# **MEIDEN**



# Meidensha celebrates its 120<sup>th</sup> anniversary on December 22, 2017.

Meidensha was founded in 1897 as a developer of electric motors

that supported Japan's growth through electric technology.

The belief of our founder, Hosui Shigemune,

remains a part of our core spirit today:

"We must work with sincerity because in the end,

it will benefit not only customers, but all of society".

His words continue to drive our development

of technologies and products to meet emerging needs.

We will celebrate our 120th anniversary on December 22, 2017

and continue supporting society through social infrastructure development,

delivering advances to elevate lifestyles throughout the world.

### Energizing society.

### The power of MEIDEN.

MEIDEN — Building advanced infrastructures around the world.

### **Editorial Polic**

The Meiden Group aspires toward management in which business and CSR activities are integrated in order to support the social infrastructure essential to people's lives, and lead the way to a brighter tomorrow. This report was prepared with the goal of sharing our consistent approach to creating value over the medium and long term and realizing a more prosperous future society.

We also use our website to disseminate wide-ranging, detailed information on the company in a timely manner.

Corporate Data Information for Shareholders/Investors CSR/Environmental Activities 120<sup>th</sup> Anniversary Special Website (until Dec. 2017) http://www.meidensha.com/ir http://www.meidensha.com/csr http://www.meidensha.com/20th

### Guidelines Used as References

- GRI "Sustainability Reporting Guidelines Version 4"
- Ministry of the Environment "Environmental Reporting Guidelines (Fiscal Year 2012 Version)"

### Reporting Period

This report mainly covers initiatives taken in fiscal 2016 (April 1, 2016 - March 31, 2017)

### Scope of Report

The report mainly covers initiatives of Meidensha Corporation ("Meiden") and its Group companies. Human resources data applies to Group companies in Japan, while environmental reporting data applies to Meiden and its 38 major Group companies (18 in Japan and 20 overseas).

### Publication

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### Disclaimer

In addition to past and current facts about the Meiden Group, this report contains forecasts for the future based on plans, outlooks and business policies and strategies in effect at the time of publication. These forecasts are our assumptions and judgments as based on information available at the time they were stated, and may differ from actual business activity results and events in future owing to changes in conditions.

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Meiden Group Corporate Philosophy

**Corporate Mission** 

It defines the raison d'être and corporate mission

# Illuminating a more affluent tomorrow

We continue to create value and technologies for the realization of a more affluent and environmentally conscious society.

Value Provision

It defines the unique value provision and core competence

For customer peace of mind and satisfaction

We offer complete environmental consideration and appropriate support for our customers.

From product design to commissioning, our highly skilled staff help customers solve various issues and realize their dreams by providing high-quality, socially responsible products and services.



### **CSR** Definition

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."

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## Corporate Code of Conduct

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



### President's CSR Policy

This policy sets forth the policy of our CSR programs and activities in the medium term. The Policy asks each Group employee to implement CSR programs and activities in their daily work. We will draw up specifications that reflect the given business climate and CSR challenges under the current stage of the Medium-term Management Plan.



### **MEIDEN CYCLE**

MEIDEN CYCLE shows the guiding spirits shared by all members of the Group in realizing the Group's corporate philosophy.

The Meiden Group Corporate Philosophy seeks to delight customers by offering high quality products and services to help solve problems. It is also part of our philosophy that through these business activities, we aim to fulfill our corporate social responsibility (CSR) by proactively solving global environmental problems and other social issues and helping achieve a more affluent future. The Corporate Philosophy expresses our wish to continually take on these challenges.

This is our legacy from Hosui Shigemune, who founded our company as a local factory to manufacture and repair electrical machinery. His will remains our common sense of values, even as these have evolved with the times, and remains at the core of all our business activities. Staying true to this Corporate Philosophy, the Meiden Group aims to grow with society and be indispensable to it. With that as our goal, we continually take the challenge of creating new technologies and value.



In order to realize our Group Corporate Philosophy, we must identify the direction for each individual employee to aim towards and provide signposts to help them proceed without losing their way. To enable us to do so, we have made these five actions our watchwords. The actions are mutually linked, with one action calling forth the next, creating a cycle of action and growth. Based on this image, we call this the Meiden Cycle.

**Build Loyalty** 

**Have Fun** 

By sharing and practicing the Meiden Cycle as the ethos underlying our actions, we seek to maximize the growth cycle for each of our employees.



*MEIDEN CYCLE*  **Keep in Touch** 

Think Big

**Move Ahead** 

### Corporate Slogan

To commemorate our 120th anniversary, last July we formulated the new corporate slogan "Quality connecting the next." "Quality" refers not just to the quality of our products and services, but to the "people" and "technology". These two attributes make Meiden's unique quality, and create new connections with the future. Making connections with our customers, society, and people living in it. These connections will expand, and the power we have built will become the energy for the next generation.

For the peace of mind and joy of our customers, and the precious lives of people beyond them, Meiden Group quality will connect with a more prosperous tomorrow. This is our never-changing mission.

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# **Outline** of Meiden Group

(Fiscal 2016)



Consolidated net sales 220.1 billions of yen Sales breakdown by region Japan 19.2% Other regions 7.5%



# Meiden Behind Every Electricity Scene



Make



Our products range from large turbine generators, photovoltaic power generation and hydroelectric generating facilities that use renewable energy sources, to emergency power generating facilities that play an important role when disasters occur. Meiden supplies a wide range of power facilities, from large-capacity facilities for power stations to small-to-medium capacity facilities for commercial complexes and mobile power supply



Six Meiden Electrical Technologies that Support Our Society



Electricity generated at each power station goes through transmission lines, substations, and distribution lines. As it goes, the voltage is adjusted at each stage before being delivered to factories, buildings and our homes. Meiden transformers change (transform) voltage, while Meiden breakers cut off the large amounts of current that occur in accidents. These Meiden products are essential for safe and reliable electricity transmission and distribution.



Change



Meiden power electronics technology changes or converts electricity from AC to DC, or vice versa, and controls this conversion of power. Our power electronics technology has evolved, meeting the needs of the time for energy saving and improved reliability. The technology is now utilized in various fields that require electric power, including various kinds of power source equipment, railway facilities, production facilities, electric vehicles, renewable energy systems and battery systems.





Meiden motors and inverters, automated guided vehicle (AGV) systems help improve efficiency at production sites. Meiden dynamometer systems help develop electric and hybrid-electric vehicle drive systems that are eco-friendly. Meiden elevator drive systems help elevators provide powerful, smooth and comfortable ride quality. Meiden "move" technology, together with our eco-friendly technology, paves the way for quality-filled lives.







Meiden controls distributed power sources and heat source facilities to minimize the total energy costs on electricity and gas. The Meiden Smart Energy Management System (EMS) uses ICT technology to support new energy management.



### Care (Protect)



Meiden not only manufactures and sells electrical equipment and facilities, but also provides a onestop service for their installation, maintenance and upgrading, as well as operation and maintenance services. Meiden guards the integrity of facilities with our reliable technical expertise.

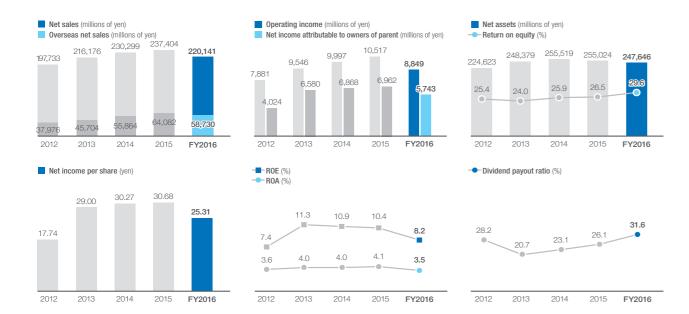
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### Meidensha Corporation and Consolidated Subsidiaries

Financial indicators	FY2012	FY2013	FY2014	FY2015	FY2016
Net sales (millions of yen)	197,733	216,176	230,299	237,404	220,141
Operating income (millions of yen)	7,881	9,546	9,997	10,517	8,849
Ordinary income (millions of yen)	5,946	7,790	10,502	10,595	8,209
Net income attributable to owners of parent (millions of yen)	4,024	6,580	6,868	6,962	5,743
Overseas net sales (millions of yen)	37,976	45,704	55,864	64,082	58,730
Overseas sales ratio (%)	19.2	21.1	24.3	27.0	26.7
Net assets (millions of yen)	224,623	248,379	255,519	255,024	247,646
Total assets (millions of yen)	58,077	60,607	67,405	68,771	74,312
Net assets per share (yen)	251.64	262.50	291.35	297.64	322.80
Net income per share (yen)	17.74	29.00	30.27	30.68	25.31
Return on equity (%)	25.4	24.0	25.9	26.5	29.6
Cash flows from operating activities (millions of yen)	9,305	18,239	11,165	22,597	11,840
Cash flows from investing activities (millions of yen)	(7,135)	(11,316)	(8,772)	(10,530)	(12,031)
Cash flows from financing activities (millions of yen)	(7,749)	(3,873)	(5,282)	(5,847)	(3,767)
R0E (%)	7.4	11.3	10.9	10.4	8.2
Operating-income-based ROA (%)	3.6	4.0	4.0	4.1	3.5
Dividend payout ratio (%)	28.2	20.7	23.1	26.1	31.6

Notes: 1. Operating income for fiscal 2014 has been retroactively changed due to a change in how this number is calculated. (Starting in fiscal 2015, consolidated Group expenses associated with employees on loan are included in as "operating expenses (sales costs and selling, general and administrative expenses)" instead of "non-operating expenses.")

2. Starting in FY2015, we show "net income attributable to owners of parent," instead of "net income."



Non-financial indicators	FY2012	FY2013	FY2014	FY2015	FY2016
Number of consolidated subsidiaries	43	42	39	39	38
Japan	26	25	21	19	18
Outside Japan	17	17	18	20	20
R&D costs (millions of yen)	9,680	9,090	10,261	9,970	9,462
Capital expenditure (millions of yen)	8,882	9,249	8,887	8,314	7,355
Number of employees	7,920	8,047	8,173	8,408	8,474
Of which, local staff	1,086	1,096	1,147	1,499	1,354
Total actual annual working hours (hours/year/employee)	2,001	2,090	2,078	2,083	2,016
Percentage of female employees in executive positions (%)	-	-	5.5	6.4	6.8
Rate of lost-worktime injuries	-	0.14	0.59	0.44	0.96
CO <sub>2</sub> emissions (Japan) (kt-CO <sub>2</sub> )	40	42	41	41	39
Reduction of $\text{CO}_2$ emissions caused by products (kt-CO <sub>2</sub> )	235	360	587	870	800
CSR spending (millions of yen)	32	26	22	19	32

Notes: 3. Figures for employee numbers exclude those employees on temporary contracts.

4. Total actual annual working hours are the actual working hours calculated by subtracting leave hours from the sum of official working hours and overtime hours (averaged per employee).

5. Percentage of female employees in executive positions is the ratio of female employees in executive positions to the total number of female employees.

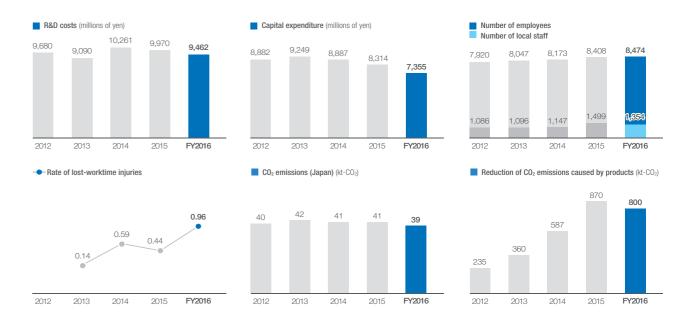
6. The CO<sub>2</sub> emission coefficients suggested by the Electric Power Council for a Low-Carbon Society (ELCS) were used as the CO<sub>2</sub> emission coefficient for electricity.

The adjusted factor for fiscal 2015 was used for fiscal 2016, while that for the respective fiscal year was used for those fiscal years up to fiscal 2015.

7. With the dissolution of the joint venture Japan AE Power Systems Corporation, the Japan AE Power Systems Corporation Numazu Works (AE Power Numazu) was incorporated into the Meiden Group as Meiden T&D Corporation in April 2012.

 $8. \ \ \text{Reduction of CO}_2 \ \text{emissions caused by products is the expected reduction of such emissions caused by products sold.}$ 

9. CSR spending includes donations and sponsorship funding.



# To remain a company trusted and needed by society:

Determination inherited from our founder and hopes for the future



### Meiden spirit of "for society and people" is a testament to our survival over 120 years.

Meiden has faced many tests during the ten years or so since I was appointed to the President in 2008. Shortly after I assumed my duties as President, there was the 2008 global financial crisis triggered by the bankruptcy of Lehman Brothers. In 2011, just as we were starting to see signs of an upturn in what we expected would be a V-shaped recovery, the Great East Japan Earthquake occurred, followed by severe flooding in Thailand. While these ups and downs continued throughout my time at the helm of management, the Company steadily overcame them thanks to the support of its stakeholders and the unified efforts, daring, and ingenuity of its employees.

There is no doubt that the Company has met with such hardships countless times throughout its more-than-century-long history. We cannot compare the challenges we have faced over the course of our history with those of the last ten years. However, it is thanks to our founding spirit of "For society and people," passed down unbroken from our predecessors, that the Company has survived the changing times and overcome many challenges. Looking back on the past ten years reaffirms this conviction for me.

In the Great East Japan Earthquake, many of our customers involved in electricity, water, railways, and other lifelines suffered damages. As a company responsible for social infrastructure, we recognized restoring civilian life to normal by aiding the prompt restoration of our customers' operations to be our obligation to society and our most important mission, and so we mobilized all of the Group's resources to come to our customers' aid. I myself went to Sendai, one of the disaster-stricken areas, where employees were already working to restore customers' facilities and equipment the day after the Earthquake, carrying oxygen tanks on their backs to keep from suffocating under fallen earth or rubble. Similarly, during the floods in Thailand, employees toiled in dirty water almost up to their waists in order to restore customers' facilities as quickly as possible. No one taught these employees to do what they did. Instead, their actions were driven by a sense of responsibility for helping customers whenever they are in trouble, developed through the course of their daily interactions. I believe that this powerful sense of duty shows just how much we are trusted and needed by society.



### A company's continued survival depends on offering products and services that contribute to society and being truly socially indispensable.

