

# MEIDENSHA REPORT 2013

CSR & ANNUAL REPORT

For the year ended March 31, 2013



## “Power of being in Touch,” “Agility” and “Sharing the Sense of Responsibility” in support of the Social Infrastructure

### – We Aim to Make a Company Group Trusted by the Society

Since its inception in 1897 and for 116 years, as a supplier, we have been engaged in the innovation of various technologies, products and services as well as the constant pursuit of improvement for the benefit of the society. This reflects our spirit of challenge to meet the expectations of the times by our customers and society and our “passion for manufacturing excellence.”

We value:

- “Power of being in Touch,” which refers to the deep level of communication across the wide spectrum of networks and across-the-board co-operation among Meiden Group companies;
- “Agility,” which refers to our ability to respond quickly and flexibly to meet the needs and solve the problems of the customers.
- “Sharing the Sense of Responsibility” in support of the social infrastructure.

In so doing, we aim to make a company group trusted by our customers and society.

Under a new management team since June of this year, the Meiden Group is working to strengthen our collaborative power of “manufacturing excellence” in order to realize the new growth path envisioned in our current Medium-term Management Plan, “POWER 5,” Phase III.

While keeping track of the basic course outlined in the Medium-term Management Plan under the slogan: “Meiden Group Challenges – Helping Society with Our Collaborative Power of Manufacturing Excellence,” we will solidly execute the various policy programs in response to the changing current management environments at home and abroad, with the goal of contributing to the realization of a vibrant and rich future society.

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



**Yuji Hamasaki**

President  
Meidensha Corporation



# Meiden Group Corporate Philosophy

## Corporate Mission

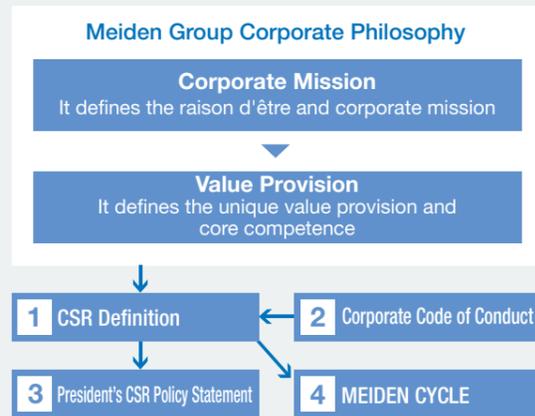
### Illuminating a more affluent tomorrow

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

## Value Provision

### 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.



- 1 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."
- 2 Corporate Code of Conduct**  
This code defines compliance in conducting our CSR programs and activities.
- 3 President's CSR Policy Order**  
This policy sets forth the policy of our CSR programs and activities in the medium term. The Policy Order asks each Group employee to implement CSR programs and activities in their daily work. We will draw up specifications that reflect the given business climate and CSR challenges under the then current stage of the POWER 5 management plan.
- 4 MEIDEN CYCLE**  
MEIDEN CYCLE shows the guiding spirits shared by all members of the Group in realizing the Group's corporate philosophy.

## MEIDEN CYCLE -A Meiden Group Way of Action-



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.

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. And at the same time, this means that the Meiden Group continues to grow sustainably, looking towards the realization of the Group Corporate Philosophy.

## I keep on doing. Act now and keep going.

### Build Royalty

To realize the "best product experiences" for the customers, let's produce the new added-value. Take a pride and responsibility that you are engaged in the job that is creating the "backbone or social infrastructure of the society." Make a solid growth as a personal level as well as the corporate level and should reach the level of being "admired" or "trusted" with royalty by the stakeholders.

### Keep in Touch

Do not be afraid the potential conflict of opinion with the "associates" and keep in touch with each other beyond the mental barrier. Have a genuine dialogue with the "customers" to learn their insights. Have a consciousness of being in touch with the community, the society and the global climate.

### Think Big

"Is this O.K.?" : Put a question to the status quo. "Inquisitive mind" and "curiosity." : You should keep such mind habit. "The road leading to a solution is not just one" : Please explore every possibility.

### Move Ahead

"Act now or perish." : Take a first step with your strong will. "Action of today will make your future." : Make your way towards the goal without hesitation. "Come from your own action with the challenging target" : Take a positive action.

### Have Fun

Let's enjoy the moment of "personal growth."  
Let's sincerely enjoy your "job."  
Let's get "the passion for Manufacturing Excellence"

## Editorial policy

This report is designed to give the reader a clearer overview of Meidensha's management. It contains the company's Annual Report (covering management and financial information) and CSR Report (describing our environmental and social initiatives). This combined publication includes the key points of our management initiatives in a single volume. The Meiden Group undertakes its business activities with a sense of mission to support society's infrastructure. We hope this publication will help people to know the Group better.

## Scope of Report

- Reporting period  
This report mainly covers initiatives taken in fiscal 2012 (April 1, 2012 - March 31, 2013)

- Scope of Report  
The report mainly covers initiatives of Meidensha and its Group companies. Human resources data applies to Group companies in Japan, while environmental reporting data applies to Meidensha and 45 major Group companies (27 in Japan and 18 overseas).

## Guidelines Used as References

- GRI "Sustainability Reporting Guidelines Version 3.1"
- Ministry of the Environment "Environmental Reporting Guidelines (Fiscal Year 2012 Version)"

## Publication

- Publication of this report: July 2013
- Next scheduled publication: July 2014

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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. Thank you for your understanding.

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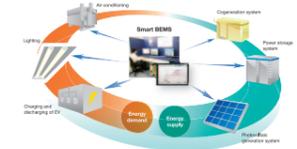
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# Financial Highlights

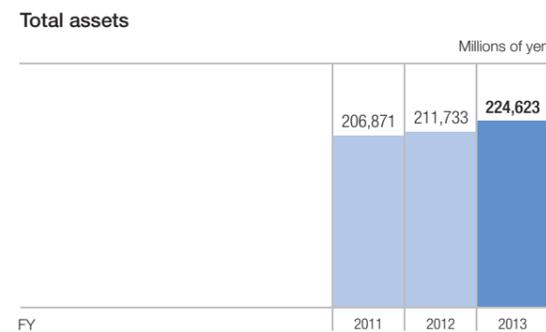
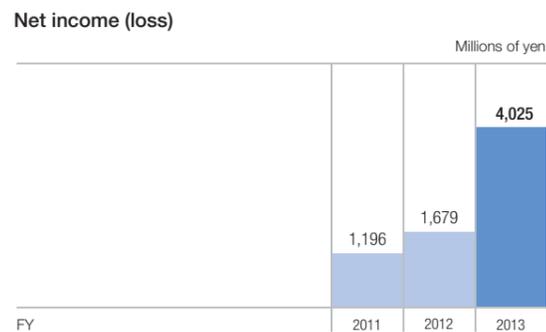
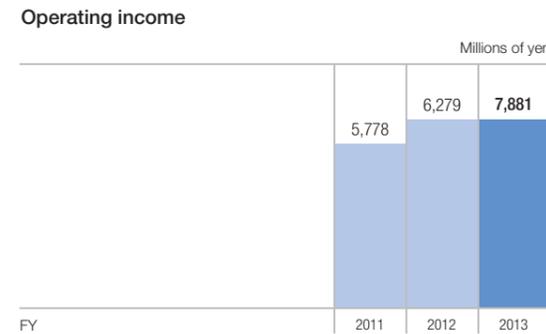
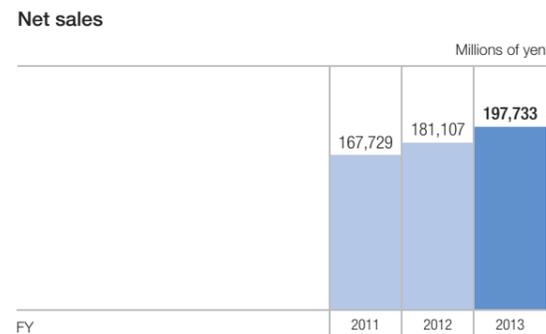
Meidensha Corporation and Consolidated Subsidiaries Years ended March 31

|   | 2009      | 2010      | 2011      | 2012                                      | 2013      | 2013  |
|---|-----------|-----------|-----------|---|-----------|---|
|   |           |           |           | Million of Yen<br>(except per share data) |           | Thousand of U.S. Dollars<br>(except per share data) |
| <b>For the year:</b>                          |           |           |           |   |           |   |
| Order received                                | ¥ 188,803 | ¥ 161,464 | ¥ 168,826 | ¥ 186,986                                 | ¥ 219,113 | \$ 2,330,989  |
| Net sales                                     | 198,798   | 173,067   | 167,729   | 181,107                                   | 197,733   | 2,103,543   |
| Operating income                              | 4,085     | 3,322     | 5,778     | 6,279                                     | 7,881     | 83,840  |
| Net income (loss)                             | (1,083)   | 971       | 1,196     | 1,679                                     | 4,025     | 42,819  |
| Capital expenditures                          | 8,218     | 5,514     | 4,530     | 6,824                                     | 8,882     | 94,489  |
| Depreciation and amortization                 | 7,797     | 7,611     | 7,166     | 7,009                                     | 7,930     | 84,362  |
| R&D expenses                                  | 6,939     | 6,836     | 7,413     | 8,425                                     | 9,681     | 102,989   |
| <b>Per share data (yen and U.S. dollars):</b> |           |           |           |   |           |   |
| Net income (loss)                             | (4.77)    | 4.28      | 5.27      | 7.40                                      | 17.74     | 0.19  |
| Cash dividends                                | 4.00      | 4.00      | 4.00      | 4.00                                      | 5.00      | 0.05  |
| <b>At year-end:</b>                           |           |           |           |   |           |   |
| Total assets                                  | 214,165   | 206,608   | 206,871   | 211,733                                   | 224,623   | 2,389,606   |
| Total equity                                  | 52,702    | 54,132    | 52,722    | 53,422                                    | 58,077    | 617,840   |
| Number of employees                           | 7,133     | 7,144     | 6,994     | 7,145                                     | 7,920     | —   |

Notes: 1. The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 29, 2013, which was ¥94 to U.S.\$1.  
2. Figures for employee numbers exclude those employees on temporary contracts.

The Meiden Group endeavored to achieve the new leap forward targeted in Phase III of its "POWER 5" medium-term management plan. The Group has made a concerted effort to reorganize itself and achieve structural reforms of its businesses, to develop the power transmission and distribution business taken over during the fiscal year under review, to expand overseas operations, and to establish solid foundations in such growth businesses as motors and inverters for electric vehicles.

As a result, consolidated net sales in the fiscal year ended March 31, 2013, increased 9.2% over the previous fiscal year to ¥197,733 million, operating income grew 25.5% to ¥7,881 million, ordinary income rose 12.9% to ¥5,946 million, and net income surged 139.7% to ¥4,024 million.

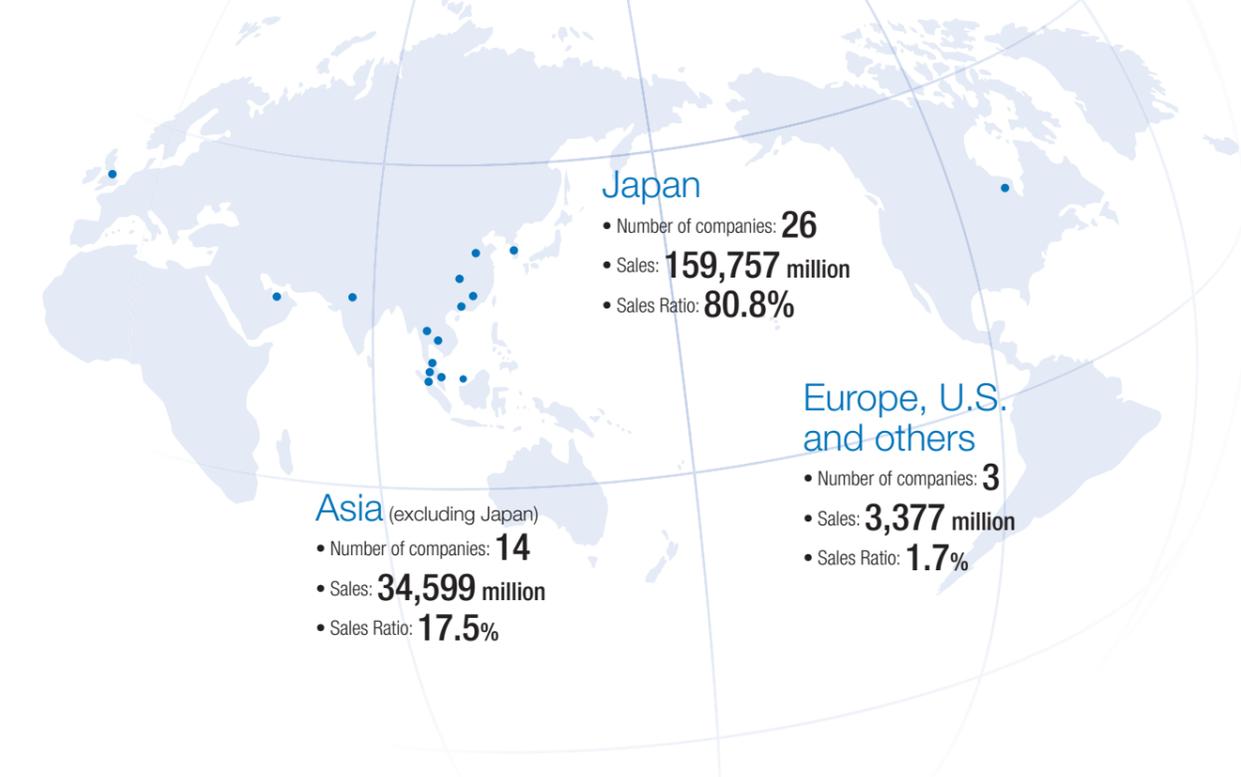


# Outline of Meiden Group

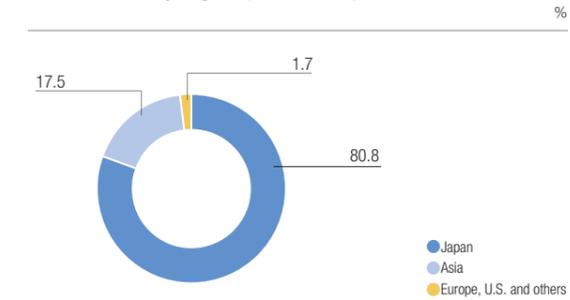
Corporate Data (as of March 31, 2013)

|                    |  |                                  |   |
|--------------------|--|----------------------------------|---|
| Corporate Name     | MEIDENSHA CORPORATION  | Consolidated Number of Employees | 7,920   |
| Established        | June 1, 1917 (Since December 22, 1897)                             | Shareholders                     | 22,472  |
| President          | Yuji Hamasaki  | Common Stock                     | 227,637,704 shares issued   |
| Head Office        | ThinkPark Tower, 2-1-1, Osaki, Shinagawa-ku, Tokyo, 141-6029 Japan | Consolidated Subsidiaries        | 43 (26 in Japan, 17 overseas)                                     |
| Capital            | ¥17,070 million  | Stock Listing                    | Tokyo Stock Exchange, Osaka Stock Exchange, Nagoya Stock Exchange |
| Consolidated Sales | ¥197,733 million   |                                  |   |

