,732)
Equity in net income of affiliated companies	286	40	428	3,488
Gain on sales of marketable securities and investment securities (Note 4)	7	8	1	85
Loss on devaluation of securities	(440)	(1,121)	(32)	(5,366)
Loss on valuation of stocks of subsidiaries and affiliates	(1,379)	–	–	(16,817)
Loss on disposal of inventories	–	(57)	(355)	–
Loss on disposal of fixed assets	(60)	(167)	(132)	(732)
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	(25)	–	–
Gain on sales of fixed assets	14	7	24	171
Provision of allowance for doubtful accounts	(43)	(0)	(11)	(524)
Loss on product warranties	–	(800)	(220)	–
Provision for environmental measures	–	(605)	–	–
Early extra retirement payments	–	(270)	–	–
Others	(1,092)	(200)	(761)	(13,317)
Income (loss) before income taxes and minority interests	3,086	2,102	1,631	37,634
Income taxes (Note 16)**:**				
Current	1,552	1,399	617	18,927
Prior year	–	239	–	–
Deferred	(360)	(940)	(58)	(4,391)
Total	1,192	698	559	14,536
Income (loss) before minority interests	1,894	1,404	1,072	23,098
Minority interests	215	208	101	2,622
Net income (loss) (Note 20)	¥ 1,679	¥ 1,196	¥ 971	$ 20,476

	Yen			U.S. dollars (Note 1)
	2012	2011	2010	2012
Amounts per share of common stock (Note 21)**:**				
Net income (loss)	¥ 7.40	¥ 5.27	¥ 4.28	$ 0.09
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, 2012, 2011 and 2010)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Income (loss) before minority interests	**¥1,894**	¥ 1,404	¥1,072	**$23,098**
Other comprehensive income (loss)				
Unrealized gains (losses) on securities, net of taxes	**131**	(998)	1,164	**1,597**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(50)**	5	54	**(610)**
Foreign currency translation adjustment	**(242)**	(363)	132	**(2,951)**
Share of other comprehensive income (loss) of associates accounted for using equity method	**11**	32	(1)	**134**
Total other comprehensive income (loss) (Note 11)	**(150)**	(1,324)	1,349	**(1,830)**
Comprehensive income (loss)	**¥1,744**	¥ 80	¥2,421	**$21,268**
Comprehensive income (loss) attributable to:				
Comprehensive income (loss) attributable to owners of the parent	**1,609**	(76)	2,206	**19,622**
Comprehensive income (loss) attributable to minority interests	**135**	156	215	**1,646**

See accompanying notes.

Consolidated Statements of Shareholders' Equity/Changes in Net Assets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2012, 2011 and 2010)

		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, 2009	227,637,704	¥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	227,637,704	¥17,070	¥13,197	¥19,244	¥(145)	¥ 3,530	¥(51)	¥ (871)	¥2,158	¥54,132
Net assets at April 1, 2010	227,637,704	¥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	227,637,704	¥17,070	¥13,197	¥19,057	¥(151)	¥ 2,515	¥(46)	¥(1,133)	¥2,213	¥52,722
Net assets at April 1, 2011	227,637,704	¥17,070	¥13,197	¥19,057	¥(151)	¥ 2,515	¥(46)	¥(1,133)	¥2,213	¥52,722
Net income				1,679						1,679
Cash dividends				(908)						(908)
New consolidated investment				(3)						(3)
Acquisition of treasury stock					(2)					(2)
Disposal of treasury stock			0		1					1
Net changes during the year						150	(44)	(176)	3	(67)
Balance at March 31, 2012	227,637,704	¥17,070	¥13,197	¥19,825	¥(152)	¥ 2,665	¥(90)	¥(1,309)	¥2,216	¥53,422

		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, 2011	227,637,704	$208,171	$160,939	$232,402	$(1,842)	$30,671	$ (561)	$(13,817)	$26,988	$642,951
Net income				20,476						20,476
Cash dividends				(11,073)						(11,073)
New consolidated investment				(37)						(37)
Acquisition of treasury stock					(24)					(24)
Disposal of treasury stock			0		12					12
Net changes during the year						1,829	(536)	(2,146)	36	(817)
Balance at March 31, 2012	227,637,704	$208,171	$160,939	$241,768	$(1,854)	$32,500	$(1,097)	$(15,963)	$27,024	$651,488

See accompanying notes.