Since our founding in 1897, we have doggedly pursued manufacturing excellence while contributing to the sustainable growth of society by creating a variety of technologies, products, and services, focusing mainly on the field of social infrastructure in Japan. Sometimes we are even asked to repair 50- or 80-year-old equipment. Handling and continuing to support various systems all over Japan, I believe that these are requests that only we can fulfill and a sign that we are trusted and relied upon by customers.

Our commitment to manufacturing excellence, inquisitiveness, and spirit of challenge originate in the determination of our founder, Hosui Shigemune, to "enrich society through the power of electricity." He was a firm believer in looking beyond products to envision prosperous lives for many people who use them and refining technologies to enrich society through business. This is our very mission as a manufacturer and the reason for our existence.

In today's world, climate change and many other intricately linked societal issues are becoming manifest. In the face of these issues, the Sustainable Development Goals (SDGs) for 2030 and the Paris Agreement were adopted in 2015 as agendas for the whole world to address. These agendas encompass many fields where we can contribute to solutions by applying the technologies and expertise we have cultivated over the years. We at Meiden will keep our founding spirit and determination close to our hearts as we continue to pursue manufacturing excellence that contributes to society, looking fifty and even 100 years into the future. In doing so, we aspire to be a company that plays its part in achieving sustainability and is truly indispensable to society

### Becoming a company that is truly indispensable to society

It is said that a company is only as good as its people. Without employees, a company cannot exist, no matter how far computers and Artificial Intelligence (AI) evolve. I believe that a company is nurtured by its employees' exceptional techniques and passion. It is impossible to talk about the fundamentals of our company that have survived for 120 years without mentioning its employees.

The "舎 sha" in our company's name, Meidensha, is a Chinese character meaning "house." It refers to our founder's wish to create a place that brings together people sharing a determination to "enrich society through the power of electricity." Even though we are spreading our wings around the world as an infrastructure business truly indispensable to society, that determination will never change.

Our employees, who never back away from a challenge and have continued to act and grow with society, are the pride of the Company. I am truly grateful for the opportunity to work together with these kinds of colleagues.

We take an infrastructure-supported lifestyle for granted. Let us make it the standard for the whole world. In our 120th year, we mark the start of a new chapter in our history aimed at realizing a more affluent tomorrow.

# Beginning in 1897, our 120 years of supporting social infrastructure through excellence in manufacturing

WEB

A more detailed timeline may be found on our website.

tp://www.meidensha.com/corporate/corp\_05/index.html

1897

### Founding and Birth of "Meiden a Motor Company"

In 1897, our founder Hosui Shigemune started a factory in the belief that one day Japan would build its own electric machinery. Meanwhile, Japan depended on imported products for much of its industrial machinery. His business at that time was mainly repair of electrical equipment and manufacture of switches. However, his efforts to build made-in-Japan motors gave him several new ideas for development of own products.

In 1901, Shigemune successfully developed a three-phase induction motor

and sold 18 motors between 1903 and 1904. He continued with research and made prototypes in the desire to develop more products of his own. His efforts led him to devise an induction motor design method in 1905. In the following year, he started production of motors to his own design method.

Meiden's motor production helped to modernize Japanese industry and became the cornerstone of value-building at Meiden that still persists today.



# Evolving into "Meiden a Power Electronics Company"

During Japan's postwar economic boom, Meiden actively expanded into the industrial systems business and contributed to the development of industry in Japan. In about 1970, society was beginning to prize quality over quantity. Likewise, Meiden switched its management strategy from quantity base to quality base. On the technical side, our aim was to develop new products that made full use of our employees' creativity. At this time, we began to cement our status as a manufacturer of heavy electrical equipment, having developed new products that combined heavy electrical technology (power) with the latest electronics technology.



### The 1980s

# Evolving into "Meiden a System Engineering Company"

In the latter half of the 1980s, economic expansion led Meiden to boost its production capacity at factories and upgrade its production system. We added to our family of Group companies and developed a variety of businesses to make us a stronger enterprise.

We grew to have three core business areas, adding mechatronics and electronics to our existing power electronics field. The integration of technologies from each of these fields to create management, monitoring, and control systems, evolves our Group into a company known as "Meiden a System Engineering Company."

### The 1990s

### **Approaching Our Centenary**

Meiden celebrated its 100th anniversary in 1997. Japan's business environment changed drastically after the collapse of the bubble economy, and management had to deal with a time of crisis. However, the legacy we had inherited from our predecessors, technologies and well-developed human resources, became the base for a new era of expansion as we hit the 100-year milestone.

Upon our 110th anniversary in 2007, we christened ThinkPark Tower, a facility combining our head office building with pleasant greenery in Osaki, Shinagawa City, Tokyo, where our company was founded.

### The 2010s

## Aiming to Be "Meiden a Global Company"

Today, the Meiden Group is expanding its presence in markets outside Japan, especially in the ASEAN region. As part of this, we transferred to our overseas subsidiaries a stronger regional supervisory role; e.g. building partnerships with enterprises outside Japan, and opening training centers for local staff.

We are using ICT and IoT to increase our product competitiveness and system technology. We also enhanced one-stop service business ranging from equipment manufacture to maintenance, inspection, and operations and management.

The world is undergoing vast change, but Meiden will never stop endeavoring to contribute to the formation of an "af uent future society."





### **Meiden Group History**

897 Company founded as a privately operated factory for electrical machinery

1913 Osaki Factory established

1917 ← Private operation incorporated as "Meidensha"

1935 Nagoya Works established

1937 Shinagawa Works established

1939 Nishio Works established

1955 Technical transfer agreement with AEG for air circuit-breakers

1958 Opened the Head Office in Ohtemachi, Chiyoda-ku, Tokyo

1961 Numazu Works established

Technical transfer agreement with ASEA for turbine generators

1967 Electronics Device Factory opened in Numazu

1968 — Technical transfer agreement with General Electric for vacuum interrupters

Technical transfer agreement with SEVCON for electrical equipment for forklift trucks

Technical transfer agreement with AEG for thyristor rectifiers and processing lines

1972 Adoption of the term "powertronics"

1973 — Technical transfer agreement with General Electric for high-frequency thyrister inverters

1976 ← Gotanda Office opened

1977 Ohta Works established

1979 MEIDEN SINGAPORE PTE. LTD. established

**1980** ← Adoption of the phrase "powertronics & mechatronics"

Technological exhibition held to celebrate the company's 90th anniversary

R&D Center completed

Head Office moved to Chuo-ku, Tokyo

Celebrated 100th anniversary

Release of Medium-term Management Plan "New Construction 21"

Japan Motor & Generator Co., Ltd., established

Japan AE Power Systems Corporation established

Kofu Factory established

Merger with Meiden Engineering Corporation

MSA Co., Ltd., established

Work started on a development project near the West Exit of Osaki Station

1983 Adoption of the phrase "powertronics, mechatronics, & electronics"

Motor development and manufacturing business merged into Kofu Meidensha Electric Manufacturing Co., Ltd.

Our 110<sup>th</sup> anniversary

ThinkPark Tower completed and the head office moved to Shinagawa-ku, Tokyo

Capital and business alliance with Ono Sokki Co., Ltd., for the automotive testing systems business

Japan AE Power Systems Corporation joint venture dissolved

Dissolved Meiden Foundry Industrial Co., Ltd.

Absorbed MSA Co., Ltd.

Stake acquired in Prime Electric (now Prime Meiden)

Maintenance and after-sales service businesses reorganized into Meiden O&M Corporation and Meiden Engineering Corporation

Tridelta (now Tridelta Meidensha GmbH) acquired from Tridelta GmbH

Our 120<sup>th</sup> anniversary

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### 120<sup>th</sup> Anniversary Projects

On December 22, 2017, Meiden will mark the 120th anniversary of its founding, and we commenced anniversary projects in January 2017 to mark this occasion. In addition to developing a concept and a commemorative logo, we asked Shuntaro Tanikawa to create a special commemorative poem, and we are holding various events.

Energizing society. The power of MEIDEN.



### Concept

Hosui Shigemune founded Meidensha Corporation based on the determination to pave the way for a bright future with electricity. Since then, Meiden has provided a range of products, systems, and services throughout the world, and supported social infrastructure for 120 years. Going forward, Meiden has the determination to continue to support social infrastructure and contribute to people's lifestyles.

### **Anniversary Logo**

The zero in "120" signifies the Earth. The two circles within it represent infrastructure and human connections. They also represent the bright future of infrastructure and lifestyle that will be brought about by Meiden.

### Beginning the Future: A poem by Shuntaro Tanikawa

In 2017, we will celebrate our 120th anniversary. As a junction between past and future, we asked Shuntaro Tanikawa, Japan's most legendary poet, himself once an "electric boy," to create an original poem for the occasion.

### BEGINNING THE FUTURE

It was not so long ago when a living creature called a human being, though he was trembling with fear in thunder and lightning and couldn't help praying for his safety, began his future by 'owning' them.

The spirit of electricity is that of the air, vigor or vitality. The invisible enargy, which turned into strength, light and heat, is the fruit of his unremitting wisdom and strivings.

But the source of the energy is Mother Earth since time immemorial. Daily serenity, dreams of space, and sound hope for an indistinguishable future are brought through the blessings of water, fire, the sun and the earth. Today, again, we begin the future.



### 120th Anniversary Events

Below is an introduction of the various anniversary projects that we are conducting to mark our 120th anniversary in order to express our gratitude to our customers and our friends in local communities

### 1. For Our Customers

### MEIDEN EXPO ~ Starting the 120th year ~

We held MEIDEN EXPO ~ Starting the 120th year ~ to express our gratitude to our customers and showcase Meiden's technology that have supported infrastructure up to this point, as well as the products, systems, and services that will support infrastructure in the future. You can view a report of the expo on the 120th anniversary website.

Locations: Tokyo, Nagoya, Osaka, Thailand, Singapore (technological presentation)

### 2. For Our Friends in Our Local **Communities**

### Overseas Donation of facilities to schools in Thailand

Meiden donated to a primary school, junior & senior high school, and university in Thailand, together with Thai Meidensha, which also celebrated their own 50th anniversary.

### Donation of school facilitie (a school building to the Mae Cam's Baan Thung Yao Primary School and a library room and water storage tanks to Kalayaniwattana Secondary School)

In January 2017, a ceremony was held at the recently completed facility

and was attended by officials from the local educational authority and local government.

The ceremony held at the Mae Cam's Baan Thung Yao Primary School was attended by its pupils and school staff as well as local

The ceremony at Kalavaniwattana Secondary School opened with a song and dance by its students, followed by guest speeches, a ribboncutting event at the library and presentation of a memorial gift.





### King Mongkut's Institute of Technology Donation Course An endowed course in the field of engineering and science has been

opened at Ladkrabang Campus of King Mongkut's Institute of Technology (KMITL).

The endowed course was opened as part of the specialized field group activities of 4th-year students of Electrical Engineering Department.



Kevnote lectures are to be

given twice a year by Meiden front-line specialists at KMITL on the latest technology.

### Japan Science hands-on learning

In addition to "manufacturing classes" for elementary school students, which were originally implemented to teach students about the joy of creation and the importance of electricity and infrastructure. Meiden also conducts visits to junior high schools, to develop scientific thinking about electricity. In these classes, students learn through experience about the mechanisms

that allow electricity to flow, using towns and infrastructure as tools to enable students to envision specific applications, in order to understand the importance of electricity and develop an interest in it, and familiarity with it.



### 3. For Employees

### Creation of a theme song

We have created a theme song to foster a sense of solidarity in employees of the Meiden Group. The theme song was composed using phrases that were submitted by employees and their families.

There were over 2,000 submissions from around the world, and employees of the Group voted to select the phrases that would be included in the song. The song was performed by May J, and we created and released a promotional video featuring a total of 800 employees.

The song's title is "One to Love," which was created from the number 120 (1 = One, 2 = to, 0  $\Rightarrow$  Love). The title of the song also

reflects the fact that Meiden has grown into a company that has created connections with many people through a range of products and projects, and is loved by the community and reflects that love back to the community since the founder, Hosui Shigemune, began with a single workshop to repair electrical goods (One).





You can listen to the song here (120th Anniversary Website)

### 4. For All of Our Stakeholders

### Special sponsorship of the NHKSO "Afternoon Classic Series" Meiden is proud to sponsor the NHK Symphony Orchestra's

"NHKSO Afternoon Classic Series". Listeners were able to hear the best performances of familiar masterpieces by the NHK Symphony Orchestra along with a conductor and two soloists of worldwide

### 120<sup>th</sup> Anniversary Website

Going forward, Meiden will promote projects with the aim of being a company that is loved by all. Meiden has created a 120th anniversary website with details and reports on Meiden's 120th anniversary projects, which is updated from time to time. Please have a look, the website will be available until late December 2017.





tp://www.meidensha.com/120th/index.html

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The Meiden Group aims to further increase its corporate value by uniting and working closely in steadily implementing strategic measures to meet the targets outlined in the V120 Medium-term Management Plan.



### Results for fiscal 2016

In fiscal 2016, the Japanese economy was able to sustain a mild recovery, with stable corporate profitability and capital investment. However, downward pressure from factors like the slowdown in emerging economies continued to be a threat. Meanwhile, the outlook for the global economy remained uncertain, with a steady upturn in the US and some developing countries contrasting with instability such as the hostile situation in the Middle East and the Brexit issue in the EU.

Against this backdrop, the Meiden Group strove to further increase its corporate value by steadily moving forward with the measures outlined in the "V120" threeyear Medium-term Management Plan for fiscal 2015 to fiscal 2017, focusing on "enhancing the product competitiveness" of the core heavy electrical products that are the source of the Group's strength and realizing "a stronger earnings base for the Group's businesses in Japan" and "expanded growth of overseas business."

Consolidated results for the Meiden Group in fiscal 2016 were affected by factors including delays in the order timing of overseas projects, and more cautious capital investment in the private-sector manufacturing industry due to the strong yen. Compared to the previous period, sales declined 7.3% to 220.141 billion yen, operating income fell 15.9% to 8.849 billion yen, ordinary income fell 22.5% to 8.209 billion yen, and net income attributable to owners of parent dropped 17.5% to 5.743 billion yen.

In major managerial indicators, compared to the previous period, our equity ratio rose 3.1 points to 29.6%, ROE fell 2.2 points to 8.2%, and ROA based on operating income fell 0.6 points to 3.5%.