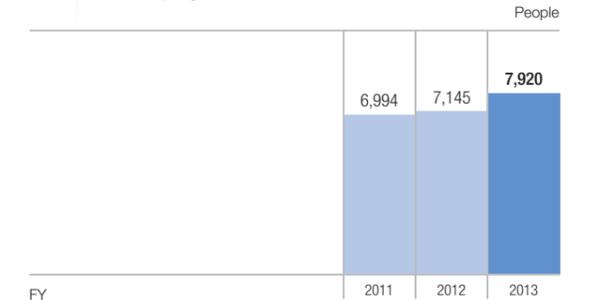
Key Business Region (business scale)



Ratio of sales by region (Fiscal 2012)



Number of employees



## Consolidated Subsidiary Companies March, 2013

| Area Code      | Company Name                            | Capital            | Business Entity   |
|----------------|---|--------------------|---|
| Japan          | MSA Co., Ltd.                           | ¥400 million       | Manufacture and sales of surge arresters  |
| Japan          | Kofu Meidensha Electric Mfg.Co.,Ltd.    | ¥400 million       | Manufacture and sales of electric motors  |
| Japan          | Meiden Plant Systems Corporation        | ¥400 million       | Construction services   |
| Japan          | M WINDS Co., Ltd.                       | ¥330 million       | Business of wind farm and consulting services   |
| Japan          | MEIDEN SHOJI Co., Ltd.                  | ¥300 million       | Sales of electric components  |
| Japan          | MEIFIS CORPORATION                      | ¥150 million       | Accounting  |
| Japan          | MEIDEN KOHSAN CO., LTD.                 | ¥100 million       | Sales products and materials, and agent services of insurance   |
| Japan          | Meiden Kankyo Service Co., Ltd.         | ¥100 million       | Maintenance and control services of water treatment equipment   |
| Japan          | MEIDEN CHEMICAL CO., LTD.               | ¥95 million        | Insulating varnish and molded instrument transformer  |
| Japan          | Meiden Sheet Metal Products Corporation | ¥90 million        | Manufacture and sales of sheet metal  |
| Japan          | MEIDEN T&D CORPORATION                  | ¥90 million        | Engineering, Manufacturing and sales of electric products   |
| Singapore      | MEIDEN SINGAPORE PTE. LTD.              | S\$25.4 million    | Manufacture and sales of transformers, switchgears and circuit-breakers and related engineering and construction services |
| Thai           | MEIDEN ELECTRIC (THAILAND) LIMITED      | TB70.0 million     | Manufacture and sales of switchgears  |
| Thai           | THAI MEIDENSHA CO., LTD.                | TB20.0 million     | Engineering and consulting services   |
| Indonesia      | PT. MEIDEN ENGINEERING INDONESIA        | US\$320.0 thousand | Engineering and consulting services   |
| Malaysia       | MEIDEN MALAYSIA SDN. BHD.               | RM800.0 thousand   | Engineering, consulting services and tradings   |
| China          | MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD. | US\$19.0 million   | Manufacture and sales of electric motors  |
| China          | MEIDEN SHANGHAI CO., LTD.               | ¥320 million       | Sales of electric products and components   |
| U.S.A.         | MEIDEN AMERICA, INC.                    | US\$16.5 million   | Sales of dynamometer products, engineering and consulting services  |
| United Kingdom | MEIDEN EUROPE LIMITED                   | €750.0 thousand    | Sales of electric products and components   |

Another 24 companies

|                    |           |
|--------------------|-----------|
| Japan              | 26        |
| China              | 6         |
| Hong Kong          | 1         |
| Singapore          | 2         |
| Malaysia           | 2         |
| Thai               | 2         |
| Indonesia          | 1         |
| <b>Asia</b>        | <b>14</b> |
| U.S.A.             | 2         |
| United Kingdom     | 1         |
| <b>Other Areas</b> | <b>3</b>  |
| <b>Total</b>       | <b>43</b> |

## Share data (As of March 31, 2013)

|                                   |  |
|-----------------------------------|--|
| Total number of authorized shares | 576,000,000  |
| Total number of issued shares     | 227,637,704 (Including treasury shares of 701,861) |
| Number of shareholders            | 22,472   |

## Major shareholders

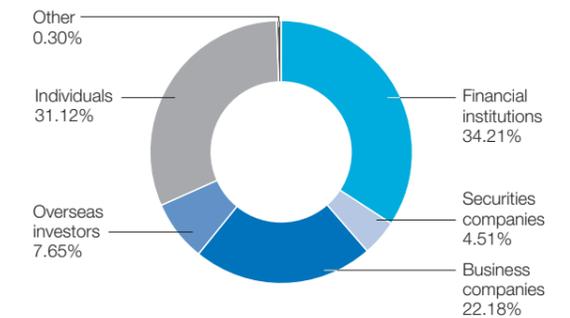
(Unit: Millions of yen)

| Name of shareholder                        | Number of shares held (1,000 shares) | Shareholding ratio (%) |
|--|--------------------------------------|------------------------|
| Sumitomo Electric Industries, Ltd.         | 13,147                               | 5.79                   |
| The Master Trust Bank of Japan, Ltd.       | 11,252                               | 4.96                   |
| Sumitomo Mitsui Banking Corporation        | 11,209                               | 4.94                   |
| Japan Trustee Services Bank, Ltd.          | 8,956                                | 3.95                   |
| NEC Corporation                            | 8,730                                | 3.85                   |
| Sumitomo Mitsui Trust Bank, Limited        | 7,500                                | 3.30                   |
| Meidensha employees stock ownership        | 5,736                                | 2.53                   |
| SUMITOMO LIFE INSURANCE COMPANY            | 5,307                                | 2.34                   |
| Mitsui Sumitomo Insurance Company, Limited | 4,377                                | 1.93                   |
| Meiyu stock ownership                      | 3,020                                | 1.33                   |

(Note) The shareholding ratio excludes treasury shares.

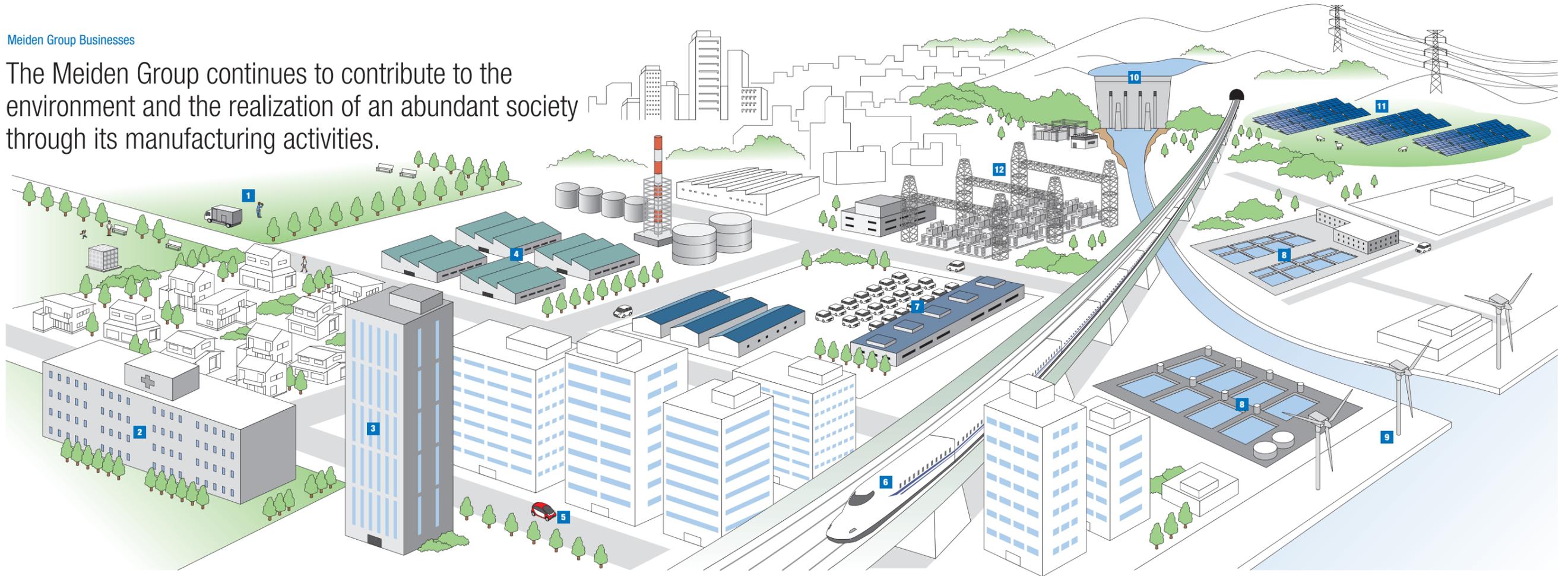
## Distribution of shares by shareholder

| Classification         | Investment ratio (%) |
|------------------------|----------------------|
| Financial institutions | 34.21                |
| Securities companies   | 4.51                 |
| Business companies     | 22.18                |
| Overseas investors     | 7.65                 |
| Individuals            | 31.12                |
| Other                  | 0.30                 |



Meiden Group Businesses

The Meiden Group continues to contribute to the environment and the realization of an abundant society through its manufacturing activities.



**1 Parks**



**2 Hospitals**



**3 High-rise buildings**



**4 Factories**



**5 Electric vehicles (EV)**



**6 Railways**



**7 Automobile plants**



**8 Drinking water treatment plants and Sewage treatment plants**



**9 Wind turbine**



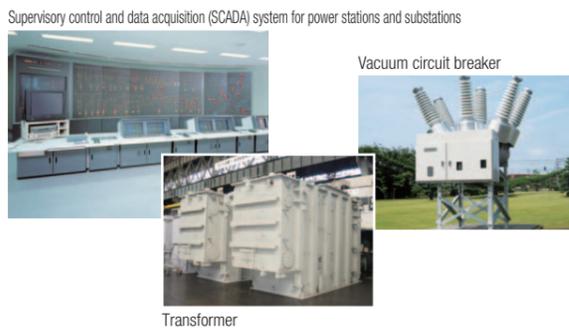
**10 Hydroelectric power**



**11 Solar power**



**12 Substations**



Special feature 1 Meiden Group Initiatives towards the realization of Smart Communities

## Dialogue

Chairman, Meidensha Corporation

**Junzo  
Inamura**



**Takao  
Kashiwagi**

Institute Professor of Tokyo Institute of Technology, Project Leader of the International Research Center of Advanced Energy Systems for Sustainability

There is growing hope for Smart Communities as a solution to environmental and energy problems and for creating safe and secure cities, as well as a main pillar for invigorating the economy in Japan.

We welcomed Prof. Takao Kashiwagi, an Institute Professor of the Tokyo Institute of Technology who is a specialist in the environment and energy field. We would like to introduce the discussion between our Chairman Mr. Inamura and Prof. Kashiwagi on recent trends in the energy field and challenges in realizing smart communities.

**Prof. Kashiwagi:** After the Great East Japan Earthquake in 2011, there was a huge paradigm shift in energy use in Japan. Going forward, we could not avoid a decline in the ratio of nuclear energy dependence. What we can do to compensate for the loss in nuclear power is becoming a big issue. As possible solutions, we could think of many things such as a scheme for power demand control on the residential and corporate sides or renewable energy developments such as solar and wind farms and CHP (combined heat and power) systems to effectively use fossil fuels.

From now on, I believe there will be a migration towards distributed energy resources. Currently our energy system in Japan is a large-scale centralized power system modeled mostly on nuclear power or thermal power. It will shift to distributed power resources utilizing clusters of small-scale energy resources like renewable energy resources and CHP systems, and it will meet the demands of the power-user side.

