

ANNUAL REPORT 2000

For the year ended
March 31, 2000



MEIDENSHA CORPORATION

Profile

As a heavy electric machinery manufacturer, Meidensha Corporation has steadily developed excellent engineering resources, advancing toward total system engineering in a variety of technical fields. The Company's noteworthy policy is to consistently focus on a key technical concept, to be referred to as POWERTRONICS, a fusion of heavy electric technology with electronics technology. This concept is further joined with MECHATRONICS and ELECTRONICS, thus creating the three essential pillars of its overall operations.

Supported by the Four Business Groups—Energy, Environment, Info and Communications, and Industrial Systems—the Company also strives for “speedy” decision-making and being “agile” in its organization by uniting sales, engineering, and manufacturing.

We constantly bear in mind that we must contribute to society as a reliable solution provider to ensure that our technologies and products will be useful and effective in the creation of a well-to-do society and a comfortable environment.

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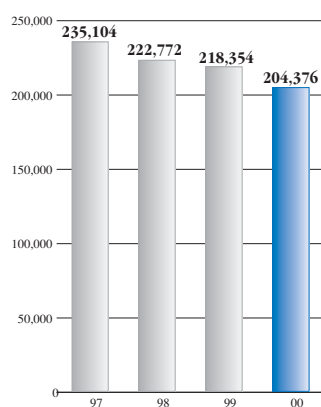
Financial Highlights

Years ended March 31

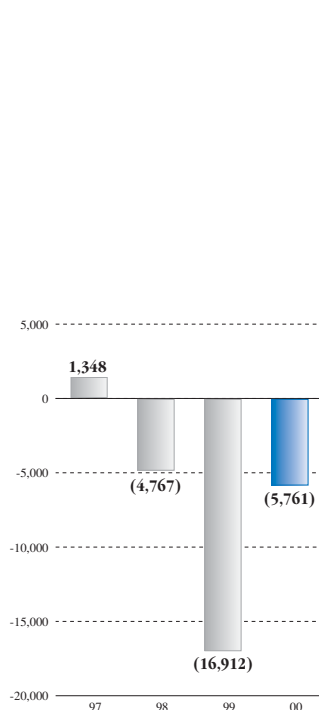
| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Net Sales | ¥204,376 | ¥218,354 | ¥222,772 | \$1,928,075 |
| Net Loss | (5,761) | (16,912) | (4,767) | (54,349) |
| Net Loss Per Share (yen, U.S. dollars) | (28.52) | (83.71) | (23.60) | (0.27) |
| Cash Dividends Paid | — | — | 1,818 | — |
| Total Assets | 221,388 | 235,911 | 253,671 | 2,088,575 |
| Number of Employees | 8,542 | 9,493 | 9,293 | — |

The consolidated figures in this Annual Report are expressed in yen and solely for the convenience of the reader, translated into United States dollars at the rate of ¥106= U.S.\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2000. See No.1 of Notes to Consolidated Financial Statements.

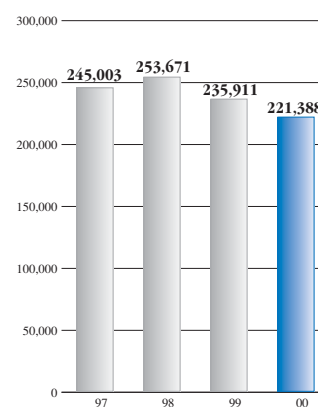
Net Sales (¥ millions)



Net Income (Loss) (¥ millions)



Total Assets (¥ millions)



Message from Management

Japan's economy is currently supported by public investment and exports. It is generally believed that an increase in private investment in plant and equipment will provide a concrete sign of recovery. Private investment trends, however, seem to be concentrated in IT companies, and there is still no significant recovery overall. Reflecting the worsening unemployment rate, personal consumption continues to be stagnant. Consequently, a return to the recovery phase will take more time. The business environment has been subject to severe conditions.

Despite these adverse economic circumstances, Meidensha Corporation has seen positive activity in sales. The final overall sales turnover in fiscal 1999 of 204,376 million yen (consolidated basis), however, remains 6.4 % lower than the previous period.

In terms of earnings, corporate efforts were focused on the curtailment of expenses, the reduction of costs, and the improvement of productivity, which did in fact result in an ordinary profit of 712 million yen (consolidated basis) and a term-end loss of 5,761 million yen (consolidated basis).

With regard to dividends for shareholders, Management regrets that the Company was unable to achieve dividends.

On April 1, 2000, Meidensha Corporation introduced a Medium-Term Management Plan [New Construction 21] ("NC21"). NC21, a medium-term plan which will be in effect for the coming three years from Fiscal 2000 to Fiscal 2002, is designed to clear away the loss carried forward with a target of the recovery of dividends for shareholders in Fiscal 2002. The Company has powerfully promoted the renovation of the corporate structure since October 1997 in order to construct a strong corporate organization that can assure steady profit. Stimulated by the introduction of NC21, Management intends to advance the renovation more forcefully to expand its profits by making a great leap into the 21st century. This business strategy will be developed effectively, and not be limited to Meidensha Corporation but expanded to include all affiliated firms in the Meiden Group. The Company will contribute to society by offering a variety of attractive products that meet their requirements of the times.

We ask every shareholder, as well as our customers and business partners, to continue to share your kind support, guidance, suggestions and advice.



Keiji Kojima

Keiji Kojima, Chairman

Shigeo Seko

Shigeo Seko, President

Review of Operations

Energy Sector

Energy-related technologies are the most well-experienced part of the business that supports the profits of Meidensha Corporation.

The storage of electrical energy is a very important technology in the effective utilization of energy. Based on this concept, Meidensha Corporation has developed the zinc-bromine battery cells. At present, the company is promoting the development of large-capacity electric double-layer capacitors under the heading of new techniques. Last year, the company finished the trial production of equipment composed of 2-series 8-parallel of the 100V 5F units,

intended for application in electric vehicles. This equipment is currently loaded on an electric vehicle (EV), and experiments are continuing. This type of large-capacity electric double-layer capacitor can perform rapid storage and discharge of electric power. Unlike conventional batteries, the newly developed capacitor is also applicable to electric railways.

In the field of substations, we have delivered large-scale transformers and mobile transformers.

In particular, the Company recently delivered 66kV 30MVA SF₆ gas-insulated transformers, which are expected to increase their future market share. In export transactions, the company delivered its record-breaking product, a 19/231kV 353MVA step-up transformer to be installed in a thermal electric power station.

The Company started the shipment of the 66kV class cubicle type GIS (gas-insulated switchgear), and the development of GIS to power company specifications has also been completed.

In the field of protective relay equipment, we have delivered a large quantity of second-generation digital protective relays and other equipment. These relays include second-generation transformer protective relay equipment, second-generation low-level type optical PCM current differential carrier protective relay equipment, cost-reduced type of 66kV loop system protective relay equipment, and transformer protective relay equipment for intermediary banks.

With regard to generators, we have manufactured and delivered two water turbine generators that use tetrafluoroethylene resin for their bearings.

In terms of recent trends, orders are steadily increasing for deliveries of urea denitration units for application in the disposal of exhaust gases from diesel engine generators.

In the field of information equipment, we have developed power supervisory control system which integrates Web computing technology. We believe that achievement in this area shows the direction in which supervisory control systems will advance in the future.

Micro Gas Turbine Business Development Office was established on March 1, 2000. This organization will actively market the micro turbines that the industry expects will prove most useful in the age of distributed generation.



66kV 30MVA SF₆ gas-insulated transformer



Second-generation digital protective relay equipment



Micro turbine system



Large-scale transformers and mobile transformation

Toward the goal of achieving better water environments, Meidensha Corporation is working on the development of water quality control technologies.

Last year, we examined the decomposition of bromic acid ions using photocatalysts, the behavior of the combination of ozone and photocatalysts to transform harmful substances in water into non-organic substances, as well as other factors. Based on this research, we have achieved a prospect for practical use. Verification tests have also been carried out in an actual wastewater treatment plant to confirm the effectiveness of the activated sludge fuzzy control system.