Consolidated Statements of Cash Flows

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2012, 2011 and 2010)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Operating activities:				
Income (loss) before income taxes and minority interests	¥ 3,086	¥ 2,102	¥ 1,631	$ 37,634
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	7,008	7,166	7,611	85,463
Increase (decrease) in allowances	976	2,835	730	11,902
Interest and dividend income	(394)	(415)	(418)	(4,805)
Equity in net loss (income) of affiliated companies	(286)	(40)	(428)	(3,488)
Interest expense	880	901	1,051	10,732
Gain on sales of marketable securities and investment securities	(7)	(8)	(1)	(85)
Gain on sales of fixed assets	(14)	(7)	(24)	(171)
Loss on disposal of fixed assets	60	167	132	732
Loss on devaluation of securities	440	1,121	32	5,366
Decrease (increase) in receivables	(5,866)	(580)	623	(71,537)
Decrease (increase) in inventories	(1,398)	(2,381)	9,396	(17,049)
Increase (decrease) in payables	5,188	4,747	(3,977)	63,268
Other-net	3,715	327	1,392	45,306
Sub-total	13,388	15,935	17,750	163,268
Interest and dividend received	378	426	438	4,610
Interest expense paid	(848)	(858)	(1,145)	(10,341)
Income taxes paid	(1,475)	(793)	(769)	(17,988)
Net cash provided by operating activities	11,443	14,710	16,274	139,549
Investing activities:				
Purchase of marketable securities and investment securities	(3)	(22)	(714)	(37)
Purchase of investments in subsidiaries	(50)	(110)	(28)	(610)
Proceeds from sales of marketable securities and investment securities	69	28	1	841
Proceeds from sales of stocks of subsidiaries and affiliates	–	140	–	–
Purchase of property, plant and equipment	(3,800)	(3,727)	(4,244)	(46,341)
Proceeds from sales of property, plant and equipment	34	121	254	415
Purchase of software	(1,661)	(1,342)	(1,031)	(20,256)
Proceeds from subsidy	46	1,465	200	561
Other-net	(275)	(871)	51	(3,353)
Net cash used in investing activities	(5,640)	(4,318)	(5,511)	(68,780)
Financing activities:				
Increase (decrease) in short-term bank loans	(1,194)	(11,597)	(29,737)	(14,561)
Increase (decrease) in commercial paper	1,500	(8,000)	30,000	18,293
Proceeds from long-term debt	1,154	16,808	4,435	14,073
Repayment of long-term debt	(5,604)	(5,793)	(6,426)	(68,341)
Purchase of treasury stock	(2)	(6)	(30)	(24)
Cash dividends paid	(909)	(906)	(908)	(11,085)
Cash dividends paid to minority shareholders	(132)	(41)	(19)	(1,610)
Other-net	139	(64)	(58)	1,694
Net cash provided by (used in) financing activities	(5,048)	(9,599)	(2,743)	(61,561)
Effects of exchange rate changes on cash and cash equivalents	(116)	(164)	37	(1,415)
Net increase (decrease) in cash and cash equivalents	639	629	8,057	7,793
Cash and cash equivalents at beginning of year	11,986	11,180	3,123	146,171
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	49	177	–	597
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	(0)	–	–	(0)
Cash and cash equivalents at end of year (Note 18)	¥12,674	¥ 11,986	¥ 11,180	$154,561

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.

Effective from the year ended March 31, 2009, 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. The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the following specified six items as applicable.

①Goodwill not subject to amortization

②Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss

③Capitalized expenditures for research and development activities

④Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets

⑤Retrospective treatment of a change in accounting policies

⑥Accounting for net income attributable to minority interests

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, 2012, which was ¥82 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 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 40 consolidated subsidiaries in 2012, 39 consolidated subsidiaries in 2011 and 38 consolidated subsidiaries in 2010.

MEIDEN MALAYSIA SDN. BHD. has been added to the scope of consolidation from the fiscal year ended March 31, 2012 due to their increased importance.

DONGGUAN MEIDEN PACIFIC ELECTRICAL ENGINEERING CO., LTD. and Meiden T&D Corporation have been added to the scope of consolidation from the fiscal year ended March 31, 2012 due to established.

ENERGY GIKEN CO., LTD. was removed from the scope of consolidation from the fiscal year ended March 31, 2012 due to its liquidation.

Meiden Media Front Corporation was removed from the scope of consolidation from the fiscal year ended March 31, 2012 due to the merger with MEIDEN KOHSAN CO., LTD.

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 2012.