However, the problem with renewable energy resources like solar and wind farms is fluctuation of energy yield. To resolve this problem, it is vital to promote the technical development of

load-leveling such as introduction of hydrogen storage tanks with metal hydrides for load leveling or energy storage systems. We have a high hopes that the Meiden Group will be there as a key member of load-leveling system development projects.

**Inamura:** The Meiden Group is working on power stability technology development of power systems using distributed power sources from solar or wind farms. We are also working on the development of control technology utilizing ICT technologies compatible with relevant international standards.

Currently, we have joined a smart city project in Yokohama City where we are in charge of a demonstration test for load-leveling using such control technology and energy storage systems. This is a part of a smart grid development project there. In this project, we control the power supply level for the large shopping center facilities using distributed power control technologies. Through this demonstration project, we were able to improve the “visibility” of power supply control, and as such, our technology is moving from the experimental level to the practical application level.

**Kashiwagi:** In reading Meiden’s Medium-term Management Plan, POWER 5, I found that the Meiden Group has a wide variety of business fields. Your products are not only related to the power industry, but also concern the rail industry. Your products could very well support future smart communities. For the Smart Grid, my hope is that the Meiden Group will aim to change its role from a simple supplier of products to a system integrator. Regarding the problem of limited resources, think about business alliances with other good partners. This could be a potential target of your current management plan.



**“We will help the emergence of smart communities with innovation. Through such emergence, our innovation will help create new kinds of joy for people.”**

**Inamura:** So far, our main business is as a supplier of power products and systems. While retaining our competence there, we need to think beyond the box, as in thinking about creating a modern new city. This may be close to the concept of a smart community. What we need now is “innovation” in our product development.

**Kashiwagi:** In a general sense, the term “Innovation” may sound as if it ends when the development program is over. However, this is not the case with my definition. In my view, innovation also refers to the resulting new values from the structural reform spurred on by the disruptive power of innovation to the socio-economic system. What are the new values? Things like “Life with better security and safety,” or “A far more comfortable working environment.” Through the innovation of the latest technology, if we could develop a system that allows more clever ways of using power, it demands changes in various mechanisms or regulations. This produces new markets and business models. For instance, reform of the socio-economic system will lead to new value creation with social significance such as a silvering of society where senior people are able to live alone comfortably. Such innovation will invigorate Japan.

**Inamura:** Meiden Group’s corporate philosophy is: “Illuminating a more affluent tomorrow” and “For the customer’s peace of mind and satisfaction.” Smart communities will provide people with

security and joy. However, it is hard to get a picture of what a smart community is all about. It is not easy to describe how our products will contribute to society and what our role-playing will be. I think that some of our people can be at a bit of a loss at times because they cannot see the big picture, the network of lines that connect the dots represented by their individual jobs to our customers’ happiness.

We are suppliers of hardware and to draw on our long-standing engineering resources, the concept of “building a smart community” matters and becomes real in its importance. This concept has tons of possibilities. We need to think that “we need to innovate to realize new joy for people out of something new.” We would like to get there with such vision.

**Kashiwagi:** Each technology has a value of its own. However, there will be a synergy when it meets with other technologies and the value will be multiplied. This is the essence of system integration. Then, you have to set the right goal. It may be “to provide the power in a safe manner” or “to provide a life with safety and security,” etc. Each person may have a different goal. There may be many ideal situations out there. What will be the most value-creating reality? What situation produces the best interest for the nation or satisfaction for the enterprise? By drawing a sketch of the imaginary reality that produces the best added value by the Meiden Group, it will provide a clear road to realize the vision under the corporate philosophy. When

**“When technology meets with other technologies, there will be a synergy and value will be multiplied.”**

you get there, it will really elevate the corporate power and financial shape. And when the company is in good corporate shape, it will be good for the nation.

**Inamura:** I am a firm believer that the value of our products will be enhanced when these products are networked with other products or systems. The value goes up. Then, I would like to tell our people to create the resulting new values and imagine how they will help to realize the new dream somewhere out there. Such good results will be our challenge and our mission.

**Kashiwagi:** In the next 10 years, Japan will face a chronic power shortage. Yet, if we can get there earlier on the smart community, it will lead to a solution of energy shortages and will be an innovation that drives Japan’s growth strategy. I have big hopes that by drawing on the excellent engineering resources of the Meiden Group, you will help to generate new consequent value through the disruptive power of innovation.

**Inamura:** In fiscal 2013, Japanese energy policy will move to a new practical stage from the early stage of preparing the ground work for a new growth strategy. This includes the national smart grid projects. Being a member of such important load-leveling projects gave us great pleasure. I also believe our Group has to carry such burdens.

Going forward, while receiving various advice from many related parties

like Prof. Kashiwagi, we would like to contribute to the realization of a more vibrant and livable future society.

Prof. Kashiwagi, thank you for your time today.

### Takao Kashiwagi

Institute Professor of Tokyo Institute of Technology  
Project Leader of the International Research Center  
of Advanced Energy Systems for Sustainability

#### Career

Born in Tokyo in 1946. Graduated from the School of Engineering, Tokyo Institute of Technology (TIT), in 1970. Received Ph.D. in engineering from TIT in 1979. Invited Researcher at the National Bureau of Standards of the U.S. Department of Commerce from 1980 to 1981. Appointed full professor on the Faculty of Engineering, Tokyo University of Agriculture and Technology in 1988. Concurrently appointed professor of Kyushu University in 1996. Appointed professor of the Graduate School of Engineering and Project Leader of the International Research Center of Advanced Energy Systems for Sustainability at TIT in 2007. Appointed Institute Professor of TIT in 2012.



## Special feature 2 Meiden Group Initiatives towards the Realization of Smart Communities Smart BEMS: Contributing to Future Community-building

What can Meidensha do to create a more abundant and livable society? One possibility is to support the realization of smart communities through the optimization of energy use. Meidensha's Smart BEMS will help to make the communities we live in low carbon – and smart.



Yokohama World Porters

### Participation in the Yokohama Smart City Project

Meidensha is participating in the Yokohama Smart City Project (YSCP), which was selected by the Ministry of Economy, Trade and Industry to be part of its Demonstration of Next-generation Energy and Social Systems program. The project has been conducted since fiscal 2010. Seeking to create a model for the smart city and to export the successful model overseas, YSCP is conducting large-scale trials involving cooperation between citizens, private companies, and the market, with the advanced city of Yokohama as the stage. Through the phased introduction of energy

management systems (EMS) to homes, offices and commercial facilities, and the comprehensive management and control of these systems, the project seeks to reduce CO<sub>2</sub> emissions, conserve energy, and cut peak power at a local level.

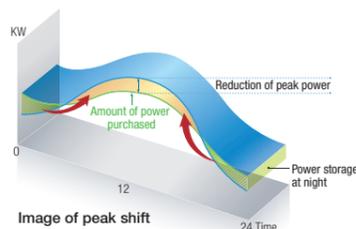
Meidensha's contribution to YSCP is the development of a next-generation building energy management system, Smart BEMS, which we are trial-testing in the large-scale commercial facility Yokohama World Porters, located in Yokohama's Minato Mirai 21 district.

### Smart BEMS: Maintaining comfort while reducing CO<sub>2</sub> emissions

Conventional BEMS up to the present have individually monitored and controlled the status of energy use in specific facilities. Representing an evolution of the BEMS concept, Meidensha's Smart BEMS not only controls each piece of equipment that it monitors, but also formulates operating plans for an optimal energy balance throughout the entire facility, and reduces CO<sub>2</sub> and conserves energy through fully automatic operation based on these plans.

Smart BEMS constantly predicts energy demand up to the next day based on factors including data for past demand and weather conditions, and uses these predictions to select the optimum power supply from among energy supplying devices such as power supply equipment, heating equipment, and power storage systems.

The system also makes effective use of concepts such as peak shift, in which energy stored during the night is used to cut peak energy use during the day, and is



able to flexibly respond to requests to limit the purchase of electricity from the Community Energy Management System (CEMS). This contributes to the reduction of CO<sub>2</sub>, the conservation of energy, and the curbing of peak power use in the community as a whole.

Precisely an "intelligent" energy management system, Smart BEMS reduces CO<sub>2</sub>, conserves energy, and contributes to making communities smarter, all the while ensuring the comfort of visitors to the facilities in which it is installed.

#### Examples of equipment installed in Yokohama World Porters



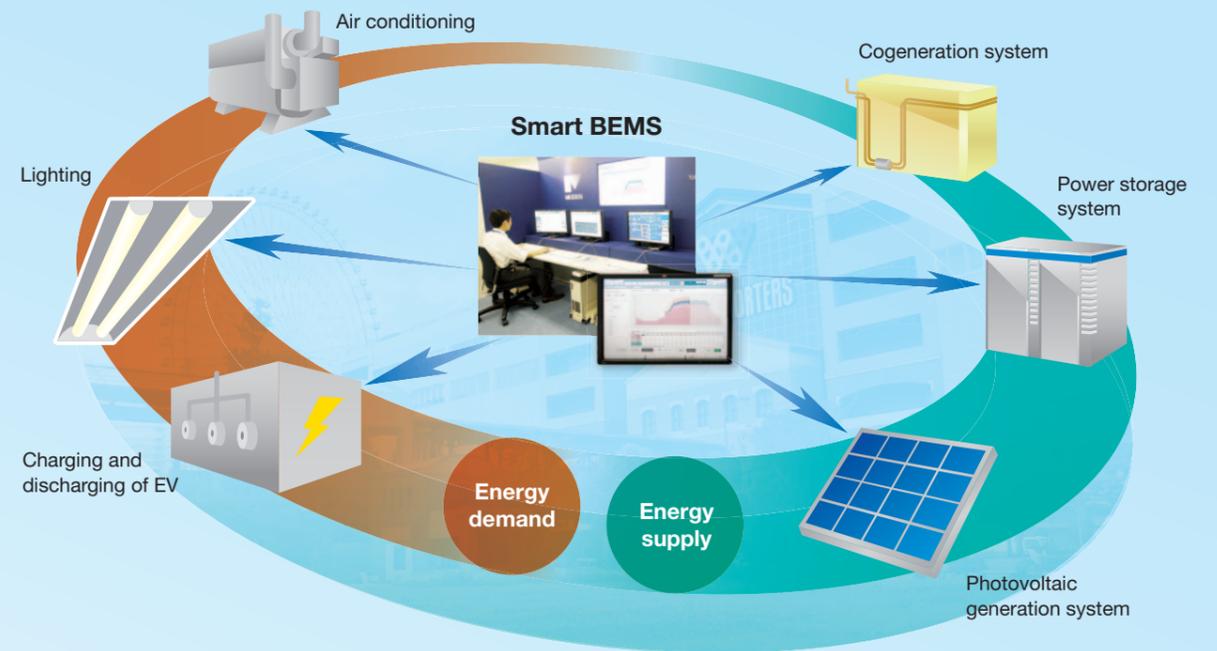
Power storage system

Smart BEMS (Monitoring console)



Cogeneration system

#### Image of control of energy supply and demand via Smart BEMS



### Verification experiments at the community level

From January to February 2013, the YSCP conducted fully fledged verification experiments in office and commercial buildings in which BEMS had been installed. Involving collaboration between the companies participating in the project, in these trials power supply and demand was adjusted on a community-wide level. Requests to limit the purchase of electricity were sent from the CEMS in order to curb peak power use, and each facility involved in the trials responded to these requests by altering its modes of energy consumption and supply. This was the first trial

in Japan involving multiple large-scale facilities, and it achieved an overall maximum reduction of 22% in peak power consumption. At Yokohama World Porters, where Meidensha was responsible for the trial, peak power was cut by approximately 30%.

The YSCP trials are scheduled to continue until 2014. Meidensha will continue to contribute to the realization of smart cities through the reduction of CO<sub>2</sub> and the conservation of energy in large-scale facilities via Smart BEMS.

#### Comment from a project leader

##### Always seeking what is "right" for people's daily lives

Many people from Japan and overseas have visited Yokohama World Porters in order to see Smart BEMS in operation. Expectations are high for Smart BEMS and smart communities. We are currently gathering extremely precise data and working on system development to enable us to build social systems that are both stable and comfortable. I want to go on making a contribution to future community-building, always giving consideration to what form the things that are "right" for people's daily lives will take in the next generation.

Takashi Uyama

System Business Planning Division, Complex System Technology Department, Technology Section



# Business Report

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- Social Infrastructure Systems Business
- Industrial Systems Business
- Engineering Systems Business
- Real Estate Business
- Other Business

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## Medium-term Management Plan POWER 5 Phase III

### Enhancing our manufacturing power towards a new leap forward

In April 2009, the Meiden Group formulated POWER 5 as a five-year medium-term management plan with fiscal 2013 as its final fiscal year. However, factors including the turnaround in Japan's energy policy since the Great East Japan Earthquake and the effect of the strong yen have resulted in rapid change and diversification of the business environment for the Group on a global scale. In order to respond to these changes in the business environment, we have further extended POWER 5 to incorporate Phase III, a three-year initiative from April 2012, with fiscal 2014 as its final fiscal year. Holding firm to our basic orientation, "The Meiden Group challenge – To contribute to society through the POWER of manufacturing excellence," we have established a set of priority measures tailored to the immediate business environment. By steadily implementing these measures to ensure our ability to stably supply products and services that will contribute to an abundant society, we will strive to be a company that both offers security and satisfaction to its customers and realizes a high level of profitability.