In the field of operation and control, we have developed distributing reservoir operating technologies that are sustained by the short-time demand prediction system based on the chaos theorem.

Medium-capacity water treatment supervisory control equipment,

OPS6000, was developed, and sales were recently initiated. This equipment comprises an open network system and its delivery records are increasing favorably under the title of the EIC Integration System for sewage treatment and city water systems.

Electric instrumentation facilities have been delivered to small-scale wastewater treatment plants. This equipment utilizes the anaerobic and aerobic filter treatment method.

In addition, we also have delivered environment-friendly corrosive gas removal facilities.



Corrosive gas removal facility

Review of Operations

Environment Sector



Dry-distillation type waste disposal system

For city water and sewage water systems, we have delivered high-voltage direct inverters — the first such achievement in Japan. Finally, optical fiber network systems and related facilities, which are operated by the use of existing sewage treatment conduit systems, have also been delivered.

Since October of last year, we have been engaged in the sales of dry distillation type waste disposal systems that suppress the generation of dioxin. The dioxin analysis enterprise was also inaugurated.



EIC integration system



Minigraphic control table of the anaerobic and aerobic filter treatment method



Industrial controller, μPIBOC-III

Information and communications technologies are indispensable in a vast number of industrial fields. First and foremost, Meidensha Corporation developed technologies of common factors, and these technologies have formed the basis of the Company's development of applied systems that have proved useful in various fields.

The primary technology of common factors is Web computing technology, which is considered applicable to the previously described power supervisory control systems and the facility information control systems.

The second such technology is the Company's object-oriented technology. These unique technologies are able to connect and disconnect component objects with a high degree of freedom. Using these technologies, a substantial flexibility can be expected in the case of specification changes.

Review of Operations

Info and Communications Sector

Third is technology that utilizes video images. This remote image supervisory system uses H.324 protocol that enables the transmission of motion pictures and acoustic data through general public switched telephone lines.

With regard to related products, we have standardized our product lineups, such as the plant facility control system, ASPAC 2000.

The reinforcement of our product series has also brought about a variety of achievements, such as industrial computers, μPORT, and industrial controllers, μPIBOC.

Moreover, we have developed industrial switching hubs in order to facilitate network configuration in adverse environments.

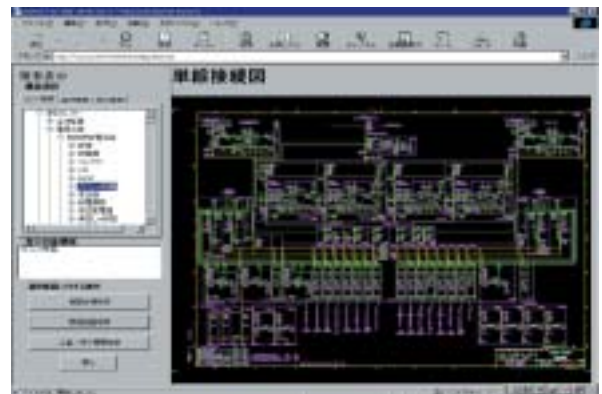
Development and sales have begun for image distribution systems that distribute remote images and voices on a real-time basis via portable telephones and similar devices.



Industrial switching hub, MEISWAY SW1000



ASPAC-GIS screen



ASPAC-FMS screen

Meidensha Corporation has accomplished much in the fields of motor power applications, logistics, and dynamometers.

In the motor power application field, we have delivered various products, such as the cokes material handing system, continuous casting facilities, semiconductor type high-frequency electric resistance welding equipment, and wire material heating equipment, despite mostly stagnant capital investment among manufacturers throughout Japan.

Energy conservation, a very effective means of protecting the environment, is likely to be pursued more aggressively in the future. As a countermeasure against wasting energy, Meidensha Corporation is promoting its reinforcement of products for its highly efficient permanent magnet exciter type synchronous motors (PM motors).

In fact, a large number of PM motors have been manufactured. PM motors for the 183kW injection molding machines, for example, have been developed and delivered. These machines are the largest in their class in the world.

In the field of logistics, we have developed laser radar induction technologies for application in the new induction system for AGVs (Automated Guided Vehicles), considered to be one of the major products of the future. This technology eliminates the use of specific guidance lines, thus allowing for marked simplification of installation work and assuring considerable flexibility in course modification.

The Company has also achieved much in sales transactions for AGVs and a variety of palletizers.

Moreover, we have developed, and already begun delivery of, AC motors for motor-operated forklift trucks.

In the dynamometer-related field, the high-function operation telemetry systems for dynamometers, MEIDACS-DY5000 Series, have been developed and delivered.

In order to respond to automotive manufacturers' policies on reducing the time period for the development of new cars, we have developed the dynamic load simulator.

In conjunction with the intensified exhaust gas regulations, we have delivered large numbers of exhaust-gas-related test systems for which demand has been increasing.



Meter display screen of MEIDACS-DY5000P



AGV for raw material of medicines

Review of Operations

Industrial Systems Sector



Wire material heating equipment



Bottle case palletizer

In fiscal 1999, the real GDP growth rate in all Southeast Asian countries, major markets for Meidensha Corporation, indicated positive growth phases, reflecting the expansion of exports and the effects of fiscal stimulus packages in each country. This is the first upturn since the financial crisis hit. The problem of excess capacity, however, remains due to heavy capital investment before the crisis.

The total capital investment growth rate in these regions still indicate a negative growth trend.



*11kV metal-clad switchgear,
HICLAD-10J*

Review of Operations

Overseas Operations

Against this backdrop, Meidensha export results show order entries totalling 8,499 million yen and sales turnover of 13,463 million yen (unconsolidated basis), a 45.4% decrease and a 20.4% decrease, respectively, as compared with the previous year. The business climate was very severe, as this illustrates.

Major products ordered in fiscal 1999 are outlined below.

In the field of power distribution and substations, we received an order for ten units of 10MVA transformers and 12 units of 75MVA transformers from PowerGrid, Ltd. in Singapore. We also received an order for 800 panels of 11kV HICLAD-10J switchgear, from CLP Power Hong Kong Limited in Hong Kong. In the field of dynamometer-applied systems for automobiles, we received an order for seven dynamometers for drive train system development in NVH (Noise, Vibration and Harshness) testing from General Motors Corporation in the U.S. We received this order in cooperation with MTS Systems Corporation (MTS) in the U.S.



Virtual engine system



19MVA low-speed diesel-engine generator facility

Major products manufactured and shipped in fiscal 1999 were as follows:

In the field of power generation, we delivered four units of 19MVA low-speed diesel power plants to Colombo Power (Pte) Ltd., an IPP (Independent Power Provider) in Sri Lanka.

In the field of power distribution and substations, we also delivered 1,000 panels of 22kV C-GIS to PowerGrid, Ltd. in Singapore.

In the field of dynamometers for automobiles, we delivered the first virtual engine

system to the Advanced Engineering Center of Ford Motor Company in the U.S. in cooperation with MTS. Without using actual car engines, this system allows for various performance tests that are necessary in the development of vehicle drive train systems.

The following is the M&A information of our overseas affiliated companies.

With regard to our quartz crystal oscillator manufacturing business at Meiden Quartz (S) Pte. Ltd. in Singapore and Meiden Quartz (M) Sdn. Bhd. in Malaysia, complete shares were transferred to Herbert C. Jauch, Inc. of Germany in March 2000. Meanwhile, we obtained complete control of Jardine Meiden Engineering Co., Ltd. in March 2000 through a share transfer with the joint venture partner, Jardine Engineering Corporation, Ltd. The new company became our fully owned subsidiary and was renamed Meiden Hong Kong Co., Ltd.



Control panel for dynamometer

PM dynamometer

Drive train system



22kV cubicle type gas-insulated switchgear (C-GIS)

R&D Review

Development of large-capacity electric double layer capacitors

Meidensha Corporation is developing high voltage type large-capacity electric double layer capacitors intended for the structuring of environment-friendly power systems and the achievement of energy conservation. The Company recently finished the trial production of a module of the 100V/5F unit on which 2-series and 8-parallel elements are connected in its casing. The module specifications are shown in Table 1, and the external view is given in Fig. 1.