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, 2011. 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, 2012, 2011 and 2010.

The equity method was applied to 3 affiliates during the fiscal year 2012 and 2011, and 4 affiliates and 1 unconsolidated subsidiary during the fiscal year 2010. Investments in 9 unconsolidated subsidiaries and 3 other affiliated companies, that would not have material effect on the consolidated financial statements, are stated at cost in 2012.

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 statements of income in the event net asset value declines significantly unless the decline is considered as recoverable.

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

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

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

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

e) Inventories

Inventories 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. The carrying amounts stated on the balance sheet have been calculated after a devaluation reflecting reduced profitability.

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).

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.

p) Revenue Recognition of Construction Contracts

The Companies apply the percentage-of-completion method when the outcome of individual contracts can be estimated reliably. 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.

q) 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 income. The asset and liability approach is used to recognize expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and some subsidiaries adopted consolidated tax return system.

r) 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, 2012, 2011 and 2010, diluted net income per share was not shown since the Company had no securities with dilutive effect. Cash dividends per share presented in the consolidated statements of income represent actual amounts applicable to the respective years.

s) Amortization of Goodwill and Amortization Period

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

t) 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.

u) 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 income 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.

v) 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.

w) Change in Accounting Policies

1) Changes in Accounting Policies with Revision of Accounting Standards

(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 for the fiscal year ended March 31, 2011.

2) 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>

(1) Effective from 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 statements of comprehensive income (loss) in the consolidated financial statements.

(2) The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Financial Instruments

Information on financial instruments for the year ended March 31, 2012 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. However, in principle, this exposure is hedged through forward exchange contracts, except for cases in which the debts are less than the balance of operating claims denominated in the same foreign currency.

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 claims and debts, interest rate swaps to hedge interest rate payment fluctuation risk associated with borrowings and commodity swaps to hedge price fluctuation risk associated with raw materials purchases.

Refer to the 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 claims and debts. In addition, interest rate swap transactions are used to control interest rate payment risk associated with borrowings and commodity swap transactions are used to control price fluctuation risk associated with raw materials purchases.

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 Transaction Related," 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 the 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 the Note 2 d) (Derivatives and Hedge Accounting) for information on derivatives transactions.

3. Fair value of financial instruments

Book value and fair values of the financial instruments on the consolidated balance sheet at March 31, 2012 and March 31, 2011 are as follows:

	Millions of yen		
2012	Amount posted	Fair value	Difference
Cash and time deposits	**¥12,748**	**¥12,748**	**¥ –**
Trade notes and trade accounts receivable *1	**65,390**	**65,390**	**–**
Investment securities	**12,567**	**12,567**	**–**
Long-term loans receivable	**30**	**32**	**2**
Total assets	**¥90,735**	**¥90,737**	**¥ 2**
Trade notes and trade accounts payable *1	**¥33,027**	**¥33,027**	**¥ –**
Short-term borrowings	**1,736**	**1,736**	**–**
Commercial paper	**23,500**	**23,500**	**–**
Accrued income taxes	**1,254**	**1,254**	**–**
Long-term debt	**33,815**	**34,080**	**265**
Total liabilities	**¥93,332**	**¥93,597**	**¥265**
Derivatives transactions	**¥ (117)**	**¥ (117)**	**¥ –**

	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 *1	¥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)	¥ –

2012	Thousands of U.S. dollars		
	Amount posted	Fair value	Difference
Cash and time deposits	$ 155,463	$ 155,463	$ –
Trade notes and trade accounts receivable *1	797,439	797,439	–
Investment securities	153,256	153,256	–
Long-term loans receivable	366	391	25
Total assets	$1,106,524	$1,106,549	$ 25
Trade notes and trade accounts payable *1	$ 402,768	$ 402,768	$ –
Short-term borrowings	21,171	21,171	–
Commercial paper	286,585	286,585	–
Accrued income taxes	15,293	15,293	–
Long-term debt	412,378	415,610	3,232
Total liabilities	$1,138,195	$1,141,427	$3,232
Derivatives transactions	$ (1,427)	$ (1,427)	$ –

*1 Those for unconsolidated subsidiaries and affiliates are included.