Results for consolidated orders, net sales, and income (million yen)

	Fiscal 2016 (Planned)	Fiscal 2016 (Results)
Orders received	250,000	224,136
Net sales	230,000	220,141
Operating income	9,000	8,849
Ordinary income	8,500	8,209
Net income attributable to owners of parent	6,000	5,743

<sup>\*</sup> See pages 19-20 for details of results for each segment.

### Fiscal 2017 strategies for meeting the V120 targets

Fiscal 2017, in which we will celebrate the 120th anniversary of our founding, is also the final fiscal year of V120. I am feeling a good response to our efforts so far, so we will continue to steadily implement the strategic measures outlined in V120. Although the heavy electric business is not one that sees dramatic growth in short periods of time, electricity is "infrastructure for infrastructure," supporting other infrastructure like railways and water treatment, and I think this is an area where we will be able to achieve sustainable growth.

We are also focusing on efforts to plant the seeds of new business. Led by our newly established Business Development Division, we will intensify and accelerate our business development capabilities, including commercializing new products, promoting application development, and assessing the pros and cons of commercialization. In addition, we will work as a Group to improve our financial standing in order to meet our targets of strengthening our capital base by increasing profitability, enhancing our ability to generate cash flows by using assets more efficiently, and ensuring financial stability by diversifying our funding sources.





# Transforming our business model to increase revenue

Conditions in the Japanese infrastructure market are currently in a state of great flux. While new business is decreasing due to factors like the declining population and national and regional financial difficulties, demand for equipment to replace aging infrastructure or make existing infrastructure more energy-efficient is growing. Faced with this environment, the Meiden Group is focused on transforming its business model in order to increase revenue.

In public infrastructure- and power-related fields like water treatment, we will work to increase the value we provide to customers by joining public-private partnerships (PPPs) and enhancing our ability to propose solutions that take advantage of one-stop services, as well as drawing on demand for upgrading of existing facilities. Utilizing ICT and the IoT is also extremely important. The Meiden Group has an edge when it comes to advising customers on solutions, since we possess both control technologies and expertise in infrastructure management grounded in the field. By forging partnerships in areas like air conditioning and machinery where we are still lacking, we will build a framework for undertaking a wider range of maintenance services.

In the private sector, we will enhance Group-wide efforts such as proposals for equipment upgrades and maintenance services based on walkthroughs of customers' plants, as well as introducing specialty products in response to the growing demand for upgrading production equipment.

In the industrial systems field, we will increase our earning power by pursuing even smaller and more efficient motors and inverters for electric vehicles (EVs) and plug-in hybrids (PHEVs), along with a partnership strategy for model-based development in our dynamometer business.

# Overseas business expansion in step with the pace of growth in each country

We will continue to strive to make overseas business account for 30% of both orders and sales for the whole Meiden Group. Although we expect conditions in overseas markets to remain uncertain, we anticipate continued growth in demand for infrastructure in developing countries, particularly those in Asia. We will participate extensively in social infrastructure projects in developing countries to expand our business in step with the pace of growth in each country. More specifically, we will promote partnerships with local enterprises in Southeast Asia, and focus on entering regional power utility markets. In the railway sector, we are currently involved in some large projects including construction of new lines and extensions due to urbanization. We will reinforce the structures we need to continue meeting this vigorous demand in the future. In addition, we will move forward with creating a system for strategically recruiting and developing human resources that can serve as leaders on-site, and enhance our system for managing financial, quality, and other risks by bolstering the functions of our regional headquarters in Singapore and China.

Developed countries including those in North America and Europe are the sources of advanced technologies for the environment, information/communication, and other fields, and we need to keep a close eye on these trends. As a result, we will establish a base in the US's Silicon Valley, where we will work to expand sales of vacuum capacitors and other semiconductor-related products in addition to gathering information on cutting-edge ICT and environmental technologies and creating business models for combining them with our specialty products.

### Enhancing product competitiveness from the development and production sides

On the development side, efforts to make the Meiden Group's core lineup of heavy electrical products (products for power generation, transmission, and distribution, motors, inverters, etc.) more competitive in terms of price, performance, quality, and originality have yielded results in the form of development of new products like a four-pole salient-pole turbine generator, and the world's first 204 kV gas-insulated switchgear (GIS) incorporating a vacuum circuit breaker (VCB). We will continue to focus on strengthening our core technologies in order to create even more distinctive products in the future, such as new products based on vacuum technology.

Meanwhile, on the production side, we will make capital investments to boost productivity according to product categories and manufacturing styles. In particular, we will work to further enhance quality by creating a system for verifying quality at the development and design stages, in addition to developing production systems utilizing ICT and the IoT as well as optimal supply chains. Although many of our products are individually designed, we will move forward with the adoption of production systems to achieve shorter lead times and less reworking.

### O Strategically building new partnerships

We will strategically forge partnerships with private companies, universities, research institutions, and other organizations both in Japan and overseas to combine the strengths of the Meiden Group with external resources and insight. This will allow us to more effectively expand and enhance our technical strength, sales channels and distribution networks, and production functions.

In Japan, stronger ties with water turbine manufacturer EAML Engineering Co., Ltd., have yielded results in our small and medium-sized hydro power business. By building a wide range of these kinds of partnerships with other industries, we will continue to create new business opportunities.

Overseas, the Indian transformer manufacturer and seller Prime Meiden Ltd. became our subsidiary through the additional acquisition of shares, and we are already seeing results in the form of orders of transformers for Indian freight railways and delivery of extra-high voltage substation equipment to Japanese manufacturers. We are also working to expand our sales channels for flat-sheet ceramic membranes, including the signing of a basic purchase agreement with Siemens Energy.

### Human resource development and workingstyle reforms

Based on the understanding that human resources are the foundation beneath every business strategy, we will improve

our training system, promote diversity starting with increased opportunities for women, and otherwise strive to operate our systems and treat our people fairly. We will also continue initiatives to maximize motivation. In Japan, we are working to develop and enhance our human resources by expanding elective and technical training in addition to level-based training. Overseas, we are encouraging local employees to improve their technical skills at our training centers in Singapore and Thailand. We will further develop and augment the Group's human resources by actively promoting local employees overseas to managerial positions and recruiting highly specialized engineers, as well as inviting engineers to Japan for exchanges and more.

In order to reform working styles, we have developed "Smart Work V120," a plan to reduce the total number of working hours. We are implementing measures such as establishing days when all employees leave work on time and encouraging employees to take scheduled leave, as well as cross-training engineers, utilizing former employees, and making capital investments in order to increase productivity. Through policies including the expansion of systems to support childcare and nursing care, we are also working to improve employees' work-life balance and promote diversity.

### Toward greater corporate value

On December 22, 2017, we will celebrate the 120th anniversary of our founding. Over the past 120 years, we have striven to remain a trusted company by emphasizing a willingness to move hand-in-hand with customers, and employing ingenuity to provide them with solutions. In the future, we will work to increase the corporate value of the Meiden Group by continuing to take on new challenges and remaining in touch with our mission of supporting society, in order to contribute to the realization of a more prosperous and livable tomorrow.

As we move along on this path, we hope for your continued understanding and support.



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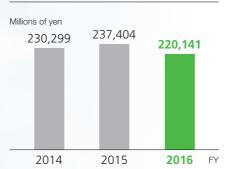
Net Sales (consolidated)

Operating Income (consolidated)

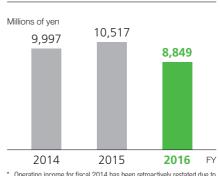
220,141 millions of yen

8,849 millions of yen

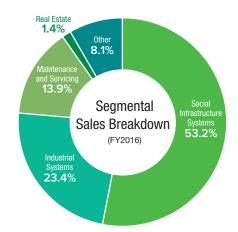
### Net Sales Trend (consolidated)



### Operating Income\* Trend (consolidated)



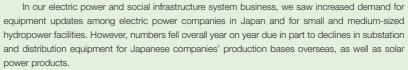
Operating income for fiscal 2014 has been retroactively restated due to a change in presentation. (Starting in fiscal 2015, consolidated Group expenses associated with employees on loan are stated as "operating expenses" instead of "non-operating expenses.")



### Social Infrastructure Systems Business



We manufacture and sell equipment for emergency and non-emergency power generation, hydroelectric power generation, and power transmission and distribution facilities, to power companies, government agencies, railways, and buildings and Net sales in this segment fell 10.0% from the previous fiscal year to ¥126,530 million, while operating income fell 17.0% to ¥3,297 million.



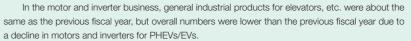
In the railway system business, sales were solid for railway projects in Southeast Asian countries like Malaysia. Thailand, and Singapore, lifting the numbers over the previous fiscal year.

Overall numbers in the water and environmental system business were lower than the previous fiscal year as a result of factors such as less new construction of drinking water and wastewater treatment plants, due in part to the declining population and financial difficulties among localities, as well as intensifying competition with rival companies.



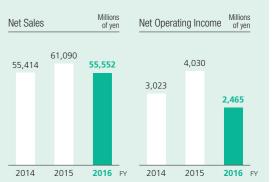
### **Industrial Systems Business**

We manufacture and sell motors and inverters for elevators, textile machinery, industrial vehicles, and electric vehicles. Other products include vacuum capacitors Net sales in this segment declined 9.1% from the previous fiscal year to ¥55,552 million, while operating income fell 38.8% to ¥2,465 million.



In the electronic equipment business, vacuum capacitors and pulse power supplies were especially strong, backed by vigorous capital investment among semiconductor manufacturing facilities, and lifted the overall numbers.

Numbers in the dynamometer system business were lower than the previous fiscal year, as a result of factors including reduced investments by automakers due to the trend toward a stronger yen, as well as fiercer competition with rival manufacturers overseas.





### Maintenance and Servicing Business

We provide services relating to the remote management and monitoring of facilities and the proposal of measures for extending the life of facilities, energy conservation, Thanks to increased demand for maintenance and the implementation of facility-wide one-stop services offering everything from equipment manufacturing, maintenance, and inspections to upkeep and operational management, as well as diagnoses and proposals based on walkthroughs of privatesector plants and facilities, net sales in the segment rose 6.6% from the previous fiscal year to ¥33,044 million, while operating income rose 29.5% to ¥3,781 million.



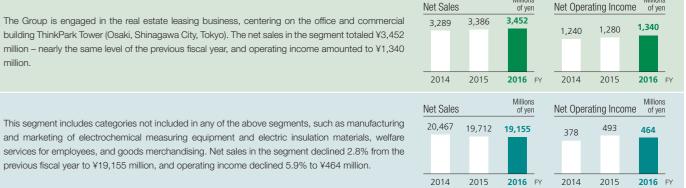


### Real Estate Business

We offer property rentals, including office spaces at ThinkPark Tower (Osaki, Shinagawa City, Tokyo).

The Group is engaged in the real estate leasing business, centering on the office and commercial building ThinkPark Tower (Osaki, Shinagawa City, Tokyo). The net sales in the segment totaled ¥3,452 million - nearly the same level of the previous fiscal year, and operating income amounted to ¥1,340

previous fiscal year to ¥19,155 million, and operating income declined 5.9% to ¥464 million.



### Other Business

This sector includes marketing companies that handle a wide range of products, welfare services for employees, and others.

The Meiden Group conducts its corporate activities based on a philosophy of value provision "For customer peace of mind and satisfaction," with "Illuminating a more affluent tomorrow" as our corporate mission. Our New Medium-term Management Plan, "V120", which we are currently implementing, sets out financial targets and strategies for realization by fiscal 2017, which serve as markers towards the realization of these goals. The foundations for the implementation of our strategy are responses to social problems and risks, the creation of a system of corporate governance, and the cultivation of human resources. While continuing to bolster these foundations, we will maximize the value we provide and will realize sustainable growth and development. This can be achieved by strengthening of our products competitiveness as the cornerstone of all our activities for development of business strategies that are consistent across development, manufacturing and sales.

Building trust by continuing to respond to the expectations of our customers and society

Earning Trust

### Increasing the corporate value of the Meiden Group FY2016 Net income attributable to owners 5.74 billion ven Net sales 220.1 billion ven Operating 8.85 billion yen 247.6 billion ven Total assets Net income per share 25.31 yen

Capital that supports the Meiden Group businesses

### Financial capital (Funds)

Own capital and funds procured from financial institutions that can be employed to conduct business activities



### Manufacturing capital (Infrastructure/Equipment) - Production bases and production equipment that provide the foundation for product competitiveness

Network for provision of maintenance services

Human capital (Human resources)



### tellectual capital (Technology/Expertise)

Technology and expertise developed since the foundation of the company (All departments)



The ability, experience, and ambition of human resources who support the sustainable growth of the company Corporate governance system - Training facilities



Relationships of trust and dialogue with stakeholders, in particular customers Cooperation with suppliers implementing the same CSR activities as Meidensha Corporation



Natural capital (Environmental resources essential to business activities)

Natural resources (oil resources, water, minerals, etc.) and energy resources used in production activities

Main business risks

Social issues that we recognize

### **Understanding Diverse Business Risks and Identifying Social Problems**

The Meiden Group's business activities are affected by a range of risks and social problems. Actively responding to these helps to ensure competitive superiority and the ability to secure business opportunities. Recognition of this fact was the impetus for the formulation of our New Medium-term Management Plan, V120.

Efficiently

inject capital

to support

Active response

Ensure competitive superiority Secure business opportunities

### Main business risks

- Economic trends
- Changes in laws and regulations Worsening political situations
- and different business practices in overseas countries Fluctuation in prices of materials

### Social issues that we recognize

- Increasing demand for electricity with increase in global population
- The worsening of climate change and the depletion of
- resources with the development of the world economy Responses to the aging of existing infrastructure in Japan and increasing need for energy conservation
- Increasing need for access to safe water resources throughout the world

### Corporate Mission > Strategy > Business Activities



### Steadily Realizing our Strategy through Optimal Allocation of Capital

The Meiden Group has ceaselessly transformed itself over the course of its 120 years of existence, and we have supported our business activities through the optimal allocation of the various forms of capital that we have accumulated over our history. The four key measures of our Medium-term Management Plan "V120" are shown to the left. By following these, we will efficiently inject capital to support our business and meet our financial targets.



# **Creating Value** through Our Rusiness → P.23-28

Foundations for value creation

Corporate governance

→ P.29-44

### Challenge of Creating Value in Our Corporate Activities

What actually creates value is the value chain stretching from research and development to maintenance. In their day-to-day business activities, each of our employees takes up their responsibility as a manufacturer of electrical machinery that supports social infrastructure, and challenges themselves to create new technologies and new value through creative thinking. And these daily efforts are also connected to expanding our total capital, increasing the corporate value of the Meiden Group as a whole.