**Medium-term Management Plan POWER 5**  
The Meiden Group challenge – To contribute to society through the POWER of manufacturing excellence



## Priority measures for POWER 5 Phase III in fiscal 2013

Looking towards the realization of the goal of "Enhancing our manufacturing power towards a new leap forward," as specified in POWER 5 Phase III, we have reformed our business structure, for example through reorganization of the Group. From fiscal 2012, the Group has worked together as one to create a foundation for business growth, for example by developing transformer and power distribution businesses that we have acquired, expanding overseas businesses, and moving into the field of motors and inverters for electric vehicles.

### 1. Swift execution of business strategies that meet the challenges of evolving markets

The domestic social infrastructure systems business targeted at electric power companies, public demand, and private-sector industries has long been the core driver of Group earnings. However, this business is undergoing dramatic changes brought about by a dwindling population, budget cuts required by fiscal reconstruction at the national and local government levels, and a trend towards private-sector capital investment overseas and replacing aging domestic facilities with overseas production sites.

At the same time, the Great East Japan Earthquake has prompted a review of Japan's energy strategy and raised corporate awareness of the need for business continuity planning (BCP). In addition, limited energy and other resources and economic developments in emerging nations are contributing to dynamic changes in the Group's operating environment.

To ensure sustainable growth while coping with the various changes and restrictions it faces, the Meiden Group is targeting new businesses with long-term growth prospects while also working to maintain and expand sales and profits in the near term.

#### Social Infrastructure Systems Business

The Social Infrastructure Systems Business is strengthening its development of new technologies and its ability to propose new systems to customers. Examples of these efforts include the development of energy systems utilizing very large photovoltaic power generation facilities and other renewable energy sources, equipment for distributed energy resources, substation equipment for railway operators, overhead catenary system (OCS) inspection systems, and a system for managing and controlling energy that makes use of storage cells. In addition to strengthening earnings of existing businesses which provide electrical systems for water purification and sewerage treatment plants, the Social Infrastructure Systems Business is aggressively developing business in such new areas as ceramic membranes and cloud computing.



#### Industrial Systems Business

The Industrial Systems Business is endeavoring to expand sales in Japan and abroad of its automobile testing systems as well as logistics systems targeting manufacturers such as transport equipment manufacturers. The business is also expanding its sales of mass-produced motors and inverters for use in electric and hybrid vehicles, two areas with considerable growth potential.



### 2. Strengthening overseas business

One of the targets of Phase III of the Group's current medium-term management plan is an overseas sales ratio of 30%.

To capitalize on the prominent demand growth in Asia and other emerging markets, the Meiden Group has placed executives responsible for enhancing the Group's overall capabilities in local markets in Singapore and China. In addition, the Group is strengthening local product development, manufacturing and marketing functions as it builds a system of "local production for local consumption" to provide automatic guided vehicles (AGVs), components and other logistics equipment as well as transmission and distribution systems to be used at power and railway companies of Japanese and local businesses.

The Group will also make effective use of M&As and strategic business alliances to open up new markets overseas and enhance Group brand power.

### 3. Creating world-beating products

To promote the development and introduction of new globally-competitive products, the Meiden Group has created the position of Product Management Director. The PM Director oversees development of new offerings from the Group's three core products, namely power transmission and distribution products, power generation products, and power conversion products, as well as information and communications technologies (ICT). The PM Director also is tasked with setting cross-segment product strategies, raising the price competitiveness of the Group's products and ensuring that they meet the quality standards demanded in various countries.

### 4. Strengthening the Group's business foundation

With an eye toward bolstering its competitive capabilities, the Meiden Group is restructuring Group companies, enhancing cost-competitiveness from a group-wide perspective, and making efforts to make more efficient use of its valuable human resources.

### 5. Nurturing of Group employees

For the Meiden Group to make a new leap forward, it needs employees who are capable of surmounting the challenges presented by the long-term trends in the world's environment and social issues. To support efforts to fulfill the corporate philosophy, "For customer peace of mind and satisfaction," the Group will assign talented young staff from Japan to overseas subsidiaries while also hiring local staff and providing them with training that will enable them to move up into management ranks. Toward these goals, the Group will implement personnel policies designed to create "global human resources."

# Overview by Business Segment

| Social Infrastructure Systems |    | <h3>Social Infrastructure Systems Business</h3> <p>This sector includes business related to the construction of social infrastructure. We provide solution services of all kinds in relation to electric power quality, energy conservation, and related matters, and we engage in the manufacture and marketing of all types of electrical equipment involved in power generation, transmission, transforming, distribution, and other related functions for power companies, governments and other public agencies and offices, rail roads, highways, private facilities, and other such establishments.</p> <p>We are also involved in the field of water supply and sewerage treatment for local governments. Our activities include manufacturing and marketing products for the control of treatment equipment and processes of all kinds, and for the improvement of IT networks. We are further developing environmental solution services that include contracting for the maintenance management of water treatment plants, recycling of industrial waste, etc.</p> | <p>Net sales in the segment increased 19.3% year on year to ¥128,277 million, helping fuel a 193.0% surge in segment operating income to ¥5,798 million.</p> <p>Sales of social infrastructure systems increased over the previous fiscal year as the Group assumed certain power transmission and distribution operations formerly conducted by Japan AE Power Systems Corporation. In addition, significant sales contributions came from photovoltaic power generation systems and substation equipment for railway operators.</p> <p>Sales in the water and environmental business also rose over the previous fiscal year, supported by earthquake-related reconstruction demand for electric power systems for water treatment facilities and projects to renew water purification and sewerage treatment facilities.</p> <p>Sales in the overseas business increased as a result of solid performances by Group subsidiaries in Thailand, Singapore and other ASEAN countries, as well as the succession to power transmission and distribution operations of Japan AE Power Systems Corporation.</p> | <h4>Net Sales</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>105,368</td><td>107,525</td><td>128,277</td></tr> </table> | FY | 2010 | 2011 | 2012 |  | 105,368 | 107,525 | 128,277 | <h4>Net Operating Income</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>3,543</td><td>1,979</td><td>5,798</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 3,543  | 1,979 | 5,798 |
|-------------------------------|---|---|--|--|----|------|------|------|--|---------|---------|---------|--|----|------|------|------|--|--------|-------|-------|
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 105,368   | 107,525   | 128,277  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 3,543   | 1,979   | 5,798  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| Industrial Systems            |    | <h3>Industrial Systems Business</h3> <p>This sector includes business operations related to product systems used in the manufacturing industry, IT, and other general industry operations. In addition to providing private industry with automotive testing systems and logistics support systems, we engage in the manufacture and marketing of motors, inverters, and other products for use in textile machinery, elevators, and other such equipment.</p> <p>We are active in the information and telecommunications field, manufacturing and marketing component products for industrial computer and networking systems.</p>   | <p>Net sales for the segment declined 0.5% year on year to ¥38,933 million, and the segment recorded an operating loss of ¥929 million.</p> <p>The segment's components-related business saw its sales decline due to continued low demand for components used in semiconductor manufacturing equipment and a slump in demand for motors and inverters used in electric vehicles.</p> <p>Meanwhile, the segment's dynamometer and logistic systems business increased sales amid a steady recovery in demand for testing equipment used in automobile development and electrical components used in forklifts.</p>   | <h4>Net Sales</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>30,987</td><td>39,120</td><td>38,933</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 30,987  | 39,120  | 38,933  | <h4>Operating profit and loss</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>-1,496</td><td>186</td><td>-929</td></tr> </table> | FY | 2010 | 2011 | 2012 |  | -1,496 | 186   | -929  |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 30,987  | 39,120  | 38,933   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | -1,496  | 186   | -929   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| Engineering Systems           |  | <h3>Engineering Systems Business</h3> <p>This sector provides services relating to the remote management and monitoring of facilities and the proposal of measures for extending the life of facilities, energy conservation, and other such services related primarily to the maintenance of products we supply. We also engage in the maintenance of semiconductor manufacturing equipment and the reconditioning of used manufacturing equipment.</p>  | <p>Net sales in the segment declined 8.7% year on year to ¥23,675 million and operating income declined 34.1% to ¥2,281 million.</p> <p>The sales and profit declines can largely be attributed to the winding down of emergency reconstruction work following the Great East Japan Earthquake.</p>  | <h4>Net Sales</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>22,205</td><td>25,925</td><td>23,675</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 22,205  | 25,925  | 23,675  | <h4>Net Operating Income</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>2,728</td><td>3,460</td><td>2,281</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 2,728  | 3,460 | 2,281 |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 22,205  | 25,925  | 23,675   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 2,728   | 3,460   | 2,281  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| Real Estate                   |  | <h3>Real Estate Business</h3> <p>This sector includes rentals of real estate holdings, including ThinkPark (Osaki, Shinagawa City, Tokyo).</p>  | <p>Net sales in the segment totaled ¥3,285 million, on a par with the level achieved in the previous fiscal year, and Operating income amounted to ¥1,141 million. The Group is engaged in the real estate leasing business, centering on the office and commercial building ThinkPark Tower (Osaki, Shinagawa City, Tokyo).</p>   | <h4>Net Sales</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>3,289</td><td>3,285</td><td>3,285</td></tr> </table>       | FY | 2010 | 2011 | 2012 |  | 3,289   | 3,285   | 3,285   | <h4>Net Operating Income</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>1,159</td><td>1,183</td><td>1,141</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 1,159  | 1,183 | 1,141 |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 3,289   | 3,285   | 3,285  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 1,159   | 1,183   | 1,141  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| Other                         |  | <h3>Other Business</h3> <p>This sector includes marketing companies not tied to specific business fields, and companies that contract accounting, payroll, and other administrative functions, as well as welfare services for employees.</p>   | <p>Net sales in the segment amounted to ¥28,068 million, up 0.3% year on year, while its operating income expanded 24.8% to ¥1,056 million. This segment includes the sale of products not included in any of the above segments, as well as welfare services for employees and the provision of chemical products.</p>  | <h4>Net Sales</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>26,679</td><td>27,982</td><td>28,068</td></tr> </table>    | FY | 2010 | 2011 | 2012 |  | 26,679  | 27,982  | 28,068  | <h4>Net Operating Income</h4> <p>Millions of yen</p> <table border="1"> <tr><th>FY</th><th>2010</th><th>2011</th><th>2012</th></tr> <tr><td></td><td>314</td><td>846</td><td>1,056</td></tr> </table>        | FY | 2010 | 2011 | 2012 |  | 314    | 846   | 1,056 |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 26,679  | 27,982  | 28,068   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
| FY                            | 2010  | 2011  | 2012   |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |
|                               | 314   | 846   | 1,056  |  |    |      |      |      |  |         |         |         |  |    |      |      |      |  |        |       |       |

\* Sales figures include transactions between segments.

## Research and Development / Capital Investment

### Status of research and development

With basic technologies that look toward the future as our foundation, the Meiden Group is working to increase the competitiveness of its products, expand its lineups, and develop systems that bring these products together.

In the area of basic technological development, we are using Meidensha's unique circuit configurations in advancing the development of small, low-cost transformerless high-voltage inverters and ferrite magnet motors for electric vehicles that eliminate the use of rare earths.

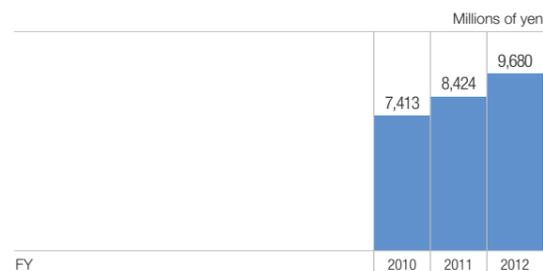
In addition, we are working towards the practical realization of environmentally friendly electric double-layer capacitors using the Aluminum-Celmet material developed by Sumitomo Electric Industries, Ltd. to realize reduced size and improved performance. These new strategic products can be expected to find applications in a range of transport equipment.

To increase the competitiveness of our products and expand our lineups, in the area of transformers and power distribution equipment, power generation products, and power conversion products, which represent our core business areas, we have developed a range of new products including Cubicle-type Gas Insulated Switchgear (C-GIS), gas engine generators, and high-performance transformerless uninterruptible power supply (UPS) systems.

In the area of system products, we have created energy management and control systems that fuse power electronics products and ICT products, and conducted development towards the practical realization of cloud computing services for water treatment businesses.

As a result of these developments, our total research and development costs reached 9.68 billion yen.

### Research and Development



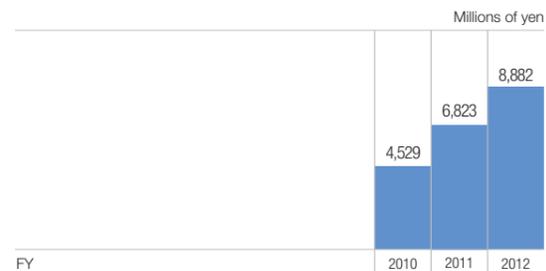
### Status of capital investment

Seeking to enhance product competitiveness, we have prioritized investment in production facilities. At our Numazu Works, we have newly introduced large-scale processing facilities in order to increase the competitiveness of our transformers and power distribution equipment, and we have worked to realize automation and reduce power consumption by reorganizing production lines in order to increase production efficiency for power distribution equipment. At Kofu Meidensha Electric Mfg. Co., Ltd., we have constructed a test building in order to enhance our development capability for all motor-related products, including products for electric vehicles, hybrid electric vehicles, and forklifts.