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

2012			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	US dollar-denominated forward exchange contracts	Accounts receivable (planned transactions)	¥ 62	¥ –	¥ 63
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts payable	17	–	18
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts receivable	243	–	246

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	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

2012

Hedge accounting method	Types of derivatives transactions	Major hedged items	Thousands of U.S. dollars Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	US dollar-denominated forward exchange contracts	Accounts receivable (planned transactions)	$ 756	$ –	$ 768
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts payable	207	–	220
Allocation treatment of forward exchange contracts	US dollar-denominated forward exchange contracts	Accounts receivable	2,963	–	3,000

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

(ii) Interest rate related

2012

Hedge accounting method	Types of derivatives transactions	Major hedged items	Millions of yen Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Interest rate swap transactions	Long-term debt	¥ 1,987	¥1,817	¥(100)
Special treatment for interest rate swaps	Interest rate swap transactions	Long-term debt	10,936	9,010	(152)

2011

Hedge accounting method	Types of derivatives transactions	Major hedged items	Millions of yen 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)

2012

Hedge accounting method	Types of derivatives transactions	Major hedged items	Thousands of U.S. dollars Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Interest rate swap transactions	Long-term debt	$ 24,232	$ 22,159	$(1,220)
Special treatment for interest rate swaps	Interest rate swap transactions	Long-term debt	133,366	109,878	(1,854)

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

(iii) Commodity related

2012

Hedge accounting method	Types of derivatives transactions	Major hedged items	Millions of yen Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Commodity swap transactions	Raw material	¥185	¥ –	¥(16)

2012

Hedge accounting method	Types of derivatives transactions	Major hedged items	Thousands of U.S. dollars Amount of contracts	Amount of contracts over one year	Fair value
Basic accounting method	Commodity swap transactions	Raw material	$2,256	$ –	$(195)

(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, 2012 and 2011.

	Millions of yen		
2012	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	**¥5,247**	**¥ 9,802**	**¥4,555**
Sub-total	**5,247**	**9,802**	**4,555**
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	**3,195**	**2,765**	**(430)**
Sub-total	**3,195**	**2,765**	**(430)**
Total	**¥8,442**	**¥12,567**	**¥4,125**

(Note) The company recognized shrinkage loss of ¥435 million ($5,305 thousand) on its available for sale securities for the year ended March 31, 2012.

	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
Sub-total	6,030	10,998	4,968
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	2,867	2,098	(769)
Sub-total	2,867	2,098	(769)
Total	¥8,897	¥13,096	¥4,199

(Note) The company recognized shrinkage loss of ¥1,102 million on its available for sale securities for the year ended March 31, 2011.

	Thousands of U.S. dollars		
2012	Acquisition cost	Book value	Difference
Securities with book value (fair value) exceeding acquisition cost:			
Equity securities	**$ 63,988**	**$119,537**	**$55,549**
Sub-total	**63,988**	**119,537**	**55,549**
Securities with book value (fair value) not exceeding acquisition cost:			
Equity securities	**38,963**	**33,719**	**(5,244)**
Sub-total	**38,963**	**33,719**	**(5,244)**
Total	**$102,951**	**$153,256**	**$50,305**

B. The following table summarizes book values of securities with no fair value as of March 31, 2012 and 2011.

(a) Available-for-sale securities;

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Non-listed equity securities	**¥606**	¥679	**$7,390**

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

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investments in unconsolidated subsidiaries	¥ 117	¥ 88	$ 1,427
Investments in affiliated companies	8,021	9,145	97,817
Total	¥8,138	¥9,233	$99,244

C. Total sales amounts of available-for-sale securities sold, gains and losses, in the years ended March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Sales amount	¥69	¥28	¥1	$841
Gains	7	8	1	85
Losses	(1)	–	–	(12)

5. Inventories

Inventories as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥ 4,336	¥ 3,395	$ 52,878
Work-in-process	25,190	25,364	307,195
Materials and supplies	2,045	1,555	24,939
Total	¥31,571	¥30,314	$385,012

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, 2012 and 2011, were ¥2,863 million ($34,915 thousand) and ¥2,815 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 2.6% as of March 31, 2012 and 1.5% as of March 31, 2011, respectively.