In cooperation with Mazda Motor Corporation, this module has been loaded on an electric vehicle in order to perform roller dynamometer testing. Testing has been carried out for full throttle acceleration and city road driving mode. Test results indicate improved efficiency through peak cut performance of battery output and energy recovery. The assistant function of the vehicle-loaded batteries has also been verified.

In the future, this module will be improved to increase its capacity and energy density. Related applications and development activities in power storage and electric railway technologies will also be promoted.



Fig. 1 External View of the Capacitor Modules

Table 1 Module Specifications

| | |
|------------------------|-------------------|
| Max. operating voltage | DC200V |
| Capacitance | 20F |
| Resistance | 0.15Ω |
| Mass | 53 kg |
| External dimensions | W500×H300×D480 mm |

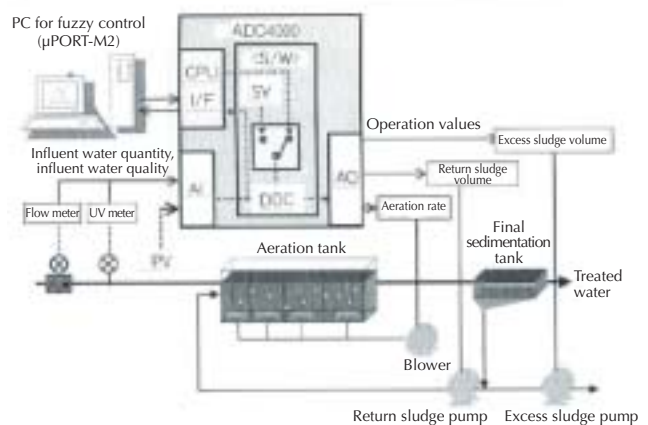
Development of activated sludge fuzzy control systems

As illustrated, an activated sludge fuzzy control system has been incorporated in a sewage water treatment plant that uses the standard activated sludge method.

The three input items of continuous telemetry values are: quantity of influent water, concentration of suspended solids in the influent water, and concentration of soluble organic substance. These three output items represent operation values for the aeration rate, return sludge volume, and excess sludge volume. The UV meter (ultraviolet absorbance meter), which was improved for these operations, uses the measurement of the quality of influent water in continuous telemetry operation. Continuous operation, which takes one week with fuzzy control, runs three cycles. These results indicate a sufficient quality of the water and validate our operations. Furthermore, by monitoring aeration rate data for

an additional one month, the system achieved aeration rate savings by adjusting membership functions.

Configuration of the Activated Sludge Fuzzy Control System



Financial Section

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Consolidated Financial Review

Outline of Profits and Losses

The Japanese economy in the first half of the fiscal year for this consolidated balance sheet was propped up over the short term by public investment. In the second half of the fiscal year, however, public investment decreased substantially. Reflecting the deterioration of corporate profitability and the unemployment rate, consumer spending and private sector capital investment remained stagnant. Without signs of concrete recovery, the economy remained relatively weak this fiscal year. As a result, consolidated term-end net income rose, though consolidated net sales declined.

Net sales totalled 204,376 million yen, a 6.4% decrease over the previous term. Business sector-based net sales stood at 39.7% for the Energy sector, 27.2% for the Environment sector, 5.7% for the Info and Communications sector, 10.7% for the Industrial Systems sector, and 16.7% for Others.

The cost of sales was 164,221 million yen, a 6.3% decrease. Sales, general and administrative expenses totalled 38,394 million yen, a 14.6% decrease. Operating income, therefore, stood at 1,761 million yen. Other income and expenses showed an increase of 6,170 million yen.

The final result was a net loss of 5,761 million yen for this term.

Financial Conditions

Total assets at the end of March 2000 were 221,388 million yen, a decrease of 14,523 million yen. As a result of decreased marketable securities and inventories, of this figure current assets stood at 162,024 million yen, a decrease of 14,509 million yen. Property, plant and equipment was 39,616 million yen, a decrease of 7,441 million yen. Total current liabilities totalled 146,497 million yen, a decrease of 17,415 million yen, and shareholders' equity stood at 41,617 million yen, an increase of 4,807 million yen. As a result, shareholder capital ratio increased 3.2 points from 15.6% to 18.8%.

Five-Year Summary

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

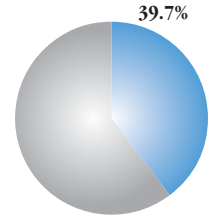
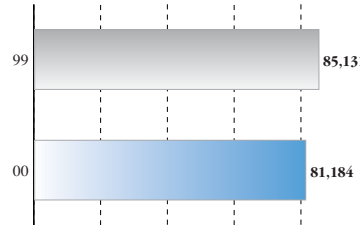
| | Millions of yen | | | | |
|--------------------------------------|-----------------|----------|----------|----------|----------|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| Net sales | ¥204,376 | ¥218,354 | ¥222,772 | ¥235,104 | ¥217,089 |
| Net income (loss) | (5,761) | (16,912) | (4,767) | 1,348 | 785 |
| Net income (loss) per share (Yen) | (28.52) | (83.71) | (23.60) | 6.68 | 3.89 |
| Cash dividends paid | — | — | 1,818 | 1,616 | 808 |
| Depreciation and amortization | 6,285 | 6,588 | 6,666 | 6,538 | 6,482 |
| Total assets | 221,388 | 235,911 | 253,671 | 245,003 | 229,572 |
| Net property, plant and equipment | 39,616 | 47,057 | 47,391 | 47,932 | 47,769 |
| Shareholders' equity per share (Yen) | 206.00 | 182.21 | 266.30 | 300.11 | 301.05 |

Operational Review

Energy sector

Net sales ¥81,184 million (\$765,887 thousand)

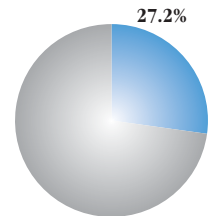
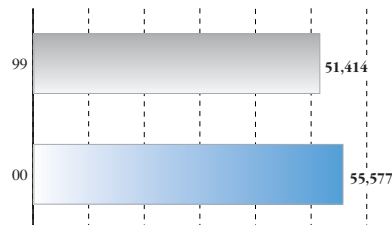
This sector manufactures and markets generators, transformers, switching devices, lightning arresters, power conversion equipment, and products to control these devices, for use in electric power facilities ranging from power company generating stations to transmission, transforming, and distribution facilities, in establishments ranging from national and local government facilities to railroads, highways, buildings, construction sites, and so on.



Environment sector

Net sales ¥55,577 million (\$524,311 thousand)

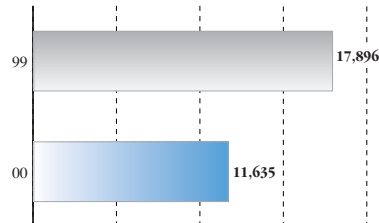
This sector provides “environment-friendly products and technologies” for the development of IT networks involved in the control of treatment equipment and processes for city water and sewage water systems operated by local governments, as well as for energy conservation, recycling, waste treatment, and so on.



Info and Communications sector

Net sales ¥11,635 million (\$109,764 thousand)

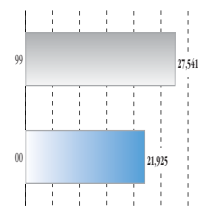
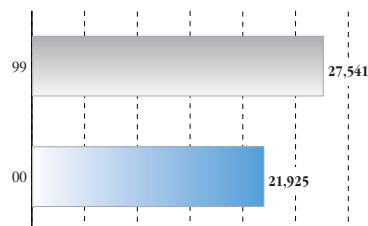
This sector manufactures and markets computer systems and all types of electronic equipment and crystal-related products primarily for the information and telecommunications market.