As an initiative related to new business areas, we have installed mass-production facilities for flat ceramic membranes for use in sewage and wastewater treatment at our Nagoya Works. Overseas, we have conducted investments to enhance order acceptance, purchasing, and accounting systems in order to assist in business expansion.

As a result of these initiatives, our total investment expenditure reached a figure of 8.882 billion yen.

### Capital Investment



## Fiscal 2012 Topics

### Topics 1

#### Full-fledged entry to the Myanmar market by our transformer business – Technological cooperation and capital participation with AGE



On December 15, 2012, Meidensha established an agreement regarding technological cooperation in the design, manufacture, and repair of power transformers with Asia General Electric Co., Ltd. (AGE), a transformer manufacturing and sales company located in the Republic of the Union of Myanmar, in addition to signing a Memorandum of Understanding with the company concerning examination of the potential for future capital participation.

The acceleration of industrialization and urbanization in Myanmar as a result of economic liberalization is seeing the country proceed with the construction and upgrading of infrastructure systems, including electrical infrastructure. AGE is strong in the area of transformer sales in Myanmar, and our cooperation agreement with the company will enable us both to make a fully fledged entry to the Myanmar market and enhance our competitiveness in Southeast Asia through the supply of low-cost, high-quality products.

### Topics 2

#### Installation of world's-first 204 kV vacuum circuit breaker (VCB) on Hokkaido Shinkansen line



Meidensha was commissioned by the Japan Railway Construction, Transport and Technology Agency to develop a tank-type vacuum circuit breaker (VCB) rated at 204 kV, the world's highest voltage for a device of this type. In November 2012, the unit was installed in a substation on the Hokkaido Shinkansen line (between Shin-Aomori and Shin-Hakodate).

Since delivering Japan's first VCB (7.2 kV) in 1971, Meidensha has worked to increase voltages and expand its lineup. The development of the new 204 kV-class VCB means that VCB can be employed for system voltages of up to 187 kV. Because of their unique characteristics, such as the ability to interrupt current approximately 10,000 times and a low requirement for maintenance, we have delivered large numbers of the devices not only to electric rail operators, but also to power utilities and general industrial companies.

Today, a reduced environmental burden is also demanded from transformers and power distribution equipment. VCB do not use the greenhouse gas SF<sub>6</sub> in their circuit-breaking sections, making them environmentally friendly devices. We will go on working to increase the voltage of VCB, and to bring composite switchgear using high-voltage VCB to the market.

### Topics 3

#### Commencement of sales of power conditioners for photovoltaic generation specialized for DC 750V current – Low-cost devices reduce transmission loss



In July 2012, a feed-in tariff scheme for renewable energy was introduced in Japan, invigorating the domestic mega solar market. Against this background, Meidensha has developed a 250 kW power conditioner (with a built-in transformer) for photovoltaic generation that is specialized for 750 V, the maximum voltage for the DC low-voltage range under domestic regulations (technical standards for electrical equipment).

Previously, the majority of domestic photovoltaic systems were designed for a maximum of DC 600 V. However, in photovoltaic systems, transmission loss is reduced in proportion to the magnitude of DC voltage, and increased voltage also reduces overall system costs, for example by lowering construction costs due to the requirement for a reduced number of cables and grounding boxes.

With the new unit, we have also realized a level of conversion efficiency of 96.5% (rated), in the highest industry class for a power conditioner with a built-in transformer, and the device retails for approximately 20% less than our conventional models. We will continue to actively develop our photovoltaic generation systems business, supplying power generation businesses with products offering a diverse range of merits.

# Promoting CSR Management

## CSR in the Meiden Group

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## Social Report

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## How We See CSR at Meiden Group

# Practicing the Group's Corporate Philosophy by each and every employee

### A message from the Executive Vice President (Environment & CSR)

At the Meiden Group, CSR means "Practicing the Meiden Group's Philosophy by each and every employee to make a trustworthy group needed by society."

The Meiden Group's corporate philosophy reflects our commitment to "Provide the best product and service experiences to customers by addressing their problems through the offering of high-quality products and services. Further, through our business operations, we promote initiatives to address the current requirements of society such as reducing the environmental impact of all our products and business activities. We would like to contribute to realizing an affluent and more livable society, and for this objective, we need to continue to identify and solve challenges."

Two years has passed since the Great East Japan Earthquake on March 11, 2011. Through the experiences of disaster relief programs by the Group, we have learned lessons on what we can do for society.

To us, one of our senses of responsibility to society is to "play a vital role in supporting social lifeline systems like power, water supply and rail, and provide help in realizing an affluent and more livable society."

Sharing such common CSR-related values among the Group and practicing the Group's corporate philosophy; in other words, "Practicing the Meiden Group's philosophy in everyday business activities by each and every employee" - this is the essence of Meiden Group's CSR programs.

We will promote our corporate culture that values actions and initiatives for society through the best practices and integrity of all members of the Meiden Group.

In so doing, I hope we may rely on your continued support and advice.



Executive Vice President (Environment & CSR)

**Akira Wachi**

### POWER 5 Phase III: President's CSR Policy Statement

In practicing the Group's philosophy, we view "the environment," "society," and "human resources" as our key challenges. The Meiden Group considers "compliance," "corporate governance," and "risk management" as our management foundations, and by addressing these three challenges, we would like to carry the Group's responsibilities to our various major stakeholders, including our customers.

#### [Management foundation of our business activities]

#### Compliance, Corporate Governance and Risk Management

By strengthening these management foundations, we would like to further cultivate our corporate culture as necessary for CSR management.

We seek to maintain and improve the soundness and transparency of Group governance and promote prompt and efficient management. In terms of compliance, ethical business conduct and compliance with applicable laws and regulations are our essential policies.

We seek to maintain and improve risk management systems for identifying and controlling various risks through coordinated activities for auditing risk item inspection, etc.

#### 1 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.

#### 2 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.

#### 3 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 that 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.

#### Medium-term Management Plan POWER 5 Phase III: President's CSR Policy Statement



#### [Management foundation of our business activities] Compliance, Corporate Governance and Risk Management

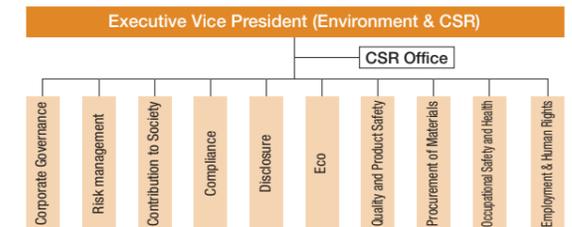
By strengthening these management foundations, we hope to further cultivate our corporate culture necessary for CSR management.

### CSR Management Promotion System

At the Meiden Group, under the supervision of the executive vice president (environment and CSR), we promote the programs under 10 core subjects (see below chart). Under each theme, each related key business unit (BU) plans specific programs and actively promotes them through the participation of various related committee activities across the organization of BUs. In the creation of such planning, we refer to the principles of the ISO/DIS 26000 Draft International Standard of CSR management.

The CSR-related office compiles plans and results of programs at each BU for each core topic and uses the PDCA cycle (see 'Note') to promote the programs with the aim of increasing Group-wide awareness of CSR. "Promote CSR Management" was selected as a key management policy for Medium-term Management Plan POWER 5 (Fiscal 2009 – Fiscal 2014). We aim to promote CSR as our management strategy and make CSR activities key daily items of all employees.

**Note:** PDCA Cycle refers to "Plan-Do-Check-Act Cycle" or the Deming Cycle. The PDCA Cycle is used as an approach to change and problem-solving for QC management.



### CSR Award System

In 2009 we established a CSR award system to honor groups or individuals who made significant contributions to enhancing the Group's corporate value as the result of its long-term efforts for the satisfaction of its stakeholders. In Fiscal 2012, the CSR Award went to seven BUs that were involved in disaster relief operations in Japan following the devastating earthquake of 2011. These BUs include: Tohoku Branch, Water Processing & Environmental Engineering (WPPE) Business Unit



Yukio Aida, President of the Tohoku Branch, accepts a letter of commendation on behalf of the branch