Long-term debt and commercial paper as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
1.2% to 2.9% loans from banks and insurance companies	¥33,815	¥38,266	$412,378
Less: Current portion	5,957	5,664	72,646
Total	¥27,858	¥32,602	$339,732
Commercial paper, bearing interest rates of 0.1%	¥23,500	¥22,000	$286,585

The annual maturities of long-term debts as of March 31, 2012 were as follows:

Year ended March 31	Millions of yen	Thousands of U.S. dollars
2013	¥5,957	$ 72,646
2014	8,692	106,000
2015	5,900	71,951
2016	4,807	58,622
2017	3,874	47,244
2018 and thereafter	4,585	55,915

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total lending commitments	**¥25,000**	¥25,000	**$304,878**
Less amounts currently executed	**–**	–	**–**
Unexecuted balance	**¥25,000**	¥25,000	**$304,878**

8. Pledged Assets

The following assets were pledged as collateral as of March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Land	**¥ 1,479**	¥ 1,479	**$ 18,037**
Buildings and structures	**18,101**	18,974	**220,744**
Investment securities	**21**	21	**256**
Total	**¥19,601**	¥20,474	**$239,037**

Obligations with collateral pledged as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Long-term debt (Including current portion of long-term debt)	**¥8,400**	¥9,800	**$102,439**

In addition to the above, investment securities of ¥2 million ($24 thousand) as of March 31, 2012 and 2011 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 ¥3,023 million ($36,866 thousand) and ¥4,921 million as of March 31, 2012 and 2011, respectively.

Total business assets of this affiliate are amounting to ¥5,750 million ($70,122 thousand) and ¥7,703 million as of March 31, 2012 and 2011, 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, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 63,575	¥ 53,432	$ 775,305
Unrecognized prior service costs	393	725	4,792
Unrecognized actuarial differences	(16,781)	(6,782)	(204,646)
Less fair value of pension assets	(17,926)	(18,144)	(218,610)
Less unrecognized net transition obligation	(5,090)	(6,785)	(62,073)
Liability for severance and retirement benefits	¥ 24,171	¥ 22,446	$ 294,768

Included in the consolidated statements of income for the years ended March 31, 2012, 2011 and 2010 are severance and retirement benefit expenses comprising the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service costs—benefits earned during the year	¥2,269	¥2,412	¥2,326	$27,671
Interest cost on projected benefit obligation	1,387	1,418	1,431	16,914
Expected return on plan assets	(514)	(543)	(327)	(6,268)
Amortization of prior service costs	(332)	(338)	(337)	(4,049)
Amortization of net transition obligation	1,695	1,698	1,697	20,671
Amortization of actuarial differences	773	728	859	9,427
Severance and retirement benefit expenses	¥5,278	¥5,375	¥5,649	$64,366

The discount rate and the rate of expected return on plan assets used by the Companies are 1.8% and 3.0% for 2012, 2.7% and 3.0% for 2011 and 2.7% and 2.0% for 2010, 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 prices 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 shareholders' 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 26, 2012, the shareholders approved cash dividends amounting to ¥908 million ($11,073 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012. Such appropriations are recognized in the period in which they are approved by the shareholders.

11. Reclassification Adjustments and Tax Effects for Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized gains (losses) on securities:		
Increase (decrease) during the year	¥(508)	$(6,195)
Reclassification adjustments	429	5,232
Sub-total, before tax	(79)	(963)
Tax (expense) or benefit	210	2,560
Sub-total, net of tax	131	1,597
Unrealized gains (losses) on hedging derivatives:		
Increase (decrease) during the year	(36)	(439)
Reclassification adjustments	(27)	(329)
Sub-total, before tax	(63)	(768)
Tax (expense) or benefit	13	158
Sub-total, net of tax	(50)	(610)
Foreign currency translation adjustment:		
Increase (decrease) during the year	(242)	(2,951)
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the year	11	134
Total other comprehensive income	¥(150)	$(1,830)

12. Contingent Liabilities

Contingent liabilities as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Repurchase of note discounted and endorsed	¥ 79	¥ 67	$ 963
Guarantees of loans from banks to employees and unconsolidated subsidiaries and affiliates	114	151	1,390

13. Lease Information

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:

(1) Assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value as of March 31, 2012 and 2011, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assumed acquisition cost			
Machinery and equipment	¥ 818	¥ 981	$ 9,975
Others	10	15	122
Accumulated depreciation	(468)	(560)	(5,707)
Net book value	¥ 360	¥ 436	$ 4,390

(2) Future minimum lease payments, inclusive of interest, as of March 31, 2012 and 2011 totaled ¥360 million ($4,390 thousand) and ¥436 million, including ¥58 million ($707 thousand) and ¥76 million due within one year, respectively.

(3) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2012, 2011 and 2010, were ¥76 million ($927 thousand), ¥101 million and ¥127 million, respectively.