Challenge of creating new technologies and value

Day-to-day

business activities Foundation for creating value

Corporate

Value provided to customers

### For customer peace of mind and satisfaction

We will consider the environment and offer comprehensive customer support to ensure our customers' peace of mind and satisfaction. We will also actively assist our customers in solving their problems and realizing their cherished dreams through the provision of high-quality products and services.

### Concrete examples of the provision of value

### Consideration of the environment

- · Conservation of energy
- · Conservation of resources
- · Securing of water resources

· Optimal engineering that consider

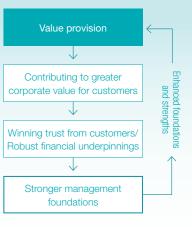
the customer's perspective · Safe, secure, and efficient equipment operation

igh-quality products High-quality, high-performance, and high-efficiency

### Provision of Unique Value and the Meiden Group's Strengths

Consideration for the environment, a comprehensive customer support system. and high-quality services are forms of value that increase a company's value for its customers, and they are also Meiden's strengths. These forms of value also win trust from customers and generate robust financial underpinnings, creating a virtuous cycle that further strengthens management foundations





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# Customer "expectations" are constantly changing. That is why Meiden continues to embark on new challenges.

Meiden sees fiscal 2016, the second year of the Medium-term Management Plan, as a "year of challenge" for building the momentum to achieve the V120 targets. Under the V120, we aim to increase corporate value by promoting the basic policies; "strengthening the earnings base of the Group's business in Japan" and "expanding overseas business," with a focus on "enhancing product competitiveness" for the Meiden Group's core products of heavy electrical equipment. In addition, we will pursue better efficiency in promoting these three basic policies by strategically building external partnerships.

The following are some of the initiatives that were implemented to achieve the V120 targets and that brought about positive results in fiscal 2016.



# 1 Strengthen the Earnings Base of the Group's Business in Japan



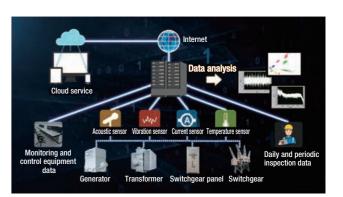
01

# Application of the IoT technology

### Development of an online smart diagnostic service using IoT technology

We have developed a remote monitoring service that helps improve the operation rate of a facility for customers and reduces maintenance costs. This system offers a high level of preventative maintenance by using IoT technology and detecting changes in the conditions and abnormalities of the facility at an early stage, through sensors on equipment. The equipment conditions that had previously been inspected by workers during daily inspections is now remotely and continuously monitored, which is advantageous for a stable operation of the facility.

In December 2016, Meiden developed Japan's first online diagnostic and monitoring system for the prediction of the remaining product life for transformers. The system continuously monitors and analyzes the data collected online, allowing appropriate maintenance work to be conducted as necessary, so that any major failure, such as power outages, can be prevented.





*U2* 

## Creating new business opportunities

### Joint development of a control and protection system for hydropower with Chubu Electric Power

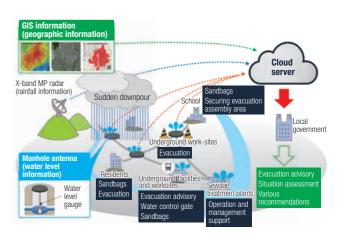
Meiden has completed the development of a control and protection system technology for small and medium-sized hydropower systems that comprise a high-speed field network using an industrial LAN, which was jointly developed with Chubu Electric Power Co., Inc. The system retains the performance of the previous model "All Function Integrated Control and Protection System", but for a first in the industry offers reduced wiring and miniaturization. In 2016, we delivered the first unit to Chubu Electric Power Co., Inc., and we commenced sales nationwide in December of the same year.



# Commencement of an urban flood monitoring service

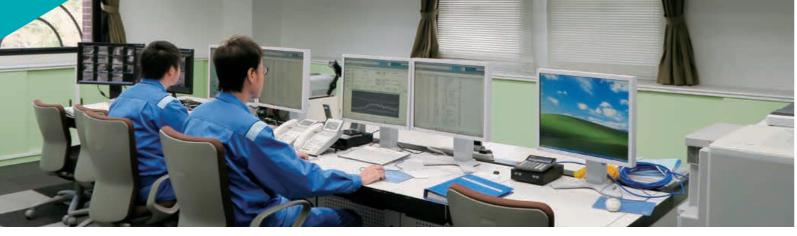
Against the backdrop of increasingly sudden downpours and the partly-revised Flood Prevention Act, etc., Meiden commenced in July 2016 the "Urban Flood Monitoring Service," an IoT service as a useful measure against urban flooding caused by sudden downpours, etc. in conjunction with Nihon Suido Consultants Co., Ltd. The service monitors the conditions of wastewater pipes and transfer data to a cloud server via the internet.

This is a cloud solution service aimed at application by local governments for their software measures for disaster prevention. The system collects rainfall information from the XRAIN system (X-band MP radar network) of the Ministry of Land, Infrastructure, Transport and Tourism's, and water level information of wastewater pipes from sensors fitted on manhole covers, and links the information with a GIS (geographic information system) to provide the real-time information required for disaster prevention.



This service features IoT technology that has made it possible to visualize information which had previously been difficult to monitor, such as the water levels in wastewater pipelines. By sharing information through the Cloud, it becomes possible to centralize disaster prevention information and create a disaster prevention platform for stocking information, such as rainfall and water levels, which allows assistance to be provided in disaster prevention anywhere at any time.

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# **Enhancing one-stop services**

### Expansion of PPP\* business and one-stop services in the water and environment business

### Accelerating PPP business at local governments in Japan

In addition to a range of social issues, such as financial difficulties, a shrinking population, and aging infrastructure, there are new issues becoming apparent for local governments in Japan to address, such as passing technical skills down through the generations and strengthening risk management with the ageing of their personnel. Institutions, including the Ministry of Health, Labour and Welfare and the Ministry of Land, Infrastructure, Transport, and Tourism, are actively considering the promotion of PPP business as a measure to solve these issues

Furthermore, the business environment surrounding Meiden is undergoing changes. With water supply and sewerage infrastructure shifting from the stage of expansion and construction through to the next stage of maintenance and management, curbed public investment has reduced construction of new water supply and sewerage treatment plants, and a declining population will require the downsizing of facilities. Under such circumstances, Meiden, in addition to design and manufacture electrical equipment, is required to offer a one-stop service that includes maintenance services, and facility operation and management services.

\* PPP is the acronym of "Public-Private Partnership," and it refers to partnerships between government agencies, etc., and private enterprises.

### Commencement of a comprehensive water supply operation in eastern Gunma Prefecture

A private sector group, for which Meiden is the representative company, and the East Gunma Water Supply Industry Association [C4] ("Industry Association") established through joint financing East Gunma Water Supply Service Co., Ltd., which commenced water supply operations and services for comprehensive projects including extension works on April 1, 2017.

The Industry Association amalgamated the operations of three cities and five towns in the eastern Gunma area in April 2016, in order to solve issues such as an aging infrastructure and declining income. In addition to the introduction of comprehensive outsourcing to a private enterprise for the entire areas the Industry Association covers, this amalgamation was intended to include repair and maintenance work of the facilities that accompanied the close and consolidation of the ageing facilities. It was expected that this scheme would ensure efficient business operations with technical and operational skills of private companies while ensuring public benefits to be maintained and technical skills to be passed down through the generation of personnel in the Industry Association.

This project involves a comprehensive outsourcing of all operations relating to water supply business, and as a public-private company, is Japan's first of its kind in the field of water supply, in that the business covers a wide range of operations, including "maintenance and improvement of facilities including pipelines," in addition to "comprehensive operations from water intake down through to the faucet.'



### Future outlook

Just like the comprehensive business of the East Gunma Water Supply Industry Association, Meiden expects to see a rapidly increasing number of PPP projects coming up at local governments in Japan. Meiden will promote a new business expansion in this area, leveraging its unique know-how, its experience in building social infrastructure in the past 120 years since its foundation, and its rich track record of successful construction and maintenance projects, in particular, those involving electrical facilities, of water supply and wastewater infrastructure throughout Japan.

Furthermore, we will expand our horizons to cover entire water processing systems rather than focusing on electrical facilities, and will further enhance our one-stop services to cover entire plant facilities and provide support in all aspects of the water supply and sewerage industry, including equipment manufacturing, equipment maintenance and inspections, plant maintenance management, and plant operation and maintenance.

The area covered by the Industry Association



### Main Sources of Value Creation



### Manufacturing capital

- A range of products to support maintenance management services, such as automatic water sampling devices

Cloud-based monitoring technology and remote monitoring services



### Intellectual capital

- More than thirty years of experience and a track record of operation and management services

A rich track record and know-how accumulated and services, mainly of electrical facilities for water supply plants across Japan



### Human capital

- Experienced employees who support maintenance management and operation Optimal assignment of personnel for various operation management systems



Society-related capital

Partnerships with local businesses that are familiar with local characteristics

# **2** Expand Overseas Business



# **Conducting growth investments**

### India: Additional share acquisition of Prime Meiden Ltd. and contracts secured

In June 2016, Meiden acquired Prime Meiden Ltd. ("PML") as a subsidiary through an additional share acquisition for the purpose of accelerating the expansion of our transformer business by leveraging geographic advantages of PML. In addition, we have revised our management strategy and enhanced our sales, finance, and manufacturing systems to promote business expansion. In fiscal 2016, Meiden and PML jointly received an order from a consortium comprised of Sojitz Corporation and India's Larsen and Toubro Limited for 192 autotransformers for India's high-speed freight railway project, and completed an EPC (engineering, procurement, construction) project for a 220 kV power receiving facility for Suzuki Motor Gujarat Private Limited.

Meiden aims to expand its business further in the Indian market and increase exports to Africa and ASEAN.





# **Expanding business in ASEAN and emerging countries**

### I Thailand: Technical collaboration

Meiden concluded a technical transfer agreement on October 26, 2016 with Precise Electric MFG Co., Ltd. (Chairman and CEO: Mr. Kitti Nutchayangkul, Bangkok, Thailand, hereinafter "PEM") in regard to low-capacity transformers for electricity power distribution.

In Thailand, demand is growing for power transmission and distribution equipment, such as high-quality transformers, that support a stable power supply against a backdrop of economic development in recent years. In May, 2016, Meiden concluded a business collaboration agreement (BCA) with PEM for switchgear business, and to further strengthen an alliance with them, the company concluded this technical transfer agreement for transformer business. Meiden intends to enter the power utility market in the ASEAN region, in particular Thailand, through the Precise Group's sales network, and aims jointly to obtain the necessary approvals for both businesses to enter the Thai power utility market



### Development and delivery of high-efficiency, compact and light-weight 4-pole salient pole generators

Against a backdrop of increasing global power demand, a diversification of fuels, and consideration for the environment, Meiden has developed a high-efficiency, compact and light-weight 4-pole salient pole generator, and the first generator, delivered in January 2016, commenced operation in May. With the rotor changed from a cylindrical pole to a salient pole type, we have achieved a high efficiency of 98.3%, which is among the best in the industry. We have also achieved a 30% reduction in mass and a shorter lead time over the previous models. We have received orders for a total of eighteen units in fiscal 2016. Six units are now in service.

We have received many inquiries for ASEAN countries where power demand is growing markedly due to economic development. We plan to expand the generator capacity to 70 MVA, which is the highest level in the world in this class. Furthermore, we aim to achieve further miniaturization and lightness in mass by promoting research in the latest insulation technology and optimal cooling structure.



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### Malaysian "KVMRT" Rail Project\*1

### Rapidly growing Kuala Lumpur and chronic traffic congestion

In Kuala Lumpur, one of the largest cities in Southeast Asia and rapidly growing in recent years, chronic traffic congestion has become a social issue.

KVMRT, intended to become the major artery connecting the commuter suburbs in the east and west of the Kuala Lumpur to the economic zone, is a large-scale urban transportation system development project for the purpose of developing the city and easing traffic congestion. In September 2012, Meiden received an EPC contract for a package of power facilities for KVRT from Mass Rapid Transit Corporation Sdn Bhd, Meidensha designed, built, and installed a 33kV substation and distribution network. DC substations. and remote power monitoring systems, completing Phase I in December 2016 and Phase II in July 2017, which enabled commercial operation to start on all the lines.

\*1 KVMRT (Klang Valley Mass Rapid Transit): An urban transportation system spanning 51 km that crosses the Malaysian capital of Kuala Lumpur from east to west.



Delivery of underground station equipment for the KVMRT project

### Delivery of Catenary Eye® overhead catenary inspection system to Malayan Railways Limited

In Malaysia, the overhead catenary\*2 had previously been visually inspected by maintenance staff. The need for maintenance, however, has grown as electrification has progressed and train speed has become higher. Under such circumstances. Meiden has completed its first delivery to Malayan Railways Limited of the overhead catenary inspection system Catenary Eye® (hereinafter the "System"), which uses a dedicated vehicle to inspect the overhead catenary while running, as a part of the KVMRT Industrial Collaboration Program (ICP)\*3.

The System uses image processing technology and has the benefit of providing camera images for a visual monitoring of the conditions of the overhead catenary. Such features as this have received high praise and have resulted in a decision to introduce another six sets. It is expected that the Systems will make a great contribution to improvement in the maintenance and operation of Malaysian railways, for which electrification extends to 1,000 km running through the Malay Peninsula. The Systems will provide opportunities for us to come into contact with parties other than the customers for whom we have delivered our power facilities, and to gain an understanding of the issues that are facing the railway industry as a whole.

Meiden will work to develop a track record of the System and build relationships in each country. In so doing, the Meiden Group will find opportunities for proposing solutions in the scope of our social infrastructure business.

- \*2 Catenary (overhead conductor rail): An electric cable that is installed above train tracks and provides electricity to trains
- \*3 Industrial Collaboration Program (ICP): A program that is provided as part of a Malaysian Public Project and that requires a system, services, etc., equivalent to the contract value, to be returned to the state of Malaysia according to specific rules. The program is implemented by the Technology Depository Agency Berhad (TDA) according to the policies of the Ministry of Finance (MOF)





CATENARY EYE®



Deputy Transport Minister Aziz Kaprawi (left) and Meidensha

KVMRT Project Manager Oikubo (right)

### Future outlook and issues facing the overseas railway business

There is growing demand for railways, particularly in the ASEAN Region, and Meiden aims to secure contracts for large-scale EPC projects. The Meiden Group has been developing its overseas railway business, mainly in Singapore, since the 1980s. Many products have been used for more than thirty years since their deliveries, and we aim to secure replacement orders for such aging products.