Results and Planning

| Item  | Main target of POWER 5 initiatives   | Plan for POWER 5 Phase III  | Fiscal 2012 results  | Fiscal 2013 plan  |
|---|--|---|--|---|
| <b>CSR management</b>   | <ul style="list-style-type: none"> <li>Enhancement of CSR promotion system</li> <li>Improvement of provision of CSR-related information</li> </ul>   | <ul style="list-style-type: none"> <li>Creation of mechanisms to make every employee aware of CSR in their everyday work</li> <li>Expansion of CSR activities to overseas bases</li> </ul>  | <ul style="list-style-type: none"> <li>Continuation of measures to diffuse CSR concept using in-house video news, etc.</li> <li>Revision of indicators for evaluation of CSR (KPI)</li> <li>Linkage with MAP activities (Meidensha's program for the reform and improvement of work processes)</li> </ul>  | <ul style="list-style-type: none"> <li>Revision of system for promotion of CSR activities</li> <li>Promotion of activities to inculcate awareness of CSR</li> </ul>   |
| <b>Corporate Governance</b>   | <ul style="list-style-type: none"> <li>Realization of independence and autonomy in management</li> <li>Realization of observance of laws and efficient management throughout the Group</li> </ul>  | <ul style="list-style-type: none"> <li>Enhancement of governance throughout the Group, including domestic and overseas group companies</li> </ul>   | <ul style="list-style-type: none"> <li>Strengthening of Group regulation with introduction of unified system overseas</li> <li>Reviews of operational evaluation of internal regulatory systems and appropriate governance system</li> </ul>   | <ul style="list-style-type: none"> <li>Enhancement of governance throughout Meiden Group, both domestically and overseas</li> <li>Ongoing reviews of operational evaluation of internal regulatory systems and appropriate governance system</li> </ul>   |
| <b>Compliance</b>   | <ul style="list-style-type: none"> <li>Enhancement of compliance system</li> <li>Maintenance and improvement of level of awareness of compliance</li> </ul>  | <ul style="list-style-type: none"> <li>Continuation and further evolution of meetings for exchange of compliance information</li> <li>Enhancement of domestic and overseas group companies compliance activities                             <ul style="list-style-type: none"> <li>Support for domestic group companies compliance activities</li> <li>Thorough observance of regulations at overseas group companies (Upgrading of regulations and compliance systems)</li> </ul> </li> <li>Continuation and evolution of compliance education (Expansion of range of employees/Improvement of quality)</li> <li>Evolution of in-house compliance webpage (Increased compliance awareness/Support for solving problems)</li> </ul>  | <ul style="list-style-type: none"> <li>Continuation and expansion of scope of compliance information exchange meetings</li> <li>Creation of company compliance systems for overseas Group companies</li> <li>Use of e-learning for training of compliance managers</li> <li>Renewal of in-house compliance webpage</li> </ul>  | <ul style="list-style-type: none"> <li>Thorough implementation of suggestions of Third-Party Review Committees</li> <li>Holding of compliance information exchange meetings</li> <li>Maintenance of compliance violation reporting system</li> <li>Strengthening of compliance systems at domestic and overseas Group companies</li> <li>Promotion of compliance education</li> <li>Improvement of information on in-house compliance webpage</li> </ul>  |
| <b>Risk management</b>  | <ul style="list-style-type: none"> <li>Clarification of risk management principles and definitions for Meiden Group</li> <li>Realization of appropriate information management</li> </ul>  | <ul style="list-style-type: none"> <li>Convening of Company-wide Risk Management Committee (Identification of and response to risk)</li> <li>Realization of increased effectiveness in safety confirmation system and expansion to group companies</li> <li>Upgrading of disaster prevention system</li> <li>Formulation of business continuity plan (BCP) as disaster prevention measures</li> <li>Upgrading of start-up and recovery manuals for earthquake disasters</li> <li>Upgrading of security guidelines for overseas affiliates</li> <li>Establishment of security technologies for new types of information device and incidents</li> <li>Increased awareness of information security among Meiden Group employees</li> </ul>  | <ul style="list-style-type: none"> <li>Operation and improvement of Company-wide Risk Management Committee</li> <li>Formulation of regulations for Company-wide Risk Management Committee</li> <li>Formulation of business risk management guidelines</li> <li>Improvement of security of in-house e-mail system</li> <li>Holding of disaster prevention training with cooperation between multiple bases</li> </ul>   | <ul style="list-style-type: none"> <li>Continued identification of risks and implementation of countermeasures by specialist committees and individual departments</li> <li>Expansion of scope of safety confirmation system to domestic Group companies</li> <li>Continuing implementation of information security education</li> </ul>  |
| <b>Customers (Quality/Product safety)</b>                                     | <ul style="list-style-type: none"> <li>Improvement of level of collection and analysis concerning customers' needs</li> <li>Creation of Meiden Group quality assurance system and promotion of activities to improve quality</li> </ul>  | <ul style="list-style-type: none"> <li>More active use of data concerning customers' needs</li> <li>Improvement of quality at domestic and overseas Group companies</li> <li>Enhancement of initiatives to prevent defects</li> </ul>   | <ul style="list-style-type: none"> <li>Improvement of quality of information on customers' needs</li> <li>Provision of quality management training and aftercare to domestic and overseas Group companies</li> <li>Regularization of initiatives against 3F situations (first time, far from norm, far in frequency)</li> </ul>  | <ul style="list-style-type: none"> <li>Promotion of use of information concerning customers' needs</li> <li>Provision of support and guidance for quality-related activities at overseas and domestic Group companies</li> <li>Revitalization of activities to prevent reoccurrence of problems</li> </ul>  |
| <b>Shareholders/Investors (Information disclosure)</b>                        | <ul style="list-style-type: none"> <li>Appropriate and timely disclosure of information</li> </ul>   | <ul style="list-style-type: none"> <li>Deployment of various PR activities to support overseas business expansion</li> <li>Reexamination and enhancement of risk management PR system</li> <li>Improvement of provision of information to shareholders and investors</li> </ul>   | <ul style="list-style-type: none"> <li>Enhancement of information provision with renewal of English- and Chinese-language websites</li> <li>Creation of risk management PR material</li> </ul>   | <ul style="list-style-type: none"> <li>Formulation of integrated reports</li> <li>Increase of information on website (More detailed press releases and increased information in English and Chinese)</li> <li>Creation of risk management PR system</li> </ul>  |
| <b>Business partners (Procurement of materials)</b>                           | <ul style="list-style-type: none"> <li>Thorough notification of procurement guidelines to Meiden Group</li> <li>Promotion of green procurement</li> </ul>  | <ul style="list-style-type: none"> <li>Strengthening of Group procurement system</li> <li>Establishment of green procurement systems in all domestic Group companies</li> <li>Reexamination of BCP, including supply chain</li> <li>Observance of relevant laws and regulations, active promotion of transactions based on CSR procurement</li> </ul>   | <ul style="list-style-type: none"> <li>Holding of periodic Meiden Group Procurement Meetings (Conducting of awareness-raising activities for Meiden Group and partner companies)</li> <li>Promotion of green certification through commencement of regular surveys of CSR activities of business partners</li> <li>Realization of thorough CSR awareness through addition of clauses concerning CSR activities promotion to basic contracts with business partners</li> </ul>  | <ul style="list-style-type: none"> <li>Strengthening and advancement of Meiden Group procurement system</li> <li>Continuing implementation of regular surveys of CSR activities at business partners and further advancement of green certification</li> <li>Continuing application of Meiden group procurement standards and activities to increase awareness in Group and partner companies</li> </ul>  |
| <b>Employees (Occupational health and safety/Employment and human rights)</b> | <ul style="list-style-type: none"> <li>Further improvement of health and safety management and environmental awareness</li> <li>Improvement of work-life balance</li> <li>Expansion of employment of disabled people</li> <li>Enhancement of fostering of human resources</li> </ul>                                 | <ul style="list-style-type: none"> <li>Further improvement of occupational health and safety management                             <ul style="list-style-type: none"> <li>Reduction of number of employees suffering mental health problems</li> <li>Reduction of number of accidents</li> </ul> </li> <li>Improvement of work-life balance (Elimination of long working hours)                             <ul style="list-style-type: none"> <li>Reduction of long working hours</li> </ul> </li> <li>Expansion of employment of disabled people                             <ul style="list-style-type: none"> <li>Maintenance of legally specified employment rate</li> </ul> </li> <li>Enhancement of fostering of personnel                             <ul style="list-style-type: none"> <li>Ongoing enhancement of human resources management</li> <li>Enhancement of recruitment schemes for overseas human resources</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Further improvement of occupational health and safety management and realization of increased environmental awareness                             <ul style="list-style-type: none"> <li>Improvement of preventive measures for mental health problems (Education, etc.)</li> <li>Enhancement of safety patrols and horizontal deployment of measures to prevent reoccurrence of problems</li> </ul> </li> <li>Improvement of work-life balance (Elimination of long working hours)                             <ul style="list-style-type: none"> <li>Enhancement of interviews with representatives of target departments by Officers in charge of Human Resources</li> <li>Implementation of human resources allocation plans based on interviews</li> </ul> </li> <li>Increased employment of disabled personnel</li> <li>Enhancement of personnel education / Training of managers and engineers at overseas subsidiaries</li> </ul> | <ul style="list-style-type: none"> <li>Further improvement of occupational health and safety management and increased environmental awareness                             <ul style="list-style-type: none"> <li>Enhancement of stress checks and improvement of workplace environment on that basis</li> <li>Eradication of work-related accidents among younger employees</li> </ul> </li> <li>Improved work-life balance                             <ul style="list-style-type: none"> <li>Implementation of measures to prevent long working hours</li> <li>Promotion of taking of paid holidays</li> </ul> </li> <li>Increased employment of disabled personnel                             <ul style="list-style-type: none"> <li>Implementation of recruitment initiatives towards ensuring legally specified rate of employment</li> </ul> </li> <li>Enhancement of personnel education                             <ul style="list-style-type: none"> <li>Expansion of scope of training of managers and engineers for overseas subsidiaries and systematic follow-up after return</li> </ul> </li> </ul> |
| <b>Local communities/Society (Social contribution)</b>                        | <ul style="list-style-type: none"> <li>Maintenance of activities for social contribution in each region / Higher level of activities</li> </ul>  | <ul style="list-style-type: none"> <li>Proposal, planning and implementation of activities for social contribution rooted in the local community; giving the Group a "face"</li> </ul>  | <ul style="list-style-type: none"> <li>Continued activities towards social contribution closely connected to the local community at each base (Craftsmanship Workshop held at eight elementary and junior high schools throughout the country)</li> </ul>  | <ul style="list-style-type: none"> <li>Continuation of existing activities for social contribution and planning and implementation of new activities based on regional needs</li> </ul>   |
| <b>Environment</b>  | <ul style="list-style-type: none"> <li>Advancement of business that makes an environmental contribution</li> <li>Development of environmentally friendly products</li> <li>Enhancement of environmental measures</li> <li>Promotion of environmental communication / Fostering of environmental awareness</li> </ul> | <ul style="list-style-type: none"> <li>400,000 t/year reduction in CO<sub>2</sub> emissions from products</li> <li>Development of next-generation green products</li> <li>33% reduction in CO<sub>2</sub> emissions per unit of sales volume</li> <li>Further increase in environmental awareness among employees</li> </ul>  | <ul style="list-style-type: none"> <li>230,000 t/year reduction in CO<sub>2</sub> emissions from products</li> <li>100% green rate for new products</li> <li>20% reduction in CO<sub>2</sub> emissions per unit of sales volume</li> <li>Test run for fundamental environmental education (e-learning)</li> </ul>  | <ul style="list-style-type: none"> <li>300,000 t/year reduction in CO<sub>2</sub> emissions from products</li> <li>Creation of standards for next-generation green products</li> <li>1% reduction in CO<sub>2</sub> emissions per unit of energy consumed against fiscal 2012 figure</li> <li>Use of e-learning</li> </ul>  |

Basic Environmental Philosophy and Environmental Vision

# Contribute to people, society and the global environment

## Basic Environmental Philosophy

### The Meiden Group Basic Environmental Philosophy

With our basic environmental philosophy: **“Contribute to people, society and the global environment,”** the Meiden Group aims to help build a sustainable society and to realize the growth of the Group and actively implement environmental management to tackle important issues: **mitigating climate change, efficient use of resources (building a recycling society) and conserving biodiversity.**

### The Meiden Group's Environmental Action Guidelines

- By promoting the development of new products and innovative technologies and providing such products to wider global markets, we endeavor to contribute to mitigating climate change, building a recycling society, and conserving biodiversity.
- We strive to design and develop green products by conducting environmental impact evaluation for the product's life cycle, from initial material procurement to final disposal.
- We strive to promote environmentally conscious business processes with green initiatives: promoting energy saving, promoting the 3Rs (reduce, reuse and recycle) and reducing the release of hazardous materials to reduce the environmental impact from our business activities.
- After establishing our internal guidelines, we endeavor to comply with the related environmental laws, regulations, rules and other required matters and strive to avoid the release of contamination from our operations.
- After establishing an environmental management system, we strive to maintain and improve it through the QC tool of the

PDCA (Plan-Do-Check-Act) Cycle.\*  
\*Note: The Plan-Do-Check-Act Cycle means: Plan: Identifying and analyzing the problem. Do: Developing and testing a potential solution. Check: Measuring how effective the test solution was, and analyzing whether it could be improved in any way. Act: Implementing the improved solution fully.

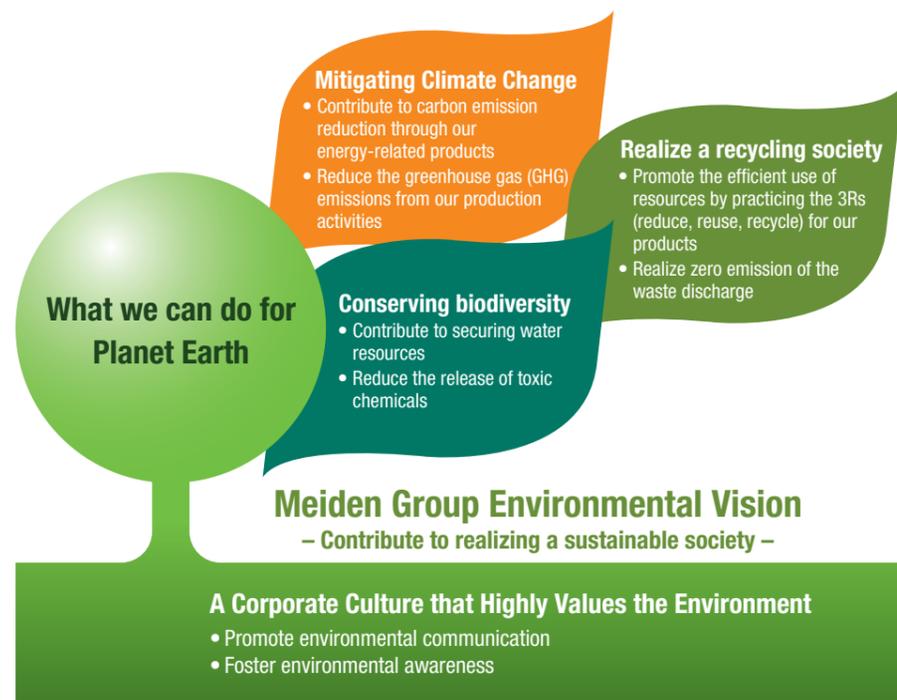
- We strive to implement initiatives including environmental education and PR activities in order to increase all of our employees' understanding of environmental management and make our environmental programs more proactive.
- We endeavor to publicize our environmental initiatives both within the Group and to society and promote broader communication with our stakeholders.

June 2013  
**Yuji Hamasaki**  
 President  
 Meidensha Corporation

## Environmental Vision Fiscal 2020

The Meiden Group defines the Environmental Vision Fiscal 2020 as contributing to realizing a sustainable society. This Vision sets the eco-efficiency level target of the Group based on what the Group's environmental target should be in fiscal 2020.

We strive to play a key role in realizing a sustainable society by providing long-standing products and innovative technologies for energy and water-processing fields that support the social infrastructure.



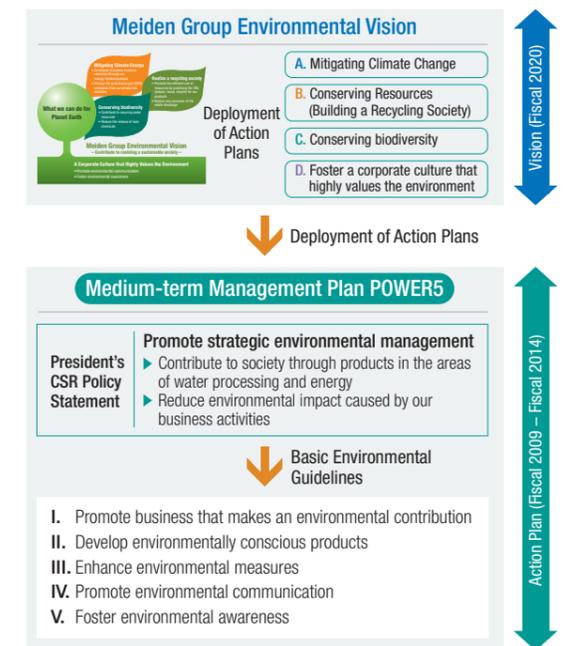
We understand the key challenges for companies in 21st Century society are: “Mitigating Climate Change,” “Realizing a Recycling Society,” and “Preserving Biodiversity.” The Group defines the Environmental Vision based on “What we should achieve from our business operations” and “What our future products should be like.” We view “A Corporate Culture that Highly Values the Environment” is a basic springboard to enable us to get there with the eco-efficiency target level of the Vision. Against such a background, we endeavor to conduct environmental management.

- 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.)
  - Promote environmentally conscious product design and reduce CO<sub>2</sub> emissions in the product life cycle.
  - 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**
- Contribute to securing water resources through our water processing systems business.
  - 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**
- Promote environmental communication: Actively disclose our environmental activities and results and promote two-day communication with our stakeholders.
  - Foster 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.

## A Road to Reaching The Environmental Vision Fiscal 2020

The Meiden Group's Medium-term Management Plan POWER 5 (fiscal 2009 – fiscal 2014) defines action plans for the Group's contribution in realizing a sustainable society. In order to address the key topics of the Environmental Vision: “A. Mitigating Climate Change,” “B. Realizing recycling societies,” “C. Preserving biodiversity” and “D. Fostering a corporate culture that highly values the environment,” POWER 5 defines each environmental target until fiscal 2014 for POWER 5's five (5) basic policies, and each related business unit translates the policies into specific action plans and implements each action using the PDCA Cycle.