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

14. Research and Development Expenses

Research and development expenses are charged to income as incurred. The amounts charged to income for the years ended March 31, 2012, 2011 and 2010 were ¥8,425 million ($102,744 thousand), ¥7,413 million and ¥6,836 million, respectively.

15. 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 income.

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, 2012, is as follows:

	Millions of yen								
Year ended March 31, 2012	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Sub-total	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	¥102,169	¥33,474	¥25,592	¥ 3,022	¥164,257	¥16,850	¥181,107	¥ –	¥181,107
Inter-segment	5,356	5,647	333	264	11,600	11,133	22,733	(22,733)	–
Total	¥107,525	¥39,121	¥25,925	¥ 3,286	¥175,857	¥27,983	¥203,840	¥(22,733)	¥181,107
Operating income (loss)	¥ 1,979	¥ 186	¥ 3,461	¥ 1,184	¥ 6,810	¥ 847	¥ 7,657	¥ (1,378)	¥ 6,279
Identifiable assets	¥ 77,440	¥42,429	¥14,022	¥21,178	¥155,069	¥11,943	¥167,012	¥ 44,721	¥211,733
Other items									
Depreciation and amortization	2,293	1,492	194	885	4,864	424	5,288	1,720	7,008
Capital expenditures	2,057	1,948	139	–	4,144	238	4,382	2,441	6,823

	Thousands of U.S. dollars								
Year ended March 31, 2012	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Sub-total	Others	Total	Adjustments	Consolidated
Net sales:									
Outside customers	$1,245,964	$408,219	$312,097	$ 36,854	$2,003,134	$205,488	$2,208,622	$ –	$2,208,622
Inter-segment	65,317	68,866	4,062	3,219	141,464	135,768	277,232	(277,232)	–
Total	$1,311,281	$477,085	$316,159	$ 40,073	$2,144,598	$341,256	$2,485,854	$(277,232)	$2,208,622
Operating income (loss)	$ 24,134	$ 2,268	$ 42,208	$ 14,439	$ 83,049	$ 10,329	$ 93,378	$ (16,805)	$ 76,573
Identifiable assets	$ 944,390	$517,427	$171,000	$258,268	$1,891,085	$145,647	$2,036,732	$ 545,378	$2,582,110
Other items									
Depreciation and amortization	27,963	18,195	2,366	10,793	59,317	5,171	64,488	20,975	85,463
Capital expenditures	25,086	23,756	1,695	–	50,537	2,902	53,439	29,768	83,207

(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 ¥(1,378) million ($(16,805) thousand) includes eliminations of inter-segment sales transfers of ¥1,048 million ($12,780 thousand), adjustments for Inventories of ¥(23) million ($(280) thousand), and corporate operating expenses of ¥(2,403) million ($(29,305) 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 ¥44,721 million ($545,378 thousand) includes eliminations of inter-segment receivables and other assets of ¥(22,105) million ($(269,573) thousand), and corporate assets of ¥66,826 million ($814,951 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 ¥2,441 million ($29,768 thousand) mainly include investments for corporate information systems that are not affiliated with the reportable segments.

Segment information for the year ended March 31, 2011 and 2010, which is restated in conformity with the requirements of the Standard, is as follows:

	Millions of yen								
Year ended March 31, 2011	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Sub-total	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

(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 includes eliminations of inter-segment sales transfers of ¥1,082 million, adjustments for Inventories of ¥(44) million, and corporate operating expenses of ¥(1,511) million 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 includes eliminations of inter-segment receivables and other assets of ¥(14,051) million, and corporate assets of ¥66,291 million 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 mainly include investments for corporate information systems that are not affiliated with the reportable segments.

	Millions of yen								
Year ended March 31, 2010	Social Infrastructure Systems	Industrial Systems	Engineering	Real Estate	Sub-total	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

(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 w), the companies have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008). This change had a negligible impact on segment operating income (loss) for the year ended March 31, 2011.

<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).

Related information

Related information about geographic areas:

Information about geographic areas for the year ended March 31, 2012, 2011 and 2010 are as follows:

	Millions of yen			
Year ended March 31, 2012	Japan	Asia	Other Areas	Total
Net sales	**¥155,850**	**¥21,696**	**¥3,561**	**¥181,107**

	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

	Thousands of U.S. dollars			
Year ended March 31, 2012	Japan	Asia	Other Areas	Total
Net sales	**$1,900,610**	**$264,585**	**$43,427**	**$2,208,622**

16. 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 year ended March 31, 2012, 2011 and 2010, 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, 2012, 2011 and 2010.