Railways are a major public investment at the state level, requiring local procurement and local production. As such, we will be willing to form partnerships with local companies and will cater to the demands of our customers, which varies with regions and countries. To ensure sustainable growth and development, we will enhance our recruiting process and staff training, including employment of experienced foreign staff and training programs for local staff so that they can take over project management positions. We will continue focusing on the expansion of our railway business, one of our core businesses, and catering to diversifying infrastructure needs in order to create a more prosperous tomorrow as a company that supports social infrastructure.

### Main Sources of Value Creation



### Manufacturing capital

- Manufacturing and sales sites taking root in the local community

"JAPAN Quality" (high quality) products

- Intellectual capital The technology accumulated since the Company
- The know-how to deliver high-quality equipment timely and safely

- Local staff with high-level skills and a sense of responsibility
  - Reliable project completion capabilities, supported by extensive experience



### Society-related capital Relationships of trust with customers and reliable

Partnerships with local companies



## Enhancing sales, technical, and maintenance supports and services

### Training programs for local staff

At our Southeast Asian Training Centers, we have provided educational programs for local staff, on such topics as the Meiden Group's Corporate Philosophy and training programs for technical and workmanship skills, in order to achieve globalization at the earliest, which is listed in our Mediumterm Management plan. In fiscal 2016, we have expanded training programs to include topics such as compliance and global leadership, and we are continuing to promote localization initiatives.

### Enhancement of control functions in ASEAN

Meiden Asia, our controlling company in the ASEAN region, has expanded its headquarter functions with the aim of making speedy strategic decisions. In April 2016, we set up a new railway project office, and started employing foreign engineers with a high degree of technical specialization. We aim to secure and allocate resources appropriately to projects in the ASEAN region, which has a large number of railway projects.



Global leadership training programs



Experience safety training: Cable burnout experience

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# ESG



# ESG at the Meiden Group

### CSR, the foundation of sustained growth at the Meiden Group, is the very embodiment of the Meiden Group Corporate Philosophy.

The Meiden Group Corporate Philosophy seeks to delight customers by offering high quality products and services to help solve customers' issues. It is also part of our philosophy that through these business activities, we aim to fulfill our corporate social responsibility (CSR) by proactively solving global environmental problems and other social issues and helping achieve a more affluent future. The Corporate Philosophy expresses our wish to continually take on these challenges.

In other words, each employee practices the Corporate Philosophy to make the Meiden Group indispensable to society.

The President's CSR Policy Statement sets out three key issues for the Meiden Group to address: environment, society, and human assets (resources). By taking on these three key issues, with initiatives built on the fundamental management elements of "corporate governance," "compliance." and "risk management." we ensure our sustained growth and offer value to society through our business.

Pursuing Value Creation through Our Business



The environment surrounding the Meiden Group is always changing. We will solidly grasp what the external environment offers us, identify the risks and opportunities, and act accordingly. Additionally, we will continually be taking on initiatives to strengthen "the foundation for our business activities", namely to enhance corporate governance, ensure thorough compliance, and build stronger risk management, to ensure company management is more sound, transparent, and efficient.

	President's CSR Policy Statement	Major initiatives
Е	[Environment] Promote strategic environmental management We contribute to society through the offering of products and services for the environment and energy. At the same time, we will work to reduce the environmental impact of our business activities.	<ul> <li>Expand products' contribution to the environment</li> <li>Reduce the environmental impact of business activities</li> <li>Promote environmental management</li> <li>Improve employees' environmental awareness</li> <li>⇒ P. 31-34 (Environment)</li> </ul>
	[ Society ] Provide values needed by society We accept our responsibilities as good corporate citizens through many initiatives, including: resolution of customer issues; promotion of community involvement and proactive communication; proper information disclosure at the correct time, etc.	<ul> <li>Solve customers' issues</li> <li>Promote CSR that includes the supply chain</li> <li>Proactively communicate with local communities</li> <li>Disclose appropriate and transparent information at the correct time</li> <li>⇒ P. 37 (Quality Management)</li> <li>⇒ P. 38 (Supply Chain Management)</li> </ul>
[ Human resources ]  Produce work that gives pride to our employees and creates positive working environments  We will tackle these issues: create a positive working environment tha brings out the best potential and unique talents of each employee; promote better work-life balance; and develop abundant and diverse talent, as human resources are precious to the Group.	Produce work that gives pride to our employees and creates positive working environments  We will tackle these issues: create a positive working environment that brings out the best potential and unique talents of each employee; promote better work-life balance; and develop abundant and diverse	<ul> <li>Promote better work-life balance</li> <li>Create a positive working environment that brings out the best potential and unique talents of each employee</li> <li>Develop human assets (resources)</li> <li>Ensure workplace safety and health ⇒ P. 35-36 (Human Resources Management)</li> </ul>
G	[ Management foundation of our business activities ] Compliance, Corporate Governance Risk Management By strengthening these building blocks of management foundation, we hope to further cultivate the corporate culture necessary for CSR management.	<ul> <li>Promote corporate governance</li> <li>Promote compliance</li> <li>Promote risk management</li> <li>⇒ P. 39-44 (Corporate Governance)</li> </ul>

### Help Solve Global Issues

In December 2015 in Paris, the 21st Conference of the Parties (COP21) to the UN Framework Convention on Climate Change adopted the Paris Agreement on the prevention of global warming in 2020 and beyond, which agreement came into effect in November 2016. Under this agreement, most of the world's nations promised to eliminate their emissions of greenhouse gases by the end of the 21st century. For its part, Japan has set a goal of reducing GHG emissions 26% by FY2030 compared to the FY2013 level. In addition, the UN adopted the Sustainable Development Goals (SDGs)\* in 2015.

The Meiden Group will pursue manufacturing excellence that benefits society, continually create value, and help solve social issues that include those addressed by the SDGs.

Sustainable Development Goals (SDGs): a set of seventeen goals incorporated into the 2030 Agenda for Sustainable Development that world leaders adopted at the UN Sustainable Development Summit in September 2015. Based on new goals that apply universally to all nations, each nation will take initiatives over the following fifteen years to end poverty in any form, fight inequality, and take steps to address climate change while ensuring that no one is left behind.

Related pages P. 23-28 Creating Value through Our Business

### Meiden Group Initiatives on the Sustainable Development Goals (SDGs)









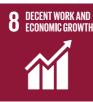








power supply.



















Contributing to Access to Sustainable Energy

The Meiden Group is working to achieve SDG Goal 7,

"affordable and clean energy." In our social infrastructure

business, we supply emergency and regular-use power

generating equipment, hydroelectric generating equipment,

and power transmission and distribution equipment to

electric power companies and factories in Japan and

abroad. We also supply power quality stabilization systems,

power generation systems for renewable energy sources like solar power and small-to-medium size hydro power,

as well as energy solution services such as smart grid

systems. Through these, we contribute to a stable electric





### Contributing to the Creation of a Sustainable Society

The Meiden Group has been contributing to SDG Goal 6, "clean water and sanitation" and Goal 11, "sustainable cities and communities" by contributing to the creation of a sustainable society through our businesses, products and technologies that support social infrastructure in the fields of energy and water treatment.

We have also been contributing to Goal 12, "responsible consumption and production" through our initiatives to reduce the environmental impact of business activities, and in recent years, we have been focusing on the expansion of our products' contribution to the environment in order to contribute to Goal 9, "industry, innovation and infrastructure" and Goal 13, "climate action."

Related pages P. 33-34 Environment

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# BNVIRONMENT



### Initiatives to Enhance Corporate Value

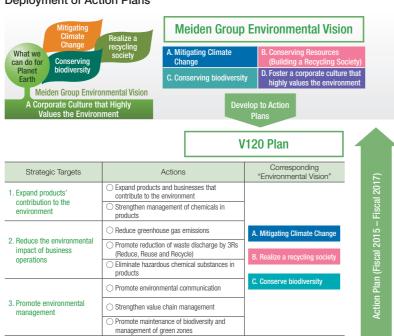
Major aspects of corporate value enhanced	Increase in sales and profits / Reduction in costs	Creation of business opportunities	Business risk avoidance and reduction	Strengthening trust in stakeholder relationships / brand image improvement	Increase employee loyalty / Build up technology, experience and expertise
Expansion of products' contribution to the environment				•	•
Reduction in the environmental impact of business operations	•		•	•	•
Promotion of environmental management	•		•	•	•
Improvement of employees' environmental awareness	•		•	•	•

### **Environmental Vision**

As a medium-term guideline to assist us in advancing environmental management, the Meiden Group has formulated an Environmental Vision that indicates the stance that we should adopt and the appropriate direction for our environmental activities. We seek to contribute to the realization of a sustainable society by means of the reduction of the environmental impact resulting from our business activities and the deployment of the businesses, products and technologies that we have developed to date in the fields of energy and water treatment to support social infrastructure.

Our Environmental Vision identifies the mitigation of climate change, the building of a recycling society, and the conservation of biodiversity as the missions of a 21st century company, and establishes targets for how we should perform in our business activities and what we should aim for in our products. We work to implement environmental management with a corporate culture that highly values the environment as the foundation that helps us to achieve these targets.

### **Deployment of Action Plans**



### Targets that Express Our Environmental Vision

Improve employees' environmental awarer

### A. Mitigating Climate Change

- Contribute to the reduction of CO<sub>2</sub> emissions through the sale of energy-related products and systems (i.e., products for renewable energy resources, etc.)
- 2 Promote environmentally conscious product design and reduce CO<sub>2</sub> emissions in the product life cycle.
- 3 Reduce CO<sub>2</sub> emissions in our production activities.

### B. Conserving Resources (Building a Recycling Society)

- Promote the 3Rs (Reduce, Reuse and Recycle) of waste materials in the various stages of the product life cycle.
- Promote zero emissions of waste products from our production activities.

### C. Conserving biodiversity

) Improve environmental education

- Contribute to securing water resources through our water processing systems business.
- 2 Conduct risk management on chemical materials and promote the reduction of very risky hazardous chemical materials, as well as initiatives to find alternative materials on a basis to reduce or replace harmful chemicals

### D. Foster a corporate culture that highly values the environment

- 1 Promote environmental communication: Actively disclose our environmental activities and results and promote two-way communication with our stakeholders.
- Poster environmental awareness: For mitigating Climate Change, increase environmental literacy to promote environmentally conscious R&D and product development and cultivate the Group's individuals who actively perform local community and social contribution programs by acting on their own initiative.

### Promoting Strategic Environmental Management

### Fiscal 2017 Environmental Targets of Medium-term Management Plan V120

Strategic Targets	Actions	V120 Targets (Fiscal 2017 Targets)		
1. Expand products'	Expand products and businesses that	Contribute a 800,000 t/year reduction in CO2 emissions by ECBs		
contribution to the environment	contribute to the environment	Disclose LCA data in each product category		
	Reduce greenhouse gas emissions	Energy consumption per unit of production (against that of fiscal 2014): reduce by 3%  Total energy consumption (against that of previous fiscal year): reduce by 1%		
		SF <sub>6</sub> emissions (against purchased volume): less than 3%		
Reduce the environmental impact of	Promote reduction of waste discharge by	Zero emissions*1 at 9 sites (production bases in Japan*2, with project sites of Engineering Service Business Units and Construction Service Business Units)		
business operations	the 3Rs (Reduce, Reuse, and Recycle)	Waste emissions per unit of production*3 (against that of fiscal 2014): reduce by 8%		
	Eliminate hazardous chemical substances in products	VOC emissions: 80 tons or less		
	Respond to water risks (drought, flooding, pollution, etc.)	Conduct water conservation initiatives: four main manufacturing sites*4		
Promote environmental	Promote value chain management	Support our suppliers to acquire EMS certifications: an accumulated total of 70 companies have acquired certifications		
management	Promote maintenance of biodiversity and management of green zones	Manage green zones giving due consideration to biodiversity: at the 4 main manufacturing sites*4		

<sup>\*1</sup> Meiden Group definition of zero emissions: To achieve a non-recycling rate of less than 1.0% of the total volume of waste (including industrial waste, general waste, and saleable waste, but excluding construction sludge, etc.) .

### Risk Management

The Meiden Group has appointed a Group-Wide Risk Management Committee (RMC) to respond cross-organizationally to risks to the survival of our businesses. Working through the RMC, the Meiden Group Environmental Committee collaborates with various other committees concerned with compliance, security trade control, information security, quality, product technology, safety and health, pandemics, and more.

The Meiden Group identifies environment-related risks and opportunities and implements a variety of initiatives.

### Responding to Environmental Risks and Opportunities

	Government (political) Laws and Regulations	Economy	Society	Technology	Reputation / Needs	Natural Environment
Phenomena (issues) related to environment	Revision of Feed-in Tariff Scheme for Renewable Energy Deregulation of electric power industry, revision of power supply structure Introduction of carbon tax, emissions trading Energy conservation regulations & standards (business operations, products) Stronger regulations on hazardous chemical substances	- ESG investment - Price competition (low cost, premium pricing)	- Spread of responsibility to entire value chain (upstream and downstream) - Improvement of employment / labor conditions	- Enhanced efficiency of electric power conversion - Advancement of ICT, IoT technology - Development of new energy / alternative energy technology	- Lifestyle changes (ecology-oriented)	- Changes of temperature and precipitation volume - Increase of local disasters (sudden downpours, tornadoes, etc.) - Ecosystem irregularities (increase of organisms that carry infectious disease)
Risks	Short-term cost increases					
Opportunities	Growth of new markets    Differe     Responding to natural disasters		ndly products • Bett	er business performar	ce through environme	ental management
Carrying out initiatives	Expand products' contribution to     Promote environmental manage				ss operations	

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<sup>\*2</sup> Manufacturing sites in Japan: Numazu Works, Ohta Works, Nagoya Works, Kofu Meidensha, Meiden Chemical (Sagami Works), Hokuto Denko (Atsugi Works)

<sup>\*3</sup> Waste emissions per unit of production (t/million yen) is the amount of waste disposed (t) for a given amount of production yield (million yen)

 $<sup>^{\</sup>star}4\,$  Main four manufacturing sites: Numazu Works, Ohta Works, Nagoya Works, and Kofu Meidensha

### TOPICS

### Water Risk Assessments

There is a growing global concern in recent years about "water risks" that could have a major impact on businesses, such as increases in water shortages and heavy, local rains stemming from population growth, global warming, and the like.