## Deployment of Action Plans



## POWER 5 Environmental Activities

| Basic Measures  | Environmental Activities  |
|---|---|
| <b>Actions Relating to "Environmental Vision"</b>                   |   |
| <b>Product-related initiatives</b>                                  |   |
| <b>I. Promote business that makes an environmental contribution</b> | Increase environmental contribution through products  |
| A. Mitigating Climate Change  |   |
| <b>II. Develop environmentally conscious products</b>               | <ol style="list-style-type: none"> <li>Promote environmentally conscious design</li> <li>Enhance management of chemical substances in products</li> <li>Promote green procurement</li> </ol>  |
| A. Mitigate Climate Change  |   |
| B. Realize a recycling society                                      |   |
| C. Conserve biodiversity  |   |
| <b>Initiatives related to business activities</b>                   |   |
| <b>III. Enhance environmental measures</b>                          | <ol style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from business activities</li> <li>Promote the 3Rs in relation to waste from products</li> <li>Promote initiatives against harmful chemical substances</li> </ol> |
| A. Mitigate Climate Change  |   |
| B. Realize a recycling society                                      |   |
| C. Conserve biodiversity  |   |
| <b>IV. Promote environmental communication</b>                      | Promote two-way communication: inside the Group and with stakeholders.  |
| D. A corporate culture that highly values the environment           |   |
| <b>V. Foster environmental awareness</b>                            | Promote environmental awareness campaign programs.  |
| D. A corporate culture that highly values the environment           |   |

**Targets and Results**

# Draw up the annual action plan to get to the Eco Vision 2020 and Continue and Improve the Eco-efficiency Level of the Group

## Environmental Targets and Results for Fiscal 2012

### Meiden Group Environmental Targets / Status of Achievement of Targets (in Japan)

| Basic measure  | Environmental initiatives  | Fiscal 2012 targets  | Fiscal 2012 results   | Evaluation |
|--|--|--|---|------------|
| I. Promote of businesses that contribute to the environment ("Eco-contributing Businesses" (ECBs)) | Increase the contribution to the environment via products  | Contribute in reducing 200,000 t/year CO <sub>2</sub> emission reduction effects by ECBs.  | Contributed 230,000 t/year CO <sub>2</sub> emission reduction effects by ECBs | ○          |
| II. Develop environmentally conscious products (ECPs)  | 1) Promote environmentally conscious design  | Achieve the clearance rate of passing "Meiden Green Products" program, an internal green quality assessment system of new ECPs – target 100% clearance | Achieved "100% clearance" of new green ECPs at Meiden Green Product Program   | ○          |
|  | 2) Enhance management of chemical substances in products   | Build a chemical substance management system   | Built a chemical substance management system                                  | ○          |
|  | 3) Promote efficient use of resources by 3Rs (Reduce, Reuse and Recycle)   | Achieve green procurement through its green quality supplier approval program – more than 50 certified suppliers                                       | Achieved expected level of green procurement – 60 new certified suppliers     | ○          |
| III. Promote environmentally conscious business processes  | 1) Reduce CO <sub>2</sub> emissions from business activities (against the level of fiscal 1990)                  | Reduce 30% of CO <sub>2</sub> emissions per unit of sales revenue  | Reduced 20% of CO <sub>2</sub> emissions per unit of sales revenue            | ×          |
|  | 2) Promote initiatives to eliminate hazardous chemical substances in products (against the level of fiscal 2000) | Reduce volatile organic compounds (VOC) released from burning fuels  | Reduced 42% of VOC released from burning fuels                                | ○          |
|  | 3) Promote reduction of waste discharge by 3Rs (Reduce, Reuse and Recycle)                                       | Achieve "zero emissions" at five major business sites in Japan   | Zero emissions* (Six locations)   | ○          |

\*1 Meiden Group definition of zero emissions: To achieve efficient use of resource rate in a range that is less than 1.0% of the total volume of waste (including industrial waste, general waste, and saleable waste, but excluding construction sludge, etc.) is not recycled.

Regarding our environmental initiative: "Reduce CO<sub>2</sub> emissions from our business activities," we could not get there with the CO<sub>2</sub> emissions per unit of sales revenue. This is because since the summer of 2012, we completed the building of a new production site for ceramic flat sheet membrane and started its operation. These production activities increased the CO<sub>2</sub> release and the sales level of fiscal 2012 was below the planned target level. This caused the target of CO<sub>2</sub> emissions per unit of sales revenue to be unachieved. We aim to increase our eco-efficiency level at each workplace and energy saving from the current initiative of "Reduce Energy Use by 3% at All Meiden Group Levels."

## Medium-term Management Plan POWER 5 and Fiscal 2013 Environmental Targets

### Meiden Group Fiscal 2013 Targets and POWER 5 Medium-term Targets (in Japan)

| Basic measure   | Environmental initiatives  | Fiscal 2013 targets  | Medium-Term Targets  |
|---|--|--|--|
| I. Promote businesses that contribute to the environment ("Eco-contributing Businesses" (ECBs)) | Increase the contribution to the environment via products  | Contribute in reducing 300,000 t/year CO <sub>2</sub> emission reduction effects by ECBs                         | Contribute 400,000 t/year CO <sub>2</sub> emission reduction effects by ECBs   |
| II. Develop environmentally conscious products (ECPs)   | 1) Promote environmentally conscious design  | Build a product eco-system for next-generation green products  | Build a product eco-system for next-generation green products  |
|   | 2) Enhance management of chemical substances in products   | Build a higher-level chemical substance management system  | Build a higher-level chemical substance management system  |
|   | 3) Promote green procurement   | Achieve green procurement through its green quality supplier approval program – more than 50 certified suppliers | Achieve green procurement through its green quality supplier approval program – more than 50 certified suppliers   |
| III. Promote environmentally conscious business processes                                       | 1) Reduce CO <sub>2</sub> emissions from business activities <sup>2</sup>  | Reduce 1% in CO <sub>2</sub> emissions per unit of energy (against the level of fiscal 2012)                     | Continuously reduce 1% in CO <sub>2</sub> emissions per unit of energy every year (against the level of preceding fiscal year)   |
|   | 2) Promote initiatives to eliminate hazardous chemical substances in products (against the level of fiscal 2000) | Reduce 30% in volatile organic compounds (VOC) released from burning fuels                                       | Reduce 30% in VOC released from burning fuels  |
|   | 3) Promote reduction of waste discharge by 3Rs (Reduce, Reuse and Recycle)                                       | Achieve "zero emissions" at major production hubs in Japan   | Achieve "zero emissions" at major premises in Japan in Fiscal 2014 (production hubs, engineering service business units (BUS) and construction service business units (BUS)) |

<sup>2</sup> Reduction of CO<sub>2</sub> emissions from business activities: We modified our targets in line with levels proposed in "the Action Plan Towards a Low-carbon Society" by the Japanese Electrical Industry. In the Japanese Electrical Industry, as a part of initiatives to mitigate Climate Change, started a new "Action Plan Towards a Low-carbon Society" from fiscal 2013 that replaced the previous "Voluntary Action Plan" by each member firm. The Meiden Group joined this program of "Action Plan Towards a Low-carbon Society" and reviewed and changed the targets to "Continuously reduce 1% in CO<sub>2</sub> emissions per unit of energy every year (against the level of preceding fiscal year)" in terms of the initiative to reduce CO<sub>2</sub> emissions from business activities.

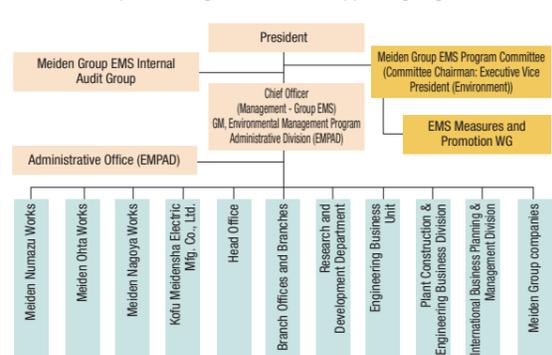
## Group Environmental Management System Supporting Administrative Organization

The Meiden Group promotes the environmental management system (EMS) at each firm level and at the Group-wide level. We made an ad-hoc administrative support organization to promote Group-wide EMSs (see right organization chart). For supervision of this organization, the President of Meidensha Corporation ("Meiden") was appointed. For actual management of this organization, Meiden appointed a general manager of its Environmental Management Program Administration Division as chief officer of this organization.

It also formed the Meiden Group EMS Internal Audit Group. For the final decision-making body of Meiden Group EMS, it formed the Meiden Group EMS Committee, which handles reporting on the results of various inter-Group EMS programs and decides

the Group-wide issues of EMS. The topics of the Committee are: each firm or BU's environmental targets, action plan, the organization's management review, emergency response, working group (WG) programs for environmental measures and EMS promotion.

### Meiden Group EMS Programs Ad-hoc Supporting Organization



**Initiatives to Protect Biodiversity**

# Minimize Environmental Impact and Create a Harmonious Coexistence

## Conserving Biodiversity

The business activities of the Meiden Group benefit from, and have a number of impacts on, the blessings of nature as provided by biodiversity. We understand that conserving biodiversity is a key challenge to achieving a sustainable society. Thus, the idea of conserving biodiversity is reflected in the Meiden Group Basic Environmental Philosophy and Environmental Action Guidelines as well as the Meiden Group Environmental Vision.

In addition, we clarify how our business activities interrelate with biodiversity and define how we should reduce environmental impacts from our business operations through the internal guidelines, and we implement initiatives for "conserving biodiversity." "Further, the Meiden Group conducts nature observation events with a local community in Tokyo (see page 45 for details) as a part of such initiatives.

### Meiden Group Biodiversity Guidelines

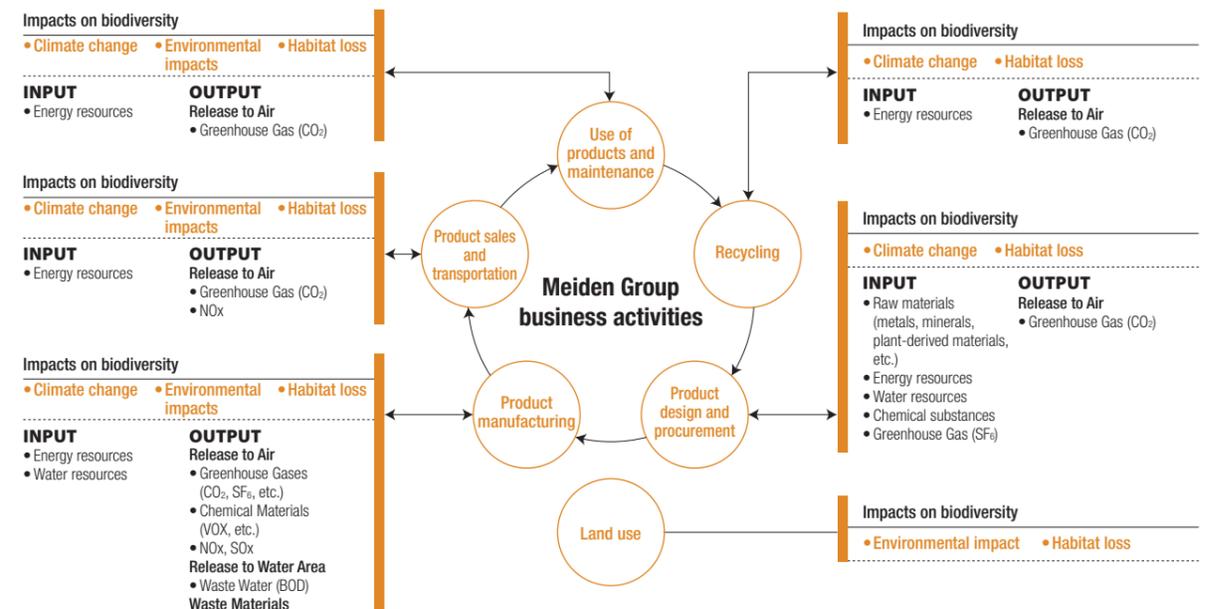
#### Basic Policy

We understand that our business activities benefit from the blessings of nature and at the same time, give various environmental impacts. We will deepen our people's understanding of the importance of "Conserving Biodiversity" and contribute to realizing a sustainable society through our products and innovative technologies.

#### Action Guidelines

- 1 We will contribute to conserving biodiversity through the development and supply of environmentally conscious products and innovative related technologies and thus promote our water processing business and renewable energy-related business and reduction of the use of hazardous chemical substances in our products.
- 2 We will clarify how our business activities interrelate with biodiversity and we will help to conserve biodiversity by reducing the environmental impacts of our business activities.
- 3 We will comply with applicable laws, regulations and international rules relating to biodiversity.
- 4 We will deepen our people's understanding of "conserving biodiversity" and we will take voluntary related initiatives at home and abroad.
- 5 We will undertake activities in cooperation with our stakeholders such as local communities, non-profit organizations (NPOs), and non-governmental organizations (NGOs), governments, etc., and we will promote environmental communication with such activities' information.

## Map of relationships between business activities and biodiversity



\* This map is based on the Business & Biodiversity Interrelationship Map® of the Japan Business Initiative for Biodiversity (JBIB).