Industrial Systems sector

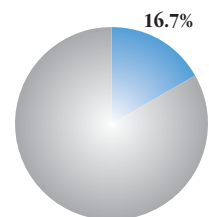
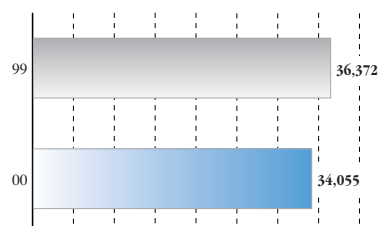
Net sales ¥21,925 million (\$206,840 thousand)

This sector manufactures and markets products related to manufacturing processes in every type of manufacturing industry, and, with a focus on electric motor power application products, extends to dynamometer instrumentation, industrial robots, automated conveyer vehicles, and other such areas.



Others

Net sales ¥34,055 million (\$321,273 thousand)



Consolidated Balance Sheets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2000 and 1999

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Assets | | | |
| Current assets: | | | |
| Cash and time deposits | ¥25,666 | ¥19,480 | \$242,132 |
| Marketable securities (Note 3) | 21,807 | 26,941 | 205,726 |
| Receivables: | | | |
| Trade notes | 10,587 | 14,471 | 99,877 |
| Trade accounts | 69,670 | 78,405 | 657,264 |
| Loans and advances | 205 | 1,043 | 1,934 |
| Due from unconsolidated subsidiaries and affiliates | 1,634 | 1,386 | 15,415 |
| Allowance for doubtful accounts | (499) | (581) | (4,708) |
| Inventories (Note 4) | 28,511 | 32,952 | 268,972 |
| Deferred income taxes (Note 15) | 1,723 | 273 | 16,255 |
| Other current assets | 2,720 | 2,163 | 25,661 |
| Total current assets | 162,024 | 176,533 | 1,528,528 |
| Property, plant and equipment (Note 8): | | | |
| Land | 6,440 | 6,996 | 60,755 |
| Buildings and structures | 41,512 | 43,395 | 391,623 |
| Machinery and equipment | 75,427 | 82,958 | 711,575 |
| Construction in progress | 713 | 554 | 6,726 |
| Less: Accumulated depreciation | (84,476) | (86,846) | (796,943) |
| | 39,616 | 47,057 | 373,736 |
| Investment and other assets: | | | |
| Investment securities (Note 8) | 773 | 1,206 | 7,292 |
| Investments in unconsolidated subsidiaries and affiliates (Note 5) | 972 | 1,259 | 9,170 |
| Long-term loans | 223 | 330 | 2,104 |
| Deferred income taxes (Note 15) | 9,792 | 207 | 92,377 |
| Other assets (Note 8) | 7,453 | 9,067 | 70,311 |
| Allowance for doubtful accounts | (17) | (19) | (160) |
| | 19,196 | 12,050 | 181,094 |
| Foreign currency translation adjustment | 552 | 271 | 5,208 |
| Total assets | ¥221,388 | ¥235,911 | \$2,088,566 |

See accompanying notes.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Short-term borrowings (Note 6) | ¥42,993 | ¥46,562 | \$405,594 |
| Commercial paper | 17,000 | 23,000 | 160,377 |
| Current portion of long-term debt (Note 7) | 8,078 | 6,130 | 76,208 |
| Payables: | | | |
| Trade notes | 14,369 | 17,591 | 135,557 |
| Trade accounts | 32,166 | 34,757 | 303,453 |
| Due from unconsolidated subsidiaries and affiliates | 638 | 388 | 6,019 |
| Employees' savings deposits | 5,169 | 6,388 | 48,764 |
| Advances received from customers | 10,828 | 11,284 | 102,151 |
| Accrued income taxes | 700 | 845 | 6,604 |
| Other current liabilities | 14,556 | 16,967 | 137,321 |
| Total current liabilities | 146,497 | 163,912 | 1,382,048 |
| Long-term liabilities | | | |
| Long-term debt (Note 7) | 18,052 | 19,802 | 170,302 |
| Reserve for retirement allowance (Note 9) | 1,682 | 1,911 | 15,868 |
| Other long-term debt | 5,114 | 5,336 | 48,245 |
| Minority interests | 8,426 | 8,140 | 79,490 |
| Contingent liabilities (Note 11) | | | |
| Shareholders' equity (Note 10): | | | |
| Common stock, par value ¥50 per share: | | | |
| Authorized — 576,000,000 shares | 17,070 | 17,070 | 161,038 |
| Issued and outstanding — 202,025,158 shares | | | |
| Additional paid-in capital | 12,751 | 12,751 | 120,292 |
| Retained earnings | 11,796 | 6,990 | 111,283 |
| Less: Treasury stock | (0) | (1) | (0) |
| Total shareholders' equity | 41,617 | 36,810 | 392,613 |
| Total liabilities and shareholders' equity | ¥221,388 | ¥235,911 | \$2,088,566 |

See accompanying notes.

Consolidated Statements of Operations

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2000, 1999 and 1998

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|------------------|-----------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Net Sales | ¥204,376 | ¥218,354 | ¥222,772 | \$1,928,075 |
| Cost of sales | 164,221 | 175,308 | 175,905 | 1,549,255 |
| Selling, general and administrative expenses | 38,394 | 44,979 | 48,578 | 362,207 |
| Operating income (loss) | 1,761 | (1,933) | (1,711) | 16,613 |
| Other income (expenses): | | | | |
| Interest, dividends income | 669 | 786 | 776 | 6,311 |
| Interest expense | (1,183) | (1,623) | (1,582) | (11,160) |
| Gains on securities sold | 915 | 91 | 3,814 | 8,632 |
| Write-down of securities | (618) | (1,520) | (3,992) | (5,830) |
| Special retirement benefits to employees | (1,650) | (2,118) | — | (15,566) |
| Provision for employees' pension liability | (8) | (5,661) | — | (75) |
| Loss on disposal of fixed assets | (684) | (1,107) | — | (6,453) |
| Gain on sales of property, fixed assets | 1,185 | 24 | — | 11,179 |
| Loss arising from liquidation of subsidiaries and affiliates | (4,457) | — | — | (42,047) |
| Miscellaneous, net | (615) | (1,488) | 43 | (5,802) |
| Loss before income taxes | (4,685) | (14,549) | (2,652) | (44,198) |
| Income taxes (Note 2) | 1,124 | 1,629 | 1,698 | 10,604 |
| Minority interests | (48) | 734 | 463 | (453) |
| Equity in earning of affiliates | — | — | 46 | — |
| Net loss | (¥5,761) | (¥16,912) | (¥4,767) | (\$54,349) |

| | Yen | | | U.S. dollars (Note 1) |
|---|----------|----------|----------|-----------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Amounts per share of common stock: | | | | |
| Net loss | (¥28.52) | (¥83.71) | (¥23.60) | (\$0.27) |
| Cash dividends applicable to the year | — | — | 4.00 | — |

See accompanying notes.

Consolidated Statements of Shareholders' Equity

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2000, 1999 and 1998

| | Number of shares issued | Millions of yen | | |
|--|----------------------------|-----------------|-------------------------------|----------------------|
| | | Common stock | Additional paid-in capital | Retained earnings |
| Balance at April 1, 1997 | 202,025,158 | ¥17,070 | ¥12,751 | ¥30,809 |
| Net loss | — | — | — | (4,767) |
| Cash dividends paid | — | — | — | (1,818) |
| Bonuses to directors and statutory auditors | — | — | — | (244) |
| Balance at March 31, 1998 | 202,025,158 | 17,070 | 12,751 | 23,980 |
| Net loss | — | — | — | (16,912) |
| Bonuses to directors and statutory auditors | — | — | — | (92) |
| Increase in retained earnings due to addition of consolidated subsidiaries | — | — | — | 14 |
| Balance at March 31, 1999 | 202,025,158 | 17,070 | 12,751 | 6,990 |
| Net loss | — | — | — | (5,761) |
| Bonuses to directors and statutory auditors | — | — | — | (69) |
| Cumulative effect of adopting deferred income tax accounting (Note 2) | — | — | — | 10,631 |
| Increase in retained earnings due to addition of consolidated subsidiaries | — | — | — | 238 |
| Decrease in retained earnings due to reduction of consolidated subsidiaries | — | — | — | (29) |
| Decrease in retained earnings due to ownership change of affiliates | — | — | — | (204) |
| Balance at March 31, 2000 | 202,025,158 | ¥17,070 | ¥12,751 | ¥11,796 |

| | Number of shares issued | Thousands of U.S. dollars (Note 1) | | |
|--|----------------------------|------------------------------------|-------------------------------|----------------------|
| | | Common stock | Additional paid-in capital | Retained earnings |
| Balance at March 31, 1999 | 202,025,158 | \$161,038 | \$120,292 | \$65,943 |
| Net loss | — | — | — | (54,349) |
| Bonuses to directors and statutory auditors | — | — | — | (651) |
| Cumulative effect of adopting deferred income tax accounting (Note 2) | — | — | — | 100,293 |
| Increase in retained earnings due to addition of consolidated subsidiaries | — | — | — | 2,245 |
| Decrease in retained earnings due to reduction of consolidated subsidiaries | — | — | — | (274) |
| Decrease in retained earnings due to ownership change of affiliates | — | — | — | (1,924) |
| Balance at March 31, 2000 | 202,025,158 | \$161,038 | \$120,292 | \$111,283 |

See accompanying notes.