	2012	2011	2010
Statutory tax rate	**39.69%**	39.69%	39.69%
Permanent difference (social expenses, etc.)	**2.48**	3.63	2.04
Per capital inhabitant tax	**3.91**	5.13	6.69
Net changes in valuation allowance	**2.03**	4.61	11.28
Equity in loss (income) of affiliated companies	**(3.68)**	(0.76)	(10.41)
Tax deduction	**(12.81)**	(13.06)	–
Statutory tax rates variance of overseas subsidiaries	**(4.00)**	(9.99)	(18.72)
Effects due to reclaiming taxes	**–**	3.61	–
Effects of changes in the statutory tax rate	**36.57**	–	–
Tax effects of investments for subsidiaries and affiliates due to liquidation	**(26.41)**	–	–
Other—net	**0.83**	0.36	3.71
Effective tax rate	**38.61%**	33.22%	34.28%

Significant components of deferred tax assets and liabilities of the Companies as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Net operating loss carry forwards	¥ 1,092	¥ 962	$ 13,317
Allowance for retirement benefits	8,107	8,315	98,866
Bonuses	1,788	1,952	21,805
Others	4,006	3,346	48,853
Gross deferred tax assets	14,993	14,575	182,841
Less: Valuation allowance	(1,739)	(1,666)	(21,207)
Total deferred tax assets	13,254	12,909	161,634
Deferred tax liabilities:			
Reserve for special depreciation	521	484	6,354
Unrealized gains on securities, net of taxes	1,454	1,669	17,732
Deferred gain from division of corporation	1,073	1,131	13,085
Others	132	132	1,610
Gross deferred tax liabilities	3,180	3,416	38,781
Net deferred tax assets	¥10,074	¥ 9,493	$122,853

(Note)

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 37.64% for years beginning on or after April 1, 2012 and 35.27% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.64% and 35.27%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥947 million as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 increased by ¥1,128 million.

17. 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			
	2012 beginning-of-year balance	Increase (decrease) during 2012	2012 end-of-year balance	2012 fair value
Rental real estate	¥19,397	¥(817)	¥18,580	¥46,856

(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, 2012, is mainly attributable to depreciation ¥817 million ($9,964 thousand).
3. The fair value at March 31, 2012 shows the appraisal value from an independent real estate appraiser.

	Millions of yen			
	2011 beginning-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.
3. The fair value at March 31, 2011 shows the appraisal value from an independent real estate appraiser.

	Thousands of U.S. dollars			
	2012 beginning-of-year balance	Increase (decrease) during 2012	2012 end-of-year balance	2012 fair value
Rental real estate	$236,549	$(9,964)	$226,585	$571,415

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, 2012, 2011 and 2010 are described below.

	Millions of yen		
Year ended March 31, 2012	Operating income	Operating cost	Operating profit
Rental real estate	**¥3,286**	**¥2,102**	**¥1,184**

	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

	Thousands of U.S. dollars		
Year ended March 31, 2012	Operating income	Operating cost	Operating profit
Rental real estate	**$40,073**	**$25,634**	**$14,439**

18. 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and time deposits	**¥12,748**	¥12,067	**$155,463**
Time deposits with maturities exceeding three months	**(74)**	(81)	**(902)**
Cash and cash equivalents	**¥12,674**	¥11,986	**$154,561**

19. Related Party Transactions

Information on related party transactions for the years ended March 31, 2012, 2011 and 2010, and the related amounts as of those dates are summarized as follows:

	Millions of yen	
Year ended March 31, 2012	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	**¥6,307**	**¥2,344**

	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

	Thousands of U.S. dollars	
Year ended March 31, 2012	Purchase of finished products	Accounts payable
Japan AE Power Systems Corporation	**$76,915**	**$28,585**

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

20. Net Income (Loss) per Share

The basis of per share amount calculation for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Basic earnings per share:				
Net income (loss)	¥1,679	¥1,196	¥971	$20,476
Earnings not attributable to common shareholders	–	–	–	–
Net income (loss) allocated to common stocks	1,679	1,196	971	20,476

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

	Thousands of shares		
	2012	2011	2010
Weighted-average number of common stocks	226,946	226,956	226,983

21. Subsequent Events

The following appropriation of retained earnings at March 31, 2012 was approved at the annual meeting of the Company's shareholders held on June 26, 2012.