The Meiden Group had already been endeavoring to save water and comply with wastewater requirements, but now we have conducted water risk assessments at all of our production bases. Identifying the potential water risks at each location helps us consider more effective countermeasures. Using the "Water Risk Filter," a water risk assessment tool provided free of charge by the World Wide Fund for Nature, we assessed the Group's production bases (13 bases in 8 countries).

The assessment results indicated that many of our production bases face only low levels of risk. However, some bases in India and China are located in regions of relatively high risk, with particularly high risks in respect to water volume and

Water Risk Assessment Results for Regions Where Production Bases are Located



quality. Since these bases do not use a large quantity of water for production, we consider that there is no great concern here.

The Meiden Group takes the optimal countermeasures for each site based on the water risk assessment results.

### Fiscal 2016 Initiatives

Fiscal 2016 target achievement statuses were as follows.

The environmental contribution we made through our products achieved our target of 800,000 tons. Energy consumption in our business operations, which was greatly affected by fluctuating market conditions, declined in total, but we did not meet our target for energy consumption per unit of production.

Although our results for SF<sub>6</sub> gas diverged from our target, we will make effort to reduce our output, such as by installing compressor/recovery equipment.

### Fiscal 2016 Environmental Target Achievement Status (Japan)

Strategic Targets	Actions	Fiscal 2016 Targets	Fiscal 2016 Results	Achievement
Expand products' contribution to	Expand products and businesses that contribute to	Contribute a 800,000 t/year reduction in CO <sub>2</sub> emissions by ECBs	800,000 t/year	0
the environment the environment		Disclose LCA data for new products	Disclosed LCA data for new products	0
Reduce greenhouse gas		Energy consumption per unit of production (against that of fiscal 2014): improvement of 2%	Increased to 13.4%	×
2. Reduce the emissions		SF <sub>6</sub> emissions (of purchased amount): 3% or less	11.4%	×
environmental impact of Promote reduction of waste		Zero emissions*1 at 9 sites	Achieved zero emissions at all applicable locations	0
business operations	discharge by 3Rs (Reduce, Reuse and Recycle)	Waste emissions per unit of production*3 (against that of fiscal 2014): Reduction of 5%	Reduced 7.2%	0
operations	Eliminate hazardous chemical substances in products	VOC emissions: 77 tons or less	70 tons	0
3. Promote	Promote value chain management	Support suppliers EMS certifications: 27 suppliers certified	22 suppliers certified (49 cumulatively)	Δ
environmental management	Promote maintenance of biodiversity and management of green zones	Manage green zones in consideration of biodiversity: at the 4 main sites*4	Conducted environmental conservation activities, etc., at our 4 main sites	0

### Promoting Business that Contributes to the Environment ("Eco-contributing Businesses" (ECBs))

The Meiden Group aims to benefit the environment by using renewable energy like solar, wind and hydroelectric power and by supplying products and services that are more efficient and

In fiscal 2016, we included more products in our calculation of environmental benefit (the expected curbing effect of CO2 emissions from products sold) and achieved a benefit of about 800,000 t/year, exceeding our target of 800,000 t/year.

### Reducing CO<sub>2</sub> Emissions Caused by Products



### Development of Environmentally Conscious Products (ECP)

A Meiden Green Product registered in fiscal 2016 Product: An IGBT high-frequency power supply for induction heating

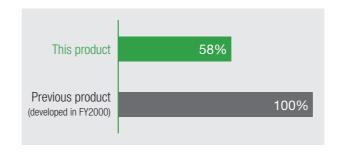
An induction heating power supply equipment piece (RFG) used mainly in the production of electro-resistance-welded tubes. It uses IGBTs for the main circuit power modules, and ensures high efficiency and reliability.



Following are features of this product, with comparisons to the previous design of a 900 kW product developed in fiscal

- 40% reduction in energy consumption with our unique maincircuit time-sharing operation system
- Improved reliability with high-power main-circuit modules

### Life Cycle CO<sub>2</sub> Emissions



### Reducing CO<sub>2</sub> Emissions in Our **Business Operations**

The Meiden Group makes capital investments as planned, such as the replacement of lighting and air conditioning facilities with high-efficiency equipment, in order to lower greenhouse gas emissions originating from energy consumption. We are additionally making electric power usage visible and improving equipment operation schemes, in particular practicing strict energy consumption control for holidays and late-night hours.

In fiscal 2016, we were able to reduce total energy consumption because slower business conditions limited production equipment operation. In addition, we increased our air conditioning equipment to improve the work environment, stepped up quality assurance testing, and actively pursued R&D activities, in particular for EV business. These nonproduction activities caused energy consumption to rise and thus our energy consumption per unit of production rose.

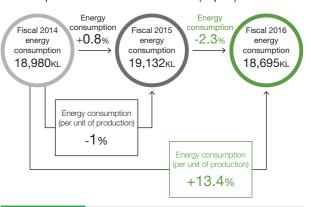
We will continue to promote efficient energy use with both capital investment and operation management.

### Trends in CO<sub>2</sub> Emissions (Japan)



\* The electric power CO₂ coefficient used was the CO₂ emissions coefficient proposed by the Electric Power Council for a Low Carbon Society. For figures through fiscal 2015, we used the adjusted factor for each fiscal year; for fiscal 2016, we used the adjusted fiscal 2015 factor.

### Energy Consumption and Rate of Improvement in Energy Consumption Per Unit of Production (Japan)



### TOPICS

### **Protecting Biodiversity**

Aquatic organism impact study in rivers where sewage- treated water is discharged

Meiden Facility Service Corporation performs operation and maintenance of water supply and sewage treatment facilities. Its work is to provide "healthy water," from producing water that is safe and good-tasting to reclaiming water to protect the natural environment and



The company is engaged in the operation and management of the Katsura River Clear Streams Center in Yamanashi Prefecture and performs a range of activities for the environment, since the river, into which sewagetreated water is discharged, is used as a water supply for the environment around the Katsura River and for residents of Kanagawa Prefecture.

The company sets high voluntary targets for water quality and ensures minimal impact to the ecosystem. To check its performance, the company surveys the water quality once a month, both upstream and downstream from the water-processing plant, monitoring whether discharges are impacting the Katsura River based on changes in water temperature, pH, clarity, DO, SS, COD, BOD, E. coli counts, and other factors. Additionally, once every three months, the company investigates aquatic life around the discharge point.

Through its facility maintenance and management, the company will continue to contribute to the protection of the area's biodiversity in order to protect the rich waterside environment and the verdant natural environment of the Katsura River surrounded by rich satoyama land.

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# Human Resources Management

### Initiatives to Enhance Corporate Value

Major aspects of corporate value enhanced Initiatives	Increase in sales and profits / Reduction in costs	Creation of business opportunities	Business risk avoidance and reduction	Strengthening trust in stakeholder relationships / brand image improvement	Increase employee loyalty / Build up technology, experience and expertise
Promoting diversity management	•			•	•
Work style reform	•		•	•	•
HR development	•	•		•	•
Occupational safety and health	•		•	•	•

### Basic Approach

As issues facing our customers and society as a whole become increasingly complicated and unclear, it is important to have personnel with the abilities to think flexibly and act courageously, creating the value necessary to solve these issues in order to enhance corporate competitiveness. For this reason, we are determined to achieve sustainable growth by focusing on employing and developing competent personnel and creating an environment where each person can derive pride and fulfillment from their work.

In order for the employees to maximize their abilities, it is important to promote diversity management and create a workplace in which a diverse range of employees can participate with a healthy mind and body. Specifically, by engaging as a group in initiatives such as achieving a work-life balance, and improving occupational health and safety, we will enhance the corporate value for the entire group.

### **Promoting Diversity Management**

### Diversity vision

A company that continues to innovate by gathering the experiences, ideas, and individuality of diverse personnel with different attributes for "a more prosperous tomorrow" and "for customer peace of mind and satisfaction'

In order to fulfill our business strategy, we will promote diversity as a contribution to the attainment of the Group's business strategy and the improvement of corporate competitiveness through the optimal allocation of human resources and the operation of various systems that leverage the individuality inherent in diversity.



### Three reasons to promote diversity

There are three reasons why the Meiden Group promotes diversity. The first is to "accelerate the implementation of global management." As global competition increases, there are increasing opportunities for technological collaborations with other companies, foreign and domestic, as well as working with people who have different viewpoints or abilities. Diverse abilities and viewpoints must be integrated for increased corporate performance, and the Meiden Group must perform at its best in order to compete in the global market.

The second is a "declining working population." It is said that the working age population (ages 15 to 64) will drop to approximately 50% (45.95 million people) by 2055 due to the declining birth rate and aging population. We must allow contributions from women, the elderly, and foreigners, rather than focusing on male Japanese employees as we have done in the past. In order to do this, we must create a workplace environment by introducing a new personnel system and changing the workplace culture, so that all employees can utilize their abilities.

The third is the "diversifying customer base and consumer market." In the heavy electrical equipment industry, there is an increasing number of overseas customers, and a contraction of infrastructure in the Japanese market, so both customers and markets are changing significantly from those in the past. In order to achieve further growth in the global market, we must provide services that meet the needs of customers and create new values; we believe that promoting diversity is essential to this end.

### V120 Targets (Fiscal 2017 HR Targets)

Major strategies relating to diversity	Indicator	Fiscal 2016 results	Final year of V120 (Fiscal 2017)
Easing work regulations	Number of staff utilizing the option to work from home	14	At least 30
Promoting work-life balance (reduction in long hours of overtime)	Total actual working hours per year*1	2,016 hours/year	Less than 2,000 hours/year
Promotion and hiring of local staff	Proportion of Japanese staff at local ASEAN companies	5% (excluding the regional HQ companies)	Up to 5%
Hiring of graduates and mid-career personnel	Foreigners hired	1 person/year	3 people/year
Opportunities for female personnel	Percentage of female employees in executive positions*2	6.84% (35 people)	8.52% (45 people)
Employment of people with disabilities	Employment rate (legally mandated employment rate = 2%)	2.27%	2.40%

\*1 Annual total hours worked: Actual hours worked, comprising official working hours plus overtime minus leave taken

### Work Style Reform

### Rolling out "Smart Work V120"

- Working towards a reduction in annual total hours worked -

An employee survey showed that many employees have strong opinions concerning matters that relate to long working hours, such as "insufficient number of staff," "consciousnessreform," and "operations review." As such, we have identified the issue of long working hours as a business challenge. With that in mind, during the three-year period of the V120 mediumterm management plan (fiscal 2015 to fiscal 2017), we have developed the working hours reduction plan "Smart Work V120," which sets a target of reducing the annual total hours worked in fiscal 2017 to less than 2,000 hours.

### Basic policies of "Smart Work V120"

- 1. Take the issue of long working hours as a business challenge and address it in all the departments working
- 2. Uncover root causes by understanding the current work operations in the workplace, and then implement specific measures to deal with them
- 3. Reform the mindset by moving away from the thinking, culture, and attitudes of the past, which accepted overtime as a matter of course

Based on the basic policies of Smart Work V120, we are engaged in initiatives to reduce the annual total hours worked, including the improvement of business efficiency through work-style reforms, and increasing the rate of paid leave taken, in addition to promoting and advancing employee health, as well as enhancing the hiring of mid-career staff.

Specifically, we are conducting a campaign to shorten working hours and encourage leave-taking as a means to reform employees' mindset, and are engaged in initiatives to ensure employees leave work on time, restrict overtime after 8:00 pm, and ensure at least five days of leave are taken every three months. On the departmental level, various measures are in place to address the issue thoroughly, for an increase in productivity, improvement of the efficiency of meetings, etc.

In fiscal 2016, we instituted the Committee for the Reduction of Long Working Hours and promoted measures throughout the company, with the aim of reducing the number of workers with their overtime exceeding the stipulated limit (80 hours/month) down to zero. Furthermore, we have instituted a "work finish-time declaration scheme" where employees determine a daily finish time with their managers and endeavour to leave work at the declared time. In addition, we have visualized the annual leave taken for the month for easy monitoring and are implementing a range of measures to allow employees to feel refreshed in mind and body.

### HR Development

### Diverse training programs

We implement many training programs to encourage employee growth in different aspects as employees, members of society, and professionals. Under the V120 Medium-term Management Plan, we are working to enhance basic technical education and develop education systems for the purpose of providing a full range of education, particularly for those who desire to learn.

In fiscal 2016, we held eleven seminars, which were attended by a total of 316 employees, for the purpose of offering them a chance to acquire the basic technical knowledge of our products, as part of our efforts in enhancing basic technical education. Also, we held voluntary training sessions on the themes of problem solving and strategy implementation, which were attended by 174 employees.

We offer a full range of training programs that support each employee to learn and grow by themselves, in order to develop human resources with the ability to implement and promote our business strategies.





Basic technical training on products Voluntary training

### Occupational Safety and Health

The Meiden Group develops the "President's Safety and Health Management Policy" each year, and globally rolls out occupational health and safety activities based on this.

In fiscal 2016, we continued to implement ongoing measures aimed at equipment and work management, global deployment, and health management. In addition, in May 2016, we introduced "VR Safety Experience Equipment" that allows people to experience mock workplace accidents through virtual reality (VR) with CG contents. This educational activity, intended to raise awareness and sensitivity against

dangers, uses head-mount displays or other equipment and realistically recreates workplace accidents that are unsafe for employees to actually experience, such as falling from a work platform, burns incurred when using a arinder, etc.



Safety training using VR experience

<sup>\*2</sup> Percentage of female employees in executive positions: The ratio of female employees in executive positions to the total number of female employees

# Quality Management

### Initiatives to Enhance Corporate Value

Major aspects of corporate value enhanced Initiatives	Increase in sales and profits / Reduction in costs	Creation of business opportunities	Business risk avoidance and reduction	Strengthening trust in stakeholder relationships / brand image improvement	Increase employee loyalty / Build up technology, experience and expertise
Initiatives to improve quality	•	•	•	•	•
Understanding customers' needs	•	•	•	•	•
Training programs for quality management technology as well as workmanship and technical skills				•	•

### **Basic Approach**

The Meiden Group must continue contributing to the solutions of customers' problems by providing high-quality products and services at all times, in order to continue to be relied on and chosen by customers and society. To do this, it is important that we implement the following three things: "initiatives to improve quality," "understanding our customers' needs," and "training programs for quality management technology as well as workmanship and technical skills." As our customers' partner, the Meiden Group aims for all employees to listen to customers, act quickly, and improve quality, in order to increase customer satisfaction.