Consolidated Statements of Cash Flows

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2000

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------------------------------------|
| | <i>2000</i> | <i>2000</i> |
| Operating activities: | | |
| Loss before income taxes | (¥4,685) | (\$44,198) |
| Adjustments to reconcile loss before income taxes to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,285 | 59,292 |
| Decrease in allowances | (1,386) | (13,075) |
| Interest, dividends income | (669) | (6,311) |
| Interest expense | 1,183 | 11,160 |
| Decrease in receivables | 12,542 | 118,321 |
| Decrease in inventories | 3,957 | 37,330 |
| Decrease in payables | (4,545) | (42,877) |
| Other-net | 6,058 | 57,150 |
| Sub total | 18,740 | 176,792 |
| Interest income received | 675 | 6,368 |
| Interest expense paid | (1,231) | (11,613) |
| Special retirement benefits to employees paid | (4,053) | (38,236) |
| Income taxes paid | (1,628) | (15,358) |
| Net cash provided by operating activities | 12,503 | 117,953 |
| Investing activities: | | |
| Acquisition of marketable securities and investment securities | (5,301) | (50,009) |
| Proceeds from sales of marketable securities and investment securities | 10,697 | 100,915 |
| Additions to property, plant and equipment | (4,799) | (45,274) |
| Proceeds from sales of property, plant and equipment | 1,817 | 17,142 |
| Decrease in investments in and advances to unconsolidated subsidiaries and affiliates | 1,561 | 14,726 |
| Other-net | (438) | (4,132) |
| Net cash provided by investing activities | 3,537 | 33,368 |
| Financing activities: | | |
| Decrease in short-term bank loans | (3,556) | (33,547) |
| Decrease in commercial paper | (6,000) | (56,604) |
| Proceeds from long-term debt | 7,405 | 69,858 |
| Payment of long-term debt | (3,203) | (30,217) |
| Repayment of bonds | (4,000) | (37,736) |
| Other-net | (1,337) | (12,612) |
| Net cash used in financing activities | (10,691) | (100,858) |
| Effects of exchange rate changes on cash | (82) | (774) |
| Increase in cash and cash equivalents | 5,267 | 49,689 |
| Cash and cash equivalents at beginning of year | 21,549 | 203,292 |
| Increase due to change in consolidated subsidiaries | 457 | 4,311 |
| Cash and cash equivalents at end of year | ¥27,273 | \$257,292 |

See accompanying notes.

Notes to Consolidated Financial Statements

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2000 and 1999

1. Basis of Consolidated Financial Statements

MEIDENSHA CORPORATION (“the Company”) and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on the accounting records of these entities, in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance (“MOF”) as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2000, which was ¥106 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain prior years’ amounts have been reclassified to conform to 2000 presentation. These changes had no impact on previously reported results of operations or shareholders’ equity.

2. Summary of Significant Accounting Policies

a) Principles of Consolidation

Effective for the year ended March 31, 2000, all companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Previously only majority-owned companies were consolidated. The prior years’ consolidated financial statements have not been restated.

The accompanying consolidated financial statements include the accounts of the Company and its 22 (21 for 1999) consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation. The Company’s remaining subsidiaries, whose net and gross assets and net sales are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the Company acquired control of the respective subsidiaries.

b) Equity Method

Investments in unconsolidated subsidiaries and affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method in the year ended March 31, 2000. Prior to April 1, 1999, only investments in companies of which the Company owns 20% to 50% of the voting rights and has the ability to significantly influence financial, operational or business policies were accounted for using the equity method. Effective April 1, 1999, in accordance with the revised Accounting Principles for Consolidated Financial Statements, investments in companies of which the Company has at least 15% and less than 20% of the voting rights are also accounted for using the equity method in the cases where the Company has the ability to exercise significant influence over operating and financial policies of the investees. The effect of the adoption of this new accounting is immaterial. In the case of the Company, investments in an unconsolidated subsidiary and an affiliated company are accounted for by the equity method in 2000. Investments in all other unconsolidated subsidiaries and affiliated companies, that would not have material effect on the consolidated financial statements, are stated at cost.

c) Marketable Securities and Investments in Securities

Marketable securities and investments in securities listed in Japanese stock markets are mainly stated at the lower of cost or market. Investments in securities unlisted in stock markets are stated at cost. The cost is determined by the moving-average method. Investment income is recognized when dividends or interest are received.

d) Inventories

Inventories are stated at cost, which is mainly determined by the average method as to raw materials and plant supplies and the specific identification method as to finished products, semi-finished products and work in process.

e) Property Plant, Equipment and Depreciation

Depreciation is computed using the declining-balance method over estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method. There was no material effect due to the change.

f) Reserve for Retirement Allowance

Under the terms of the Company and certain consolidated subsidiaries' retirement plan, nearly all employees are entitled to a non-contributory funded pension plan. Annual contributions, which consist of current period costs and amortization of prior service costs over years, are determined on an actuarial method and charged to income when paid. The Company and consolidated subsidiaries provide severance benefits for the directors and statutory auditors based on established guidelines.

g) Income Taxes

The Company provided income taxes at the amounts currently payable for the years ended March 31, 1999 and 1998. Effective

April 1, 1999, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The cumulative effect of adopting the new accounting standard at April, 1999 is ¥10,631 million (\$100,292 thousand), which is directly added to the retained earnings brought forward from March 31, 1999. The effect for the year ended March 31, 2000 was a decrease in net income of ¥2,606 million (\$24,585 thousand). Prior years' financial statements have not been restated.

h) Amounts Per Share of Common Stock

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

Cash dividends per share presented in the consolidated statements of operations and retained earnings represent the cash dividends declared applicable to each respective year, including dividends paid after the end of the year.

i) Statement of Cash Flows

In preparing the consolidated statements of cash flow, cash on hand, readily-available deposits and short-term highly liquid investments with maturities that do not exceed three months at the time of purchase, are considered to be cash and cash equivalents. The Company prepared the 2000 consolidated statement of cash flow as required by and in accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc.", effective from the year ended March 31, 2000.