Year ended March 31	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥4.0 ($0.05) per share	¥908	$11,073

At a meeting of the Board of Directors held on December 26, 2011, Meidensha Corporation approved the dissolution of the joint venture business of Japan AE Power Systems Corporation (hereinafter, "AE Power"), a joint venture formed by Hitachi, Ltd., Fuji Electric Co., Ltd. and Meidensha Corporation. On the same day, the four companies, comprising the three co-parent companies and AE Power, reached a final agreement on dissolving the joint venture.

Based on the final agreement, Meiden T&D Corporation (hereinafter, "Meiden T&D"), a wholly owned subsidiary of Meidensha Corporation, has reached an absorption-type corporate split agreement with AE Power with Meiden T&D as the succeeding company, and took over part of the business run by AE Power on April 1, 2012.

1. Outline of business combination

①Name of counterparty company and business field

Name of counterparty company

Japan AE Power Systems Corporation

Business field

Power transmission and distribution business

②Main reason for business combination

To strengthen competitiveness in the power transmission and distribution business and capture synergies with existing business operations, etc.

③Date of business combination

April 1, 2012

④Legal format of business combination

Absorption-type corporate split

⑤Name of succeeding company

Meiden T&D Corporation

2. Matters concerning calculation of acquisition cost

①Acquisition cost of acquired business and breakdown

Meiden T&D Corporation shares: ¥6,321 million

②Type and number of shares issued

Common stock: 91,970 shares

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of MEIDENSHA CORPORATION:

We have audited the accompanying consolidated financial statements of MEIDENSHA CORPORATION and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MEIDENSHA CORPORATION and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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.

KPMG AZSA LLC

June 26, 2012
Tokyo, Japan

Consolidated Subsidiary Companies

JAPAN

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

- **Meiden Plant Systems Corporation**
  Construction services
  Capital ¥400 million

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

- **MSA Co., Ltd.**
  Manufacture and sales of surge arresters
  Capital ¥400 million

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

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

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

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

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

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

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

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

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

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

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

- **MEIDEN T&D CORPORATION**
  Engineering, manufacture and sales of electric products
  Capital ¥90 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 ZHENGZHOU ELECTRIC CO., LTD.**
  Manufacture and sales of surge arresters
  Capital RMB40.0 million

- **MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD.**
  Manufacture and sales of electrical motors
  Capital US$19.0 million

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

- **DONGGUAN MEIDEN PACIFIC ELECTRICAL ENGINEERING COMPANY LIMITED**
  Manufacture and sales of switchgears and sales of electric products and components
  Capital RMB9.0 million

HONG KONG

- **MEIDEN PACIFIC (CHINA) LTD.**
  Sales of electric products and components, and construction services
  Capital HK$10.0 million

SINGAPORE

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

- **MEIDEN ASIA PTE. LTD.**
  Business management for Southeast Asia operations
  Capital S$5.0 million

MALAYSIA

- **MEIDEN MALAYSIA SDN. BHD.**
  Engineering, construction services and trading
  Capital RM800.0 thousand

THAILAND

- **THAI MEIDENSHA CO., LTD.**
  Engineering and construction services
  Capital TB20.0 million

- **MEIDEN ELECTRIC (THAILAND) LTD.**
  Manufacture and sales of switchgears
  Capital TB70.0 million

INDONESIA

- **P.T. MEIDEN ENGINEERING INDONESIA**
  Engineering and construction services
  Capital US$320.0 million

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

THE UNITED KINGDOM

- **MEIDEN EUROPE LTD.**
  Sales of electric products and components
  Capital €750.0 thousand

Plus 9 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

24,475

TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd.

Board of Directors

(As of June 26, 2012)

CHAIRMAN
Keiji Kataoka

PRESIDENT
Junzo Inamura

EXECUTIVE VICE PRESIDENT
Yuji Hamasaki

EXECUTIVE VICE PRESIDENT
Kozo Masaki

DIRECTORS AND SENIOR
MANAGING EXECUTIVE OFFICERS
Akira Wachi
Gentaro Kawashima
Takeshi Miida

DIRECTORS
Tetsuro Kawakami
Botaro Hirosaki

SENIOR CORPORATE AUDITORS
Kaoru Sutou
Kazuyuki Tanaka

CORPORATE AUDITORS
Masakiyo Inoue
Yoshiaki Shin

MEIDEN

Waterless Printing. Naturally

VEGETABLE OIL INK

This report was printed using vegetable oil ink and a waterless printing process.

Printed in Japan