### Initiatives to Improve Quality

Meiden conducts the following activities from the perspectives of "do not let in," "do not create," and "do not let out" defects, in order to improve quality. We improve the quality of product development and designs through mechanisms to incorporate quality into designs, as well as multifaceted design reviews

In particular, we are strengthening activities relating to the quality of such development and design that has the risk of a defect with potential widespread influence.

		Meiden			
Activities  — Particularly relevant	Partner companies	Development, design, and manufacture	Testing and inspection		
	Do not let in	Do not create	Do not let out		
3H measures		0	0		
DR quality improvement		0	0		
Backlog management		0	0		
Applying lessons from past defects		0			
Implementing and complying with standards and procedures		0	0		
Auditing and instructing	0	0	0		
4M-change management	0				
:					

### **Understanding Customers' Needs**

In order to provide products and services that satisfy our customers, we must take concrete actions to meet our customers' needs, such as proposing solutions, developing new products, engaging in servicing, and initiating various improvement activities. To that end, we collect and analyze information, requests and complaints from customers, as well as market trends, etc. on a daily basis in order to identify "our customers' needs.'

In order to respond to these customers' needs, such departments as development, sales, engineering, manufacturing, and construction, which have direct contact with customers, work to improve their activities through the PDCA cycle, in which each department reviews and evaluates their activities towards the year end, and creates an activity plan for the next fiscal year based on their self-evaluation of the current year.

### Training Programs for Quality Management Technology as well as Workmanship and Technical Skills

At the Meiden Group, we believe that it is important for each employee to have a fundamental knowledge of quality management in order to provide high-quality products and services. Therefore, we implement training programs for quality management technology at each level, such as for new employees, young employees, and mid-level leaders. These training programs are also conducted for staff who are not directly involved with work at manufacturing departments.

At the technology center adjacent to Numazu Works, we conduct training programs for workmanship and technical skills maintenance engineers. We raise engineers who contribute to the stable, safe, and efficient operation of customers' equipment through practical training using real equipment.



Training for quality management technology



Technical training (high-voltage substation equipment)

## Supply Chain Management

### Initiatives to Enhance Corporate Value

Major aspects of corporate value enhanced Initiatives	Increase in sales and profits / Reduction in costs	Creation of business opportunities	Business risk avoidance and reduction	Strengthening trust in stakeholder relationships / brand image improvement	Increase employee loyalty / Build up technology, experience and expertise
Promotion of CSR activities that involve the entire supply chain and minimization of procurement risks	•		•	•	
Communication with business partners		•	•	•	
Enhancing group procurement systems			•		•

### Basic Approach

It is important to build equal and fair relationships that allow for mutual growth with suppliers, in order to provide better products and services to customers consistently. On the other hand, while procurement risks in the supply chain become greater as globalization of businesses and business activities continues, it is necessary to identify potential risks in advance and to minimize them.

The Meiden Group is working to build good partnerships with suppliers and a sound and strong supply chain, by promoting "CSR activities involving the entire supply chain with a minimization of procurement risks," "communication with business partners," and "enhancing group procurement

### Promotion of CSR Activities that Involve the Entire Supply Chain and Minimization of Procurement Risks

The Meiden Group practices CSR to maintain fair trade that allows for mutual growth for material procurement. Based on CSR activities that are promoted throughout all business activities, the Meiden Group requests that its business partners and their suppliers promote CSR activities, including such issues as "human rights, labor, health and safety, and the environment." In order for them to understand our approach to CSR supply chain management, we have prepared the "Meiden Group Supply Chain CSR Promotion Guidebook"\*1 and distributed it to approximately 1,800 of our business partners in Japan.

To promote CSR procurement, we also request for our business partners to cooperate in responding to a CSR survey (including environmental activities survey) so that we can understand their CSR activities and environmental activities and eventually can minimize procurement risks.

\*1 The Meiden Group Supply Chain CSR Promotion Guidebook is based on the Supply Chain CSR Deployment Guidebook produced by the Japan Electronics and Information Technology Industries Association (JEITA) (published in August 2006)

### Communication with Business Partners

We believe that sharing awareness concerning CSR with cooperating business partners and working together with them with the aim of promoting CSR activities throughout the supply chain will lead to mutual prosperity.

The Meiden Group invites its main business partners to biannual meetings held at each manufacturing site to explain our production plans, where we provide information on the plans and current statuses of our businesses on both company and departmental levels. In these meetings, we give awards to those business partners who have provided particularly

exceptional cooperation in our materials procurement.

The Meiden Group also provides assistance to business partners to build their environmental management systems (EMS), in order to promote the reduction of environmental impact throughout the entire supply chain. We will continue providing support to our business partners in acquiring "Eco-Action 21" certification and registration, and aim to spread environmental management systems and environmental improvements throughout the entire value chain.



Certificate awarding ceremony in the Numazu



Follow-up training in the Numazu district

### **Enhancing Group Procurement Systems**

In fiscal 2014, we conducted educational programs for internal procurement divisions at all the sites to ensure compliance and risk management, following the implementation of the revised basic purchasing agreement.

In addition, we hold periodic Meiden Group Procurement

Meetings as a forum to share information, including actual cases of assessment purchasing and centralized purchasing, affiliates' CSR initiatives, thus forging cooperation among different sites to achieve global and domestic expansion and Meiden Group Procurement enhance compliance.



Meeting

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# GOVERNANCE



### Corporate Governance

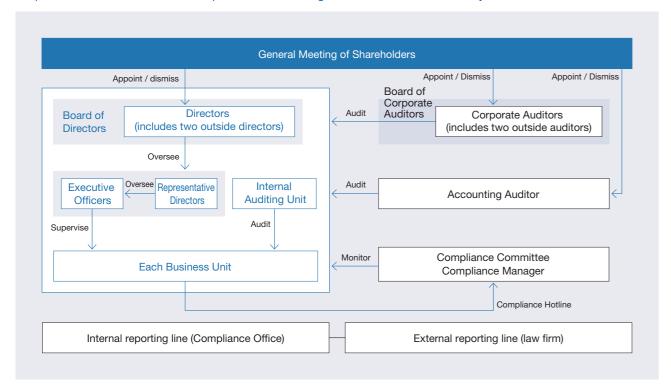
### **Basic Approach**

Under our corporate mission of "creating a more prosperous tomorrow" and our corporate philosophy of providing the value "for customer peace of mind and satisfaction," our group of companies takes the basic stance that we maintain fair and steady business activities with respect for people and the global environment, operate businesses focusing on profit while constantly pursuing new technology and high quality, and endeavour to contribute to prosperity of society. In order to implement this basic stance, we formulated the "Basic Policy"

to Improve the Governance to Secure Fair Business Practices" at the regular Board of Directors meeting held in May 2006 (this basic policy was later amended at the regular Board of Directors meeting held in May, 2015, to reflect the revision of the Companies Act).

The Company will work to further improve the efficiency and fairness of management by promoting initiatives to enhance corporate governance in accordance with the Corporate Governance Code.

### Corporate Governance Structure: Supervision and Management and Internal Control System



### Outline of Corporate Governance Structure

Form of organization | Company with corporate auditors | Corporate auditors | Number of corporate auditors | Outside corporate auditors | A (2) |

| Number of directors | Outside directors | A (2) |
| Term: 2 years | Number of | A (2 outside directors and 2 outside corporate auditors) |

### Meiden's Corporate Governance Structure and Initiatives

Meiden clearly separates important management decisionmaking and operational decision-making in the rules of the Board of Directors and the rules of internal approval procedures, and ensures flexible executive functions.

The executive committee, comprised of representative directors and executive officers, has been instituted for executive decision-making, and the committee decides matters stipulated by the rules of internal approval procedures, as well as matters that require discussions from a company-wide perspective.

Also, we have established a management committee as an advisory body that operates separately from the decision-making committee structure. The management committee is comprised of the representative directors, who discuss and consider matters relating to all aspects of management.

### (1) Features of Institutional Design

### (a) Executive Officer System

Meiden introduced an executive officer system in June 2003 in order to streamline the Board of Directors so as to "speed up corporate decision-making and enhance its supervisory function." At the same time, we strengthened the functions of the Board of Directors and separated the "decision-making and supervisory functions" and the "executive functions" that the Board of Directors used to have. The former functions were assigned to the Board of Directors and the latter to the representative directors and executive officers to whom the duties were delegated by the representative directors.

Executive functions for business operations are carried out according to resolutions and decisions of the executive committee, which is a decision-making body for executive functions, and the executive directors and executive officers, who have the authority to carry out executive functions, under the supervision of the Board of Directors. In this way, business operations are executed autonomously, flexibly, and swiftly.

Furthermore, with the Board of Directors having broadly assigned authority to conduct executive functions to the executive officers, directors and executive officers in charge of operations are required to submit status reports on the execution of operations to the Board of Directors at least once every three months in order to ensure that the supervisory function of the Board of Directors properly works.

### (b) Composition of Directors

There are currently ten directors, and we believe that this number is appropriate to ensure thorough consideration to make appropriate and swift decisions to address the drastically changing business environment.

Furthermore, two of the ten directors are outside directors who carry out a supervisory function for execution of operations in order to strengthen corporate governance.

Meiden's outside directors satisfy the requirements of independent directors as stipulated in the rules of the Tokyo Stock Exchange, and are registered as independent directors at the Stock Exchange.

# (2) Effectiveness Evaluation of the Board of Directors

Meiden has a mechanism in place to conduct an analysis and evaluation of the effectiveness of the Board of Directors in order to strengthen the supervisory function of the Board of Directors.

In April 2016, all the directors and auditors, including the outside directors and outside corporate auditors, conducted an effectiveness evaluation of the Board of Directors and a self-evaluation, which was discussed by the members of the Board of Directors in May 2016.

### i. Items Evaluated

Composition and operation (resolution and deliberation methods, etc.) of the Board of Directors, effectiveness of the Board of Directors, self-evaluations, other opinions

### ii. Outline of Analysis and Evaluation Results

The results of the evaluation of each director and corporate auditor were collected, and after deliberation by the Board of Directors, it was determined that the effectiveness of the Board of Directors is currently secure.

Although there was an evaluation that Meiden's unique initiative to organize the meeting for an exchange of opinions, as referred to below, is useful, there also were some opinions that there is still room for improvement in the management of the Board of Directors. We will therefore promote improvement initiatives to ensure more active debates at the Board of Directors meetings.

### (3) Initiatives to Utilize Outside Directors

Meiden seeks active participation in management by outside officers, in order to enhance the supervisory function of the Board of Directors. As such, we are conducting the following initiatives to ensure free and active debates.

### (a) Initiatives at the Board of Directors

### i. Circulation of Board of Directors Meeting Materials in Advance

Meiden distributes meeting materials to the board members in advance so that they are able to check the agenda prior to participating in Board of Directors meetings.

We accept questions, etc., in advance, if any are relating to the agenda and prepare an explanation to be given at the meeting of the Board of Directors.

### ii. Timely and Appropriate Sharing of Information

Besides the agenda for the meeting, Meiden provides briefings on current topics relating to the company at meetings of the Board of Directors, with the aim of timely and appropriate sharing of information with outside directors, so that they can understand the status of the Company in a timely fashion.

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### (b) Initiatives Outside of the Board of Directors

### i. Introductory Sessions

Primarily for newly appointed outside directors and outside corporate auditors, we provide opportunities for them to understand the Company's business

The director, executive officers, or general manager in charge of each business explains their business to the outside directors and auditors, answers their questions and exchanges opinions with them. In fiscal 2016, we organized five introductory business sessions and one factory tour.

### ii. Meeting for Exchange of Opinions

Besides legally-required board meetings, we organize monthly meetings for an exchange of opinions in order to best use the knowledge of the outside directors and outside corporate

In these meetings, participants vigorously exchange opinions, mainly concerning matters relating to corporate governance and the Company's management issues and strategy. The meetings also serve as preliminaries to discuss matters prior to passing resolutions at the Board of Directors.

### (4) Corporate Auditors and the Board of Corporate Auditors

Meiden is a company with corporate auditors. Each corporate auditor (two of the four corporate auditors are outside corporate auditors) performs his assignment of duties in accordance with the auditing policies and the auditing rules for corporate auditors stipulated by the Board of Corporate Auditors. They communicate with directors, the internal auditing department, and other relevant departments, attend meetings of the Board of Directors and other important meetings, and investigate the business and financial conditions, in order to audit the execution of directors' duties.

The Company also has Internal Auditors Office to assist the Board of Corporate Auditors under the direct control of

### (5) Internal Auditing System

We have an internal auditing division under the direct control of the President. The Internal Auditing Division conducts internal audits to check the effectiveness and efficiency of business operations, the reliability of financial reporting, the status of compliance with laws and regulations, and the maintenance of assets, covering the Company and all Group companies at home and abroad.

In fiscal 2016, we promoted initiatives to improve educational programs for internal control and internal auditing, to conduct internal auditing with a particular focus on selfsupervisory functions of line and staff departments, and to enhance internal auditing functions of overseas subsidiaries and affiliates

### **Directors' Remuneration**

### **Policy for Determining Remuneration**

We separate basic remuneration and directors' bonuses. Basic remuneration is determined by the Board of Directors to ensure appropriate allotment to each director or auditor within the total limit approved by the shareholders meeting, giving consideration to whether the director has the right of representation, his title, duties, and other factors. Directors' bonuses are determined by the General Meeting of Shareholders, giving consideration to the results of the period under review.

Amount of Remuneration for Directors and Corporate Auditors

Position	Number	Remuneration (million yen)
Directors (outside directors)	12 (3)	373 (12)
Corporate auditors (outside corporate auditors)	6 (3)	52 (8)

Notes 1. The amount of the above remuneration, etc., includes directors' bonuses of 54 million yen.

2. The amount of remuneration paid to directors that concurrently serve as employees does not include the amount of remuneration

### **Dialogues with Shareholders** and Investors

### **Basic Approach and IR System**

When any shareholders wish a dialogue with the Company that will contribute to medium to long-term improvement of the Company's corporate value, it is Meiden's policy that the Company's management conducts the dialogue to the extent reasonably possible.