3. Market Value Information of Securities

Market value information of certain securities at March 31, 2000 were as follows.

| Millions of yen | | | |
|---------------------|----------------|----------------|---------------------------|
| March 31, 2000 | Book value | Market value | Unrealized gains (losses) |
| Current assets: | | | |
| Shares | ¥16,054 | ¥21,550 | ¥5,496 |
| Bonds | 1,225 | 1,276 | 51 |
| Other | 102 | 92 | (10) |
| | 17,381 | 22,918 | 5,537 |
| Non-current assets: | | | |
| Shares | 139 | 133 | (6) |
| Bonds | — | — | — |
| Other | 0 | — | (0) |
| | 139 | 133 | (6) |
| Total | ¥17,520 | ¥23,051 | ¥5,531 |

| Thousands of U.S. dollars (Note 1) | | | |
|------------------------------------|------------------|------------------|---------------------------|
| March 31, 2000 | Book value | Market value | Unrealized gains (losses) |
| Current assets: | | | |
| Shares | \$151,453 | \$203,302 | \$51,849 |
| Bonds | 11,557 | 12,038 | 481 |
| Other | 962 | 868 | (94) |
| | 163,972 | 216,208 | 52,236 |
| Non-current assets: | | | |
| Shares | 1,311 | 1,254 | (57) |
| Bonds | — | — | — |
| | 1,311 | 1,254 | (57) |
| Total | \$165,283 | \$217,462 | \$52,179 |

4. Inventories

Inventories as of March 31, 2000 and 1999 were as follows.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|------------------------------|-----------------|----------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Finished products | ¥1,902 | ¥2,314 | \$17,943 |
| Semi-finished products | 2,868 | 3,489 | 27,057 |
| Work-in-process | 22,248 | 25,195 | 209,887 |
| Materials and supplies | 1,493 | 1,954 | 14,085 |
| Total | ¥28,511 | ¥32,952 | \$268,972 |

5. Investment Securities in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates in which the Company had direct equity ownership as of March 31, 2000 and 1999 were as follows.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|-----------------------|-----------------|---------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Equity in net assets: | | | |
| Subsidiaries | ¥767 | ¥467 | \$7,236 |
| Affiliates | 205 | 2,179 | 1,934 |
| Total | ¥972 | ¥2,646 | \$9,170 |
| Book value: | | | |
| Subsidiaries | ¥403 | ¥728 | \$3,802 |
| Affiliates | 1,509 | 531 | 14,236 |
| Total | ¥1,912 | ¥1,259 | \$18,038 |

6. Short-Term Borrowings

Short-term borrowings are represented by notes. The weighted average interest rate was 1.2% as of March 31, 2000.

Short-term borrowings as of March 31, 2000 and 1999 were as follows.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|------------------|-----------------|---------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| Bank loans | ¥42,993 | ¥46,562 | \$405,594 |

7. Long-Term Debt

Long-term debt as of March 31, 2000 and 1999 consisted of the following.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------------|---------------------------------------|
| | 2000 | 1999 | 2000 |
| 4.8% to 6.5% mortgage bonds | ¥ — | ¥4,000 | \$ — |
| 1.45% to 7.5% loans from banks and insurance companies | 24,290 | 19,818 | 229,151 |
| 2.2% to 4.6% loans from agricultural cooperative organizations | 1,841 | 2,114 | 17,368 |
| Less: Current portion | (8,079) | (6,130) | (76,217) |
| Total | ¥18,052 | ¥19,802 | \$170,302 |

The annual maturities of long-term debts are as follows.

| Year ended March 31 | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---------------------------|-----------------|---------------------------------------|
| | 2000 | 2000 |
| 2001 | ¥8,079 | \$76,217 |
| 2002 | 3,755 | 35,424 |
| 2003 | 10,077 | 95,066 |
| 2004 | 3,788 | 35,736 |
| 2005 | 382 | 3,604 |
| 2006 and thereafter | 50 | 472 |

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2000.

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------------------------------------|
| | 2000 | 2000 |
| Buildings and structures less related accumulated depreciation | ¥1,568 | \$14,792 |
| Machinery and equipment less related accumulated depreciation | 133 | 1,255 |
| Land | 1,478 | 13,943 |
| Investment securities | 3,002 | 28,321 |
| Others | 120 | 1,132 |
| Total | ¥6,301 | \$59,443 |

Obligations with collateral pledged were as follows.

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|-----------------------------|-----------------|---------------------------------------|
| | 2000 | 2000 |
| Short-term borrowings | ¥3,344 | \$31,547 |
| Long-term debt | 4,564 | 43,057 |
| Total | ¥7,908 | \$74,604 |

9. Reserve for Retirement Allowance

Unamortized prior service cost under the non-contributory funded pension plan amounted to ¥5,847 million (\$55,160 thousand) on March 31, 2000.

10. Shareholder's Equity

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are to be credited to additional paid-in capital.

Under the Code, amounts equal to at least 10% of cash dividends and other cash appropriations of retained earnings must be set aside as a legal reserve until such reserve equals 25% of stated capital. The legal reserve may be used to reduce deficits by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors.

11. Contingent Liabilities

Contingent liabilities at March 31, 2000, were as follows.

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|------------------------------|
| Repurchase of note discounted and endorsed | ¥1,494 | \$14,094 |
| Guarantees of loans from banks to unconsolidated subsidiaries and affiliates | 319 | 3,010 |
| Employees | 1,985 | 18,726 |
| Total | ¥3,798 | \$35,830 |

12. Non-Capitalized Finance Leases:

(1) Financial leases, which do not transfer ownership of properties to lessees, are not capitalized and are accounted for in the same manner as operating leases. The relevant calculations follow:

(i) Assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value as of March 31, 2000 and 1999, are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------------|------------------------------|
| | <i>2000</i> | <i>1999</i> | <i>2000</i> |
| Assumed acquisition cost: | | | |
| Machinery and equipment | ¥207 | ¥694 | \$6,547 |
| Other | 2,034 | 3,147 | 29,689 |
| Accumulated depreciation | (1,181) | (1,888) | (17,811) |
| | ¥1,060 | ¥1,953 | \$18,425 |

(ii) Future minimum lease payments, inclusive of interest, at March 31, 2000 totalled ¥1,059 million (\$9,991 thousand), including ¥430 million (\$4,057 thousand) due within one year.

(iii) Lease payments, which are equal to assumed depreciation charges for the years ended March 31, 2000 and 1999, were ¥608 million (\$5,736 thousand) and ¥679 million (\$6,406 thousand), respectively.

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

(2) Future operating lease payments under non-cancelable operating leases as of March 31, 2000 totalled ¥1,997 million (\$18,840 thousand), including ¥268 million (\$2,528 thousand) due within one year.

13. Research and Development Expenses

Research and development expenses are charged to income as incurred. The amount charged to income for the year ended March 31, 2000 stood at ¥8,372 million (\$78,981 thousand).

14. Segment Information

Industry segments:

The Company and its consolidated subsidiaries operate principally in five industrial sectors: the Energy, Environment, Info and Communications, Industrial Systems, and the Others sectors. In the year ended March 31, 2000, the Company and its consolidated subsidiaries modified its classification of products (rotary machine, transmission and distribution equipment, control equipment, construction and wiring and others) among the sectors. The change was brought about by the Company's restructuring.

Information by industry segment for the year ended March 31, 2000 and 1999 were as follows.

| Year ended March 31, 2001 | Millions of yen | | | | | | | |
|-------------------------------|-----------------|---------|----------|----------|---------|----------|----------|----------|
| | | | | | | | | |
| Net sales: | | | | | | | | |
| Outside customers | ¥70,597 | ¥51,852 | ¥14,636 | ¥25,176 | ¥34,722 | ¥196,983 | ¥— | ¥196,983 |
| Inter-segment | 5,380 | 1,549 | 2,843 | 2,502 | 36,345 | 48,619 | (48,619) | — |
| Total | 75,977 | 53,401 | 17,479 | 27,678 | 71,067 | 245,602 | (48,619) | 196,983 |
| Operating expenses | 76,043 | 44,161 | 19,875 | 29,261 | 69,969 | 239,309 | (46,235) | 193,074 |
| Operating income (loss) | (¥66) | ¥9,240 | (¥2,396) | (¥1,583) | ¥1,098 | ¥6,293 | (¥2,384) | ¥3,909 |
| Identifiable assets | ¥54,207 | ¥23,070 | ¥21,335 | ¥22,222 | ¥43,189 | ¥164,023 | ¥48,082 | ¥212,105 |
| Depreciation and amortization | 1,376 | 190 | 839 | 743 | 645 | 3,793 | 1,309 | 5,102 |
| Capital expenditures | 1,248 | 144 | 624 | 766 | 980 | 3,762 | 1,219 | 4,981 |

| Year ended March 31, 2000 | Millions of yen | | | | | | | Eliminations or corporate | Consolidated |
|----------------------------------|------------------|-----------------------|--|------------------------------|---------|----------|----------|------------------------------|--------------|
| | Energy sector | Environment sector | Info and Communica- tions sector | Industrial Systems sector | Others | Total | | | |
| Net sales: | | | | | | | | | |
| Outside customers | ¥85,131 | ¥51,414 | ¥17,896 | ¥27,541 | ¥36,372 | ¥218,354 | ¥ — | ¥218,354 | |
| Inter-segment | 5,400 | 1,423 | 1,161 | 3,699 | 36,067 | 47,750 | (47,750) | — | |
| Total | 90,531 | 52,837 | 19,057 | 31,240 | 72,439 | 266,104 | (47,750) | 218,354 | |
| Operating expenses | 91,917 | 45,976 | 21,456 | 34,242 | 70,074 | 263,665 | (43,379) | 220,286 | |
| Operating income | (¥1,386) | ¥6,861 | (¥2,400) | (¥3,001) | ¥2,365 | ¥2,439 | (¥4,372) | (¥1,933) | |
| Identifiable assets | ¥66,718 | ¥24,049 | ¥26,130 | ¥25,534 | ¥39,767 | ¥182,198 | ¥53,714 | ¥235,912 | |
| Depreciation and amortization | 1,628 | 199 | 1,524 | 890 | 531 | 4,772 | 1,817 | 6,589 | |
| Capital expenditures | 1,223 | 257 | 1,505 | 699 | 1,065 | 4,749 | 1,164 | 5,913 | |

| Year ended March 31, 2001 | Thousands of U.S. dollars (Note 1) | | | | | | | | |
|----------------------------------|------------------------------------|-----------|------------|------------|-----------|-------------|------------|-------------|--|
| | | | | | | | | | |
| Net sales: | | | | | | | | | |
| Outside customers | \$569,331 | \$418,161 | \$118,032 | \$203,032 | \$280,017 | \$1,588,573 | \$— | \$1,588,573 | |
| Inter-segment | 43,387 | 12,492 | 22,927 | 20,177 | 293,105 | 392,088 | (392,088) | — | |
| Total | 612,718 | 430,653 | 140,959 | 223,209 | 573,122 | 1,980,661 | (392,088) | 1,588,573 | |
| Operating expenses | 613,250 | 356,137 | 160,282 | 235,975 | 564,267 | 1,929,911 | (372,862) | 1,557,049 | |
| Operating income (loss) | (\$532) | \$74,516 | (\$19,323) | (\$12,766) | \$8,855 | \$50,750 | (\$19,226) | \$31,524 | |
| Identifiable assets | \$437,153 | \$186,048 | \$172,056 | \$179,210 | \$348,299 | \$1,322,766 | \$387,758 | \$1,710,524 | |
| Depreciation and amortization | 11,097 | 1,532 | 6,766 | 5,992 | 5,202 | 30,589 | 10,556 | 41,145 | |
| Capital expenditures | 10,065 | 1,161 | 5,032 | 6,177 | 7,904 | 30,339 | 9,830 | 40,169 | |

Geographic information:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------|-----------------|----------------|------------------------------|
| | 2000 | 1999 | 2000 |
| Sales: | | | |
| Asia | ¥11,350 | ¥15,632 | \$107,075 |
| Others | 4,537 | 5,249 | 42,802 |
| Total | ¥15,887 | ¥20,881 | \$149,877 |

15. Income Taxes

Japanese income taxes, which consist of corporate, enterprise and inhabitants taxes, would normally result in an aggregate statutory tax rate of approximately 42%, 48% and 51% for the years ended March 31, 2000, 1999 and 1998, respectively. Significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries as of March 31, 2000 are as follows.

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|------------------------------|
| Deferred tax assets: | | |
| Net operating loss carry forwards | ¥5,858 | \$55,264 |
| Allowance for retirement benefits | 2,375 | 22,406 |
| Unrecognized intercompany profit | 3,450 | 32,547 |
| Bonuses | 257 | 2,425 |
| Other | 1,132 | 10,679 |
| Gross deferred tax assets | 13,072 | 123,321 |
| Less: Valuation allowance | — | — |
| Deferred tax liabilities: | | |
| Deferred gain on sales of property for tax purpose | 1,492 | 14,075 |
| Other | 65 | 613 |
| Gross deferred tax liabilities | 1,557 | 14,689 |
| Net deferred tax assets | 11,515 | 108,632 |

Report of Independent Public Accountants

To the Shareholders and the Board of Director of Meidensha Corporation:

We have audited the accompanying consolidated balance sheets of MEIDENSHA CORPORATION (a Japanese corporation) and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, and shareholders' equity for each of the three years in the period ended March 31, 2000, and the related consolidated statement of cash flows for the year ended March 31, 2000, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of MEIDENSHA CORPORATION and subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations for each of the three years in the period ended March 31, 2000, and the consolidated results of their cash flows for the year ended March 31, 2000 in conformity with accounting principles generally accepted in Japan applied on consistent basis, except for the change, with which we concur, in the method of segmentation by industry segment, made in the year ended March 31, 2000, as described in Note 14.

As explained in Note 2 in the year ended March 31, 2000, the Company prospectively adopted new Japanese accounting standards for consolidation and equity method accounting and income taxes in the year ended March 31, 2000.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Tokyo, Japan
June 29, 2000

Asahi & Co.

Statement on Accounting Principles and Auditing Standards:

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Overseas Offices and Affiliates

(As of July, 2000)



Hong Kong

※ ● **MEIDENSHA CORPORATION**

6/F Kerry Godown,
4-6 Kwai Tai Road,
Kwai Chung, N.T., Hong Kong
Phone: 2503-2468
Facsimile: 2887-8046

● **MEIDEN PACIFIC (CHINA) LTD.**

6/F Kerry Godown,
4-6 Kwai Tai Road,
Kwai Chung, N.T., Hong Kong
Phone: 2503-2468
Facsimile: 2887-8046

Indonesia

※ ● **P.T. MEIDEN ENGINEERING INDONESIA**

19th Floor, Summitmas I,
Jl. Jenderal Sudirman Kaveling 61-62
P.O.BOX 6920/KBY/Summitmas I
Jakarta Selatan 12069, Indonesia
Phone: 21-520-0612/1584
Facsimile: 21-520-0240
Telex: 60780 MEIDEN IA

Korea

※ ● **MEIDENSHA CORPORATION**

Royal Building. No.410,
5 Dangju-Dong,
Chongro-ku, Seoul, Korea
Phone: 2-736-0232~3
Facsimile: 2-736-0234

Malaysia

※ ● **MEIDEN ELECTRIC ENGINEERING SDN. BHD.**

G. 03, Ground Floor, Wisma Academy,
4A, Jalan 19/1
46300 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Phone: 3-76206088
Facsimile: 3-76206089

● **MEIDEN METAL ENGINEERING SDN. BHD.**

Lot 6, Peringkat 3,
Kawasan Perindustrian Alor Gajah,
78000 Melaka, Malaysia
Phone: 6-5568790~2
Facsimile: 6-5568795

For inquiries, please contact the office/company marked ※.
● Overseas office / ● Affiliate



Singapore

- ※ ● **MEIDEN SINGAPORE PTE. LTD.**
5, Jalan Pesawat,
Jurong Industrial Estate,
Singapore 619363
Phone: 268-8222
Facsimile: 264-4292
Telex: MEITRA RS 34494

Taiwan

- ※ ● **MEIDENSHA CORPORATION**
Room 1103, 11th Floor,
No.142 Chung Hsiao East Road,
Sec.4, Taipei, Taiwan, R.O.C.
Phone: 2-2775-3337~8
Facsimile: 2-2775-3339

Thailand

- ※ ● **THAI MEIDENSHA CO., LTD.**
11th Floor, TST Tower Building,
21 Viphavadi-Rangsit Road,
Soi Chuei Phung, Jatujak,
Bangkok 10900, Thailand
Phone: 2-273-8954~61
Facsimile: 2-273-8966
Cable Address: THAI MEIDEN
BANGKOK

- **MEIDEN ELECTRIC (THAILAND) LTD.**
896 Moo 2,
Bangpa-in Industrial Estate,
Udomsorayuth Rd., Klongjig,
Bangpa-in, Ayudhaya 13160,
Thailand
Phone: 35-258258~262
Facsimile: 35-221388

The United Kingdom

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

The United States

- ※ ● **MEIDENSHA CORPORATION**
The American Center Building,
Suite 1110
27777 Franklin Road,
Southfield Michigan 48034, U.S.A.
Phone: 248-353-2540
Facsimile: 248-353-3150

Consolidated Subsidiary Companies

MEIDEN ENGINEERING CO., LTD.