The system is in place where a representative director placed in charge of IR matters and an IR-dedicated department conducts activities to enhance constructive dialogue with shareholders, including institutional investors, and to strengthen external communication.

### **Results Briefings**

We hold results briefings twice a year in May and November. We also hold business briefings in conjunction with the results briefings, in order for participants to deepen their understanding of the Company's business. For each occasion, we select one business and conduct a briefing on the outline of that business, its future prospects, etc.

We will continue to work to ensure an even fuller disclosure of information through results briefings, individual IR sessions, conferences, the website, and this report, etc., and continue to engage in dialogue with shareholders and investors.

### Main IR Activities in Fiscal 2016

Individual sessions	Number
Japanese investors	49
Foreign investors	45
Total	94



The materials for the results briefings and business briefings are available for viewing. Please visit "Fact Sheet for Account Settlement Briefing Session" under "Investors" on the Company' website.

http://www.meidensha.com/ir/ir\_04/ir\_04\_03/

### Board of Directors & Executive Officers as of June 30, 2017

### Representative Directors



Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



- Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



Board of Directors' Meetings:

100% (14 out of 14)

Kozo Masak

irector, Executive Record of Attendance

**Director and Senior Managing Executive Officers** 

Junzo Inamura



Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



- Record of Attendance Board of Directors' Meetings: 100% (14 out of 14)



100% (11 out of 11)

Record of Attendance Board of Directors' Meetings:

### **Outside Directors**



Record of Attendance Board of Directors' Meetings: 92.9% (13 out of 14)

Senior Corporate Auditors



Kazuvuk



Board of Directors' Meetings:

# 100% (11 out of 11)

**Outside Corporate Auditors** 

 Record of Attendance Board of Directors' Meetings: 100% (14 out of 14) Audit & Supervisory Board Meetings: 100% (7 out of 7)



Newly appointed in June of 2017



- Record of Attendance Board of Directors' Meetings 92.9% (13 out of 14) Audit & Supervisory Board Meetings: 100% (7 out of 7)



- Record of Attendance Board of Directors' Meetings: 90.9% (10 out of 11) Audit & Supervisory Board Meetings: 100% (5 out of 5)

### Managing Executive Officers

Nobutoshi Ohashi Kazumi Ikarashi Michihiko Kato Tomoyasu Hachiro Satoru Kameyama Norio Takekawa Nobuaki Tamaki

### **Executive Officers**

Kazuhiko Furukawa Teruhisa Abo Noritaka Matsushita Isamu Suto Masayuki lwao Akio Inoue

Tatsuki Mochizuki Hiroshi Toke Masahiko Suzuk Minoru Kaneda Hisahiro Murashima Satoshi Momenya

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# Compliance

### Compliance Policy and System

Meiden Group Code of Conduct (COC) defines that we shall strive to ensure compliance with applicable laws and regulations of our business-related matters, other applicable laws and regulations at home and abroad, social and ethical norms, and its underlying spirit, and we shall conduct our businesses with strong corporate ethics and good social common sense.

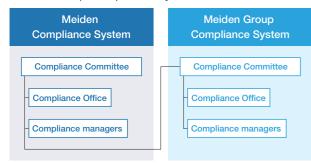
Under this policy, the Meiden Group aims to sincerely engage in activities to live up to the trust of customers and society. Directors, executive officers, and general managers of Meiden and each Group company, play a central role in promoting compliance in each of their workplaces, in accordance with the Meiden Group Compliance Promotion Rules

Besides such workplace schemes, we also have a Compliance Committee set up in place, which lays down policies concerning compliance activities, organizes compliance training, handles whistleblowers, and expresses opinions and provides solutions to problems relating to a range of compliance issues that may arise.

Furthermore, in order to enhance the communication and reporting system, we appointed a Compliance Manager in each workplace to serve as a link between the Compliance Committee and the workplace by reporting to the Committee issues discussed and problems found in the workplace. Thus, we are engaged in activities that promote compliance, while ensuring communication among the Meiden Group companies.

As a group-wide initiative for fiscal 2016, we developed principles for conducting sales activities in compliance with overseas competition laws, in order to enhance overseas compliance, and promoted the implementation of internal control systems at overseas group companies through the leadership of our controlling companies in China and the ASEAN region.

### Meiden Group Compliance System



### Whistleblower System on Compliance

Meiden has a whistleblower system on compliance. This is to prevent illegal actions or misconduct and to solve problems as early as possible if such illegal action or misconduct occurs.

For this whistleblower system, there are two routes: an internal hotline system for compliance violations (Internal Hotline System) and a whistleblower hotline for public interests (Public Whistleblower System). The Internal Hotline System

is an internal measure to receive anonymous whistleblower reports from employees, through a dedicated phone line, letters, or emails to a dedicated address.

The Public Whistleblower System responds to both internal and external communications. External communications are handled by a law firm. In fiscal 2016, there were forty-three consultations and reports regarding the Meiden Group that were received through this system, and they were dealt with as appropriate. The Compliance Committee studies information that is brought to the above points of contact, and, if necessary, consults with a lawyer for resolution. Those who report problems are protected under the Whistleblower Protection Act.

\* The whistleblower system is available to Meiden Group employees and directors as well as to employees and directors of business partners.

### **Compliance Education**

The Compliance Committee conducts compliance training at our business locations throughout Japan, in order to maintain and improve awareness of compliance and internal control systems while collecting opinions from workplaces.

Compliance training aimed at employees, including Compliance Managers at each company in the Meiden Group, provides updated information and education on compliance activities, and an opportunity to exchange opinions with the Compliance Committee. In fiscal 2016, we conducted compliance training in 22 business locations, with a total of 1,146 participants. The Committee reported the updated information on the compliance activities of the company, conducted education on effective use of the internal whistleblower system, and taught creation of an open workplace culture, with a focus on the general managers of each workplace. The Legal Affairs Department gave further training with case-studies, aiming at sales activities in compliance with the Anti-Monopoly Act and the Subcontracting Act.

Also, in fiscal 2016, we started group-work education for executive officers and managers on the theme of corporate misconduct, in order to enhance internal control at the divisional levels

During such educational sessions, the Committee received opinions, requests, and many questions from participants, which we will reflect on during the Committee's activities in this fiscal year to make further improvement on our compliance activities.



Compliance training

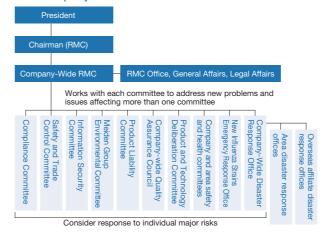
# Risk Management

# Operation of the Company-Wide Risk Management Committee

The Meiden Group has a system in place to control risk management. The Director for risk management and Company-Wide Risk Management Committee (RMC) are appointed to respond to major cross-organizational crises. The RMC works with each working group committee (WGC) and meets, as a rule, at least twice a year to maintain countermeasures to critical risks threatening the business continuity of the Meiden Group. They perform risk surveys to discover new risks and study measures against them.

- Establishing basic policies on major and cross organizational risks
- 2. Encouraging measures to prevent crises before they happen
- 3. Deciding company policies on the crises that are actually happening

### The Company-Wide RMC



### Priority Initiatives in Fiscal 2016

We are engaged in an ongoing initiative to take specific measures against a diverse range of anticipated corporate risks that may face the Meiden Group.

# (a) Formulation of a Business Continuity Plan (BCP)

We have started formulating a BCP with a model business in preparation for a major disaster.

# (b) Reinforcing Disaster Prevention Initiatives

### i. Company-Wide Committee for Disaster Prevention

Based on the lessons we learned from the Kumamoto Earthquake, we have re-identified any possible issues with our disaster-prevention initiatives and have reviewed them.

### ii. Diversification of Drills

In addition to the disaster prevention drills that we have previously been conducting at each operation site, we have added new content that envisions the initial response in the event of a disaster. We now conduct self-defensive first-aid/lifesaving drills, safety confirmation drills through the safety confirmation system, and communication drills between disaster control offices (among the head office and regional operations).

# Strengthening Information Security Management

The Meiden Group understands that ensuring the security of the information we handle is a most critical issue. We therefore protect information assets from disasters, accidents, criminal acts, errors, and other threats. We also maintain and enhance information management to prevent leaks, tampering, or theft.

### Information Security Control System



We implemented two initiatives to reinforce the entire Meiden Group's information security in fiscal 2016.

# (a) Analysis of Incidents and Countermeasures for Each Cause

We conducted analyses and implemented measures to cover both aspects of hardware/software and human factors: the former includes data protection from unauthorized logins, virus infections from suspicious emails, targeted email attacks, etc. as well as and the latter theft, loss, or mishandling of information devices.

# (b) Sustainable Information Security Measures

We had previously conducted initiatives based on "defense," but we are now working to implement sustainable security measures in the areas of "prediction," "defense," "detection," and "response."

Specifically we are promoting hardware and software measures, such as computer encryption, limiting USB device connections, thin client implementation, IT resource management, and the monitoring of unauthorized programs, as well as conducting human measures, such as information security education and suspicious email drills. We are rolling out both proactive and reactive measures on a group-wide basis for information security.

# Group Code of Conduct Aimed at Globalization

The Meiden Group has the "Meiden Group Code of Conduct" in place and is working to ensure compliance with laws and other social norms. In addition, in fiscal 2016, we compiled the corporate philosophy system and manuals into a booklet three languages in preparation for globalization.

Furthermore, we have released the Bribery Prevention Policy and Fair Competition Policy in three languages, as guidelines to supplement the aforementioned code of conduct, in order to observe laws and regulations relating to bribery prevention and competition.

In order to fully disseminate these new policies and guidelines to the Group's employees, we have made them permanently available for viewing on the Group's common portal.

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# Outline of the Meiden Group

### Corporate Data as of March 31, 2017

MEIDENSHA CORPORATION ¥17,070 million Corporate Name Capital June 1, 1917 Established Consolidated Sales ¥220,141 million (Since December 22, 1897) Representative Consolidated Number 8,474 Yuji Hamasaki Director, President of Employees ThinkPark Tower, 2-1-1, Osaki, Consolidated **Head Office** 38 (18 in Japan, 20 overseas) Shinagawa-ku, Tokyo, 141-6029 Japan Subsidiaries

### Consolidated Subsidiary Companies as of March 31, 2017

Area Code	Company Name	Capital	Business Entity
Japan	Kofu Meidensha Electric Mfg.Co.,Ltd.*1	¥400 million	Manufacturing and sales of motors
Japan	Meiden Plant Systems Corporation	¥400 million	Construction services
Japan	Meiden Engineering Corporation	¥400 million	Manufacture, sale, lease, installation, wiring and provision of maintenance services (maintenance and inspection, modification, repair, etc.) for electrical equipment, machinery and devices
Japan	M WINDS Co., Ltd.	¥330 million	Development, design, manufacturing, and testing of wind- turbine generator systems as well as related consulting
Japan	MEIDEN SHOJI Co., Ltd.	¥300 million	Sales of electric components
Japan	MEIDEN KOHSAN CO., LTD.	¥100 million	Sales of products and materials, and agent services of insurance
Japan	Meiden O&M Corporation	¥100 million	Strategic proposal and comprehensive management of manufacture, sale, lease, installation, wiring and provision of maintenance services (maintenance and inspection, modification, repair, etc.) for electrical equipment, machinery and devices and provision of related education
Japan	MEIDEN CHEMICAL CO., LTD.	¥95 million	Insulating varnish and molded instrument transformer
Japan	Meiden System Manufacturing Corporation	¥90 million	Manufacture and sale of switchboards, control panels, and their components
Japan	Meiden System Solution Corporation	¥50 million	Software development, design, production, sale, and rental, and maintenance and management of computer systems and networks

Area Code	Company Name	Capital	Business Entity
Singapore	MEIDEN ASIA PTE. LTD.*1	S\$35.0 million	Regional headquarter in ASEAN; formulation of business strategies for the ASEAN region; legal affairs; human affairs; IT; maintenance; technical engineering services; materials; R&D
Singapore	MEIDEN SINGAPORE PTE. LTD.*1	S\$25.0 million	Manufacture and sale of transformers, switchboards, and circuit breakers, maintenance and after-sale service of electrical equipment, electrical engineering and import/export operations, and overseas procurement
Thai	THAI MEIDENSHA CO., LTD.	TB30.0 million	Electrical engineering, technical consulting, after-sale service, and import/export operations
U.S.A.	MEIDEN AMERICA, INC.*1	US\$21.0 million	System engineering, sales, technical consulting, and after- sale service of dynamo products
China	MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD.*1	US\$19.0 million	Manufacture of PM motors and other specialist electrical devices, general purpose inverters, and assembly units for automatic guided vehicles
Germany	TRIDELTA MEIDENSHA GmbH	€78 thousand	Manufacture and sale of electric power / electric railroad lightning arresters and lightning arrester accessories

<sup>\*1.</sup> Specified subsidiary Another 22 companies

### Share data as of March 31, 2017

Stock Listing

Tokyo Stock Exchange,
Nagoya Stock Exchange

Total number of authorized shares

576,000,000

227,637,704
(Including treasury shares of 756,3

227,637,704 (Including treasury shares of 756,384) 14,483



### Major Shareholders

Number of shareholders

	Number of Shares Held (1,000 shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd.	22,027	9.71
Japan Trustee Services Bank, Ltd.	14,392	6.34
Sumitomo Electric Industries, Ltd.	13,156	5.80
Sumitomo Mitsui Banking Corporation	11,209	4.94
NEC Corporation	8,730	3.85
Sumitomo Mitsui Trust Bank, Limited	7,500	3.31
SUMITOMO LIFE INSURANCE COMPANY	5,307	2.34
Meidensha employees stock ownership	4,923	2.17
Mitsui Sumitomo Insurance Company, Limited	4,377	1.93
Trust & Custody Services Bank, Ltd. (security investment trust account)	3,401	1.50

(Note) The shareholding ratio excludes treasury shares.

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## MEIDENSHA CORPORATION

ThinkPark Tower, 2-1-1, Osaki, Shinagawa-ku, Tokyo 141-6029 Japan www.meidensha.com



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Printed on paper made with wood from forest thinning. "Morino Chonai-kai" (Forest Neighborhood Association)—Supporting sound forest management.



Only environmentally-friendly, zero-VOC (Volatile organic compounds) 100% vegetable oil inks were used in the printing of this report.



This report was printed using the waterless printing method, which contributes to reduced output of solutions from the printing process that contain organic compounds.