Capital ¥2,360 million

Engineering service and other service affairs
7-9, Osaki 3-chome, Shinagawa-ku,
Tokyo 141-8607 Japan
Phone: 3-3490-7201 Fax: 3-3490-5550

SHINKO SEISAKUSHO CO., LTD.

Capital ¥800 million

*Manufacture, sales, and maintenance
servicing of communication equipment,
peripherals and terminals*
Kokuryu Shibakoen Building,
6-15, Shibakoen 2-chome,
Minato-ku, Tokyo 105-0011 Japan
Phone: 3-3436-1211 Fax: 3-3436-1881

MEIDEN SHOJI Co., Ltd.

Capital ¥300 million

Sales of electric products and components
Mitomi New Building, 20-18,
Ebisu 1-chome, Shibuya-ku,
Tokyo 150-0013 Japan
Phone: 3-5449-3700 Fax: 3-5449-3701

KOFU MEIDENSHA CORPORATION

Capital ¥200 million

Manufacture and sales of electric motors, mainly
15-11 Joto 3-chome, Kofu-shi,
Yamanashi 400-0861 Japan
Phone: 55-233-5161 Fax: 55-233-5171

Meiden Plant Engineering & Construction Co., Ltd.

Capital ¥150 million

Constructing service
Meiko Building, 5-5, Osaki 5-chome,
Shinagawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6426 Fax: 3-5487-6487

MEIDEN CHEMICAL CO., LTD.

Capital ¥95 million

*Insulating varnish and molded instrument
transformer*
1-17, Osaki 2-chome, Shinagawa-ku,
Tokyo 141-0032 Japan
Phone: 3-3492-5251 Fax: 3-3492-5280

Meiden Kohsan Co., Ltd.

Capital ¥80 million

*Sales of products and materials and agent
service of insurance*
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-3490-3737 Fax: 3-3490-3906

MEIDEN SOFTWARE CORPORATION

Capital ¥70 million

Engineering and programming of software
809, Oka-Isshikitorimachi, Numazu-shi,
Shizuoka 410-0012 Japan
Phone: 559-23-4966 Fax: 559-23-1191

MEIDEN FOUNDRY INDUSTRIAL Co., Ltd.

Capital ¥50 million

Casting
4, Nyogetsu, Heisaka-cho, Nishio-shi,
Aichi 444-0305 Japan
Phone: 563-59-6181 Fax: 563-59-4132

MEIDEN SYSTEM ENGINEERING Co., Ltd.

Capital ¥50 million

System engineering of plant
Meiko Building, 5-5, Osaki 5-chome,
Shingawa-ku, Tokyo 141-8616 Japan
Phone: 3-5487-6500 Fax: 3-5487-6516

Numazu Meiden Kohsan Co., Ltd.

Capital ¥30 million

*Sales of products and materials and buildings
maintenance service*
515, Kaminakamizo, Higashi-makado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 559-21-1140 Fax: 559-24-1474

Meiden Kankyo Service Co., Ltd.

Capital ¥30 million

*Maintenance and control service of water
treatment equipment*
Meiko Building, 5-5, Osaki 5-chome,
Shinagawa-ku, Tokyo 141-8616 Japan
Phone: 3-3490-0630 Fax: 3-3490-0623

HOKUTO DENKO CORPORATION

Capital ¥25 million

Manufacture and sales of electric sensors
22-13, Himonya 4-chome, Meguro-ku,
Tokyo 152-0003 Japan
Phone: 3-3716-3235 Fax: 3-3793-8787

MEIDEN SYSCON Co., Ltd.

Capital ¥20 million

Manufacture and sales of switchgear and relays
726-1, Osuwa, Numazu-shi,
Shizuoka 410-0873 Japan
Phone: 559-24-4630 Fax: 559-22-4013

Meiden Kiden Kogyo Co., Ltd.

Capital ¥20 million

Machining and repairing service
1-17, Osaki 2-chome, Shinagawa-ku,
Tokyo 141-8565 Japan
Phone: 3-3491-2611 Fax: 3-3490-4226

MEIDEN PRINTING CORPORATION

Capital ¥20 million

Printing and copy service
Maruki Building, 13-7, Nishigotanda 1-chome,
Shinagawa-ku, Tokyo 141-0031 Japan
Phone: 3-3490-4767 Fax: 3-3490-4910

Nagoya Meiden Kohsan Co., Ltd.

Capital ¥10 million

*Sales of products and materials and buildings
maintenance service*
496-1, Ittan-gosewari, Nishi-biwajima-cho,
Nishikasugai-gun, Aichi 452-0007 Japan
Phone: 52-503-7016 Fax: 52-504-2785

Meiden Information Systems, Ltd.

Capital ¥50 million

Engineering and programming of software
1-17, Osaki 2-chome, Shinagawa-ku,
Tokyo 141-8565 Japan
Phone: 3-5487-2333 Fax: 3-5487-2104

Meiden Sheet Metal Products Corporation

Capital ¥90 million

Manufacture and sales of sheet metal
515, Kaminakamizo, Higashimakado-aza,
Numazu-shi, Shizuoka 410-0865 Japan
Phone: 559-29-5555 Fax: 559-29-5566

MEIDEN SINGAPORE PTE. LTD

Capital S\$10 million

*Manufacture of transformer and constructing
service*
5, Jalan Pesawat Jurong Industrial Estate,
Singapore 619363
Phone: 268-8222 Fax: 264-4292

THAI MEIDENSHA CO., LTD.

Capital TB10 million

Constructing service
11th floor, TST Tower Building,
21 Viphavadi-Rangsit Road, Soi Cuei Phung
Jatujak, Bangkok 10900, Thailand
Phone: 2-273-8954 Fax: 2-273-8966

MEIDEN ELECTRIC (THAILAND) LTD.

Capital TB70 million

Constructing service
896 Moo 2, Bangpa-in Industrial Estate,
Udomsoraryuth Rd., Klongjig, Bangpa-in,
Ayudhaya 13160, Thailand
Phone: 35-258258 Fax: 35-221388

Corporate Data

Corporate Name

MEIDENSHA CORPORATION
(Kabushiki Kaisha Meidensha)

Head Office

Riverside Building, 36-2, Nihonbashi
Hakozakicho, Chuo-ku,
Tokyo 103-8515 Japan

Founded

1897

Common Stock

Par Value ¥50 (\$0.47)
Authorized 576,000,000 shares
Issued 202,025,158 shares
¥17,070 million
(\$161,038 thousand)

Shareholders

17,697

Transfer Agent

The Chuo Trust and Banking Co., Ltd.



Board of Directors

(As of June 29, 2000)

Chairman

Keiji Kojima



President

Shigeo Seko



Executive Vice President

Keiji Kataoka



Executive Vice President

Mineo Itakura



Senior Managing Director

Koji Yano



Senior Managing Director

Toru Nakamura



Senior Managing Director

Toyoaki Ishii



Managing Directors

Harumichi Yamashita
Kensuke Ikuji
Hiroyasu Yagi
Masaoki Hino

Takao Shibue
Nobuo Takabasbi
Masaaki Oishi

Directors

Masao Kamei
Jiro Iwashita
Kennosuke Goto

Kenzo Nakamura
Toru Niwa
Tatsujiro Matsumoto

Senior Corporate Auditors

Takamasa Hasebe
Junji Hashimura

Masaaki Obana

Corporate Auditors

Harubisa Kawabe

Yojiro Yamashita