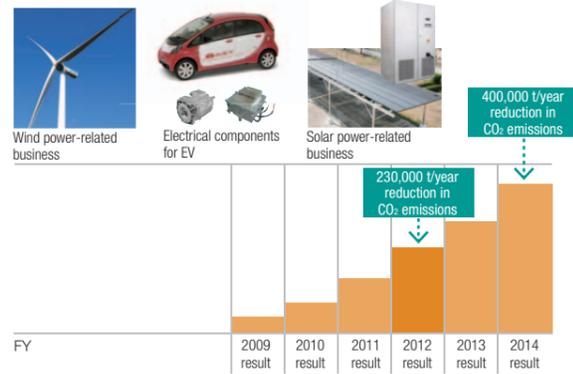
Promoting businesses that contribute to the environment

# Drawing on our technical resources of technologies and experience accumulated over a long period of time, we promote businesses that contribute to the environment (“Eco-contributing Businesses” (ECBs))

## Promote excellent ECBs

We identified the related businesses of three business fields (solar power, wind power, and electrical components for electric vehicles (EV)) as ECBs with high levels of contribution and we enlisted the resultant contribution of CO<sub>2</sub> emission effects through these businesses and the related products as environmental contribution volume and thereby set the eco-efficiency targets (For fiscal 2014, reduction of 400,000 t-CO<sub>2</sub>). We realized our target of a 200,000 t-CO<sub>2</sub> reduction in fiscal 2012, achieving the target reduction of 230,000 t-CO<sub>2</sub>.

### Contribute to mitigating Climate Change through the CO<sub>2</sub> reductions achieved by ECBs



\* The results figure for each fiscal year shows the aggregated figure of the annual CO<sub>2</sub> emissions reduction effect from products shipped since fiscal 2009

## Solar power-related business

Meiden has manufactured and marketed power conditioning subsystems (PCSs) for solar power since the 1980s, and we also have a proven track-record with many solar projects – for total system design as well as construction.

### Increasing sales of new PCS for mega-solar

Drawing on our rich know-how and experience relating to solar farm projects, we released a solar inverter, PCS for mega-solar in fiscal 2012. The model name is SP310-250T, marketed for industry-leading high power efficiency



SP310-250T: a PCS for use in solar power generation

(rated 96.5%) as a built-in transformer model. The 750V DC input reduces transmission loss and saves on construction costs by reducing the number of required cables and grounding boxes. By increasing sales of the PCS, we are contributing to significant reduction of CO<sub>2</sub> emissions.

### Construction of mega-solar farms

Meiden has had project consortiums with Mitsui & Co., Ltd. and Tokio Marine Asset Management Co., Ltd. to develop three mega-solar farm projects in Japan. In these projects Meiden is in charge of EPC (engineering, procurement, and construction). One mega-solar project, the 2.2MW Kumamoto Ichibu Solar Farm Project (located in Nishiki-machi, Kuma-gun, Kumamoto Prefecture), started commercial operation in April 2013. For other development of solar farms in Japan, we had a joint business project with Tokyo Electric Power Co., Inc. and Yamanashi Prefectural Government. This was the 10MW Komekurayama Solar Farm Project that commenced commercial operation in January 2012. These solar farms are contributing to CO<sub>2</sub> emissions reduction.



2.2MW Kumamoto Ichibu Solar Power Plant

## Wind power-related business

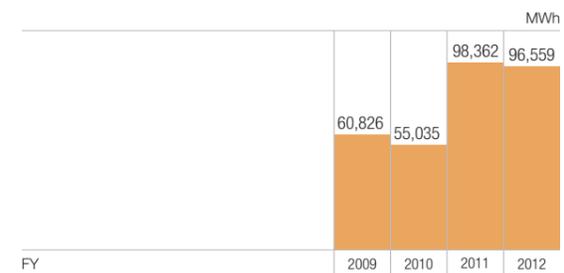
In addition to the development of permanent magnet generators (PMG) for wind power, we conducted development of generators for wind turbine generators for off-shore application and converters for wind turbine generators. To gain operational experience, we developed several wind farm projects in Japan and promoted the development of innovative technologies for wind power for the wider acceptance of wind power in Japan.

### Wind power generation business

We are operating a wind farm business through a Group company, M Winds Co., Ltd. and its affiliates. We have three wind farms in operation, producing and selling the power, in total, of about 100,000MWh per year (fiscal 2012). We are contributing to reduction of the CO<sub>2</sub> release.

For the construction of a wind farm project in Japan, we comply with the pre-construction long-term environmental assessment requirements by the Ministry of Environment in Japan. For each wind farm project, we also set the internal environmental assessment guidelines and conduct such programs before the construction. Through these programs, we can determine the presence or absence of any possibility of detrimental impact to living animal or plant life or migrating birds, etc. in the area. In this way, we are performing environmentally conscious business activities.

### Total power generated by the Meiden Group by year



Hachiryu Wind Farm

### Wind turbine generator system maintenance service business

Meiden conducts maintenance service business for our supplied wind turbine generator systems manufactured by REpower Systems SE, a German-based company.

We conduct periodic programs of “total inspection of blades (repairs for lightning damage to the blades)” and “preventive maintenance by gear oil analysis inside gear modules or by seismic vibration measurement.” By conducting such maintenance programs, we can factor out maintenance problems unique to wind turbine generators and reflect such findings in the maintenance plan. Through such programs, we aim to increase the availability of wind turbine generators and contribute to the reduction of CO<sub>2</sub> emissions.



Performing maintenance procedures

## Businesses related to electrical components for EV

Since the 1980s, we have developed various motors for EV car models. In fiscal 2009, we started supply of motor drive units for “i-MiEV,” a pure EV built by Mitsubishi Motors Corporation (“Mitsubishi Motors”) in Japan.

### Development of businesses related to plug-in hybrid electric vehicles (PHEV)

Electric vehicles are “zero emission cars” during driving and can reduce CO<sub>2</sub> emission levels compared with gasoline-engine vehicles. To extend the possible driving distance of EVs, it is necessary to deploy higher battery capacity. Plug-in hybrids EVs (PHEVs), as opposed to pure EVs, eliminate the range anxiety concerns because the gasoline engine serves as a back-up to recharge the battery to provide electric power to the electric motor. Meiden started supply of motor drive units and generators for the “Outlander,” a PHEV by Mitsubishi Motors. We contribute to reducing CO<sub>2</sub> emissions through the wider international acceptance of EVs and PHEVs.

Development of Environmentally Friendly Products

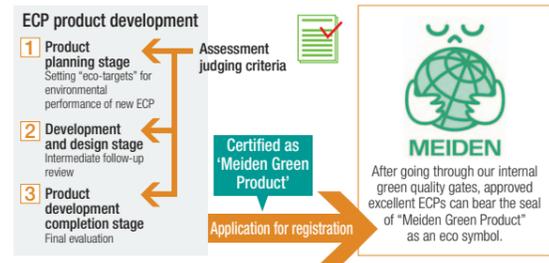
# Promote Environmentally Conscious Product (ECP) Development

## Internal Environmental Assessment for Products

The Meiden Group conducts internal product environmental impact assessments using its own set of standards for 'green product' development<sup>1</sup>, and promotes the development of environmentally conscious products (ECPs) with due consideration given to such factors as energy saving, conserving resources, recycling, etc. We have a certification system to approve excellent ECPs as "Meiden Green Products."

<sup>1</sup> Internal assessments are conducted at each stage of ECP development: 1) During product planning stage, 2) during development & design stage, and 3) during product development completion stage. Meiden Green Products have to clear all the above stages of our green quality gates.

### Evaluation Work Flow of Internal Product Environmental Impact Assessment



### Overview of Environmental Assessment Standards for Products

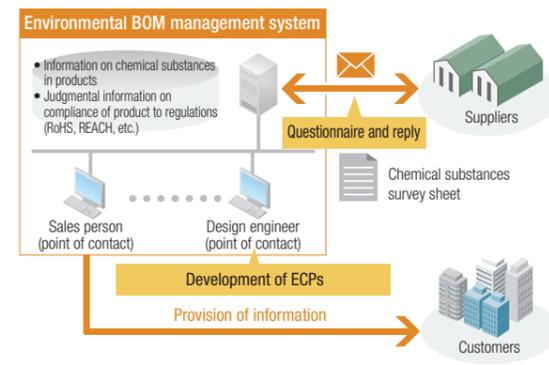
| Category                         | Evaluation item   | Category                          | Evaluation item   |
|----------------------------------|---|-----------------------------------|---|
| Reduction of product volume      | ① Weight<br>② External dimensions and volume<br>③ Reduction of number of components   | Long-term usability               | ① Ease of maintenance<br>② Reliability/Durability   |
| Conservation of energy/resources | ① Reduction of power consumption<br>② Conservation of water<br>③ Reduction of consumables<br>④ Reduction of packaging materials (Primary packaging) | Management of chemical substances | ① Level of environmental protection   |
| Recycling                        | ① Level of use of recycled materials<br>② Separability of materials<br>③ Ease of collection and transport   | Environmental safety              | ① Volatility<br>② Risk during separation or disassembly work<br>③ Environmental measures (Compliance with laws and regulations on noise emission and vibration issue) |
|                                  |   | Disclosure of information         | ① Information disclosure on product disposal conducted  |

## Management of chemical substances used in products

To comply with environmental regulations, including the RoHS Directive and EU REACH regulations, we introduced in fiscal 2009 an environmental BOM<sup>2</sup> management system. Under this system, suppliers provide us with information concerning the chemical substances contained in products and parts, etc. This contributes to the development of ECPs as we can calculate total chemical substances contained in our products and check the compliance level of our ECPs. For suppliers, we hold green partner meetings with them and exchange topics of chemical substance management. We are also working to share information by conducting explanatory workshops for suppliers. In addition, we are promoting the introduction of environmental BOM management systems at overseas Group manufacturing companies.

<sup>2</sup> BOM: Bill of Materials (List of Products and Parts)

### Diagram of environmental BOM management system





**Topics** Examples of Meiden Green Products certified in Fiscal 2012

**For T & D field - 72/84kV Eco Tank-type Vacuum Circuit Breaker (VCB)**

This product is an environmentally conscious dry air-insulated VCB that is totally free from SF<sub>6</sub> gas (greenhouse gas (GHG)). SF<sub>6</sub> gas switchgear required during repair or scheduled maintenance: taking measures to prevent SF<sub>6</sub> gas leakage, filling SF<sub>6</sub> gas. During the product disposal stage, it must fully remove the SF<sub>6</sub> gas. VCB can offer lower running cost and reduced disposal cost.

Not only the merit of no GHG gas, by the effect of adoption of an aluminum tank, decreased self-closing power in vacuum interrupter's arc quenching chamber performing as a switch, effective design for magnetic field environment inside the tank, we endeavored to realize a compact and lightweight design and high efficiency. By factoring the 3R (reduce, reuse, and recycle) elements, it has an easy-to-disassemble structural design. This creates an ECP that is easy for part replacement during repairs and easy to collect the usable parts at the disposal stage.

72/84kV Eco Tank-type VCB

Excellent points from previous model

- Weight decrease
- Saving energy and resources
- Recycling design
- Long product life for use

Enhancement of Environmental Measures

# Strive to reduce the Environmental Impact of All Our Business Activities

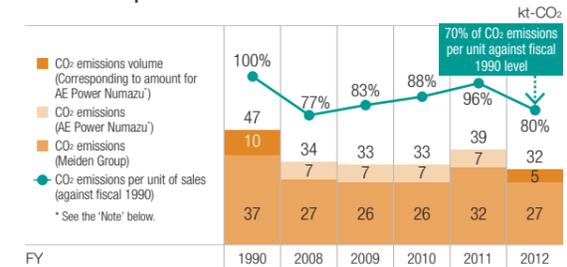
## Reducing CO<sub>2</sub> Emissions from Our Business Activities

In fiscal 2012, we set a target of a 30% reduction in CO<sub>2</sub> emissions per unit of sales<sup>3</sup> against fiscal 1990, and the result was a 20% reduction. The sales of products made in Japan slightly decreased and non-production-related CO<sub>2</sub> release increased. These factors made our CO<sub>2</sub> emissions per unit of sales revenue in fiscal 2012 lower than the target.

Meanwhile, our CO<sub>2</sub> emissions volume for fiscal 2012 was 32kt-CO<sub>2</sub>, (a 32% reduction against fiscal 1990). Our average reduction for the period from fiscal 2008 to fiscal 2012 was 27%, significantly exceeding the figure set by Japan in the Kyoto Protocol. Meiden secured the capital spending budget for the environmental measures and we are planning to introduce energy-saving facilities. For Fiscal 2013, we have a plan to introduce solar power facilities, efficient air-conditioning systems, LED lighting, etc.

<sup>3</sup> CO<sub>2</sub> emissions per unit of sales volume = Energy consumption (CO<sub>2</sub> equivalent) / Sales volume

### Trends in CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per unit of sales revenue in Japan



\* Up to fiscal 2011, national average results for each fiscal year published by the Federation of Electric Power Companies of Japan ("FEPCJ") were used for the CO<sub>2</sub> coefficient for electric power (receiving end); for fiscal 2012, FEPCJ's average target value for fiscal 2008-2012, 0.34t-CO<sub>2</sub>/MWh, was used.  
\* The figure for Meiden Group CO<sub>2</sub> emissions in fiscal 1990 was changed due to changes in the scope of calculation.

## Reducing Emissions of Greenhouse Gases (GHGs) Other than CO<sub>2</sub>

GHGs (other than CO<sub>2</sub>) released by Meiden Group are:  
 - SF<sub>6</sub> gas for our insulation tests of surge arresters, circuit breakers, etc.  
 - Methane and dinitrogen monoxide from the burning of fuels, etc.

In particular, as to the release of SF<sub>6</sub> gas having a very high effect of GHG, we actively promote the reduction of SF<sub>6</sub> gas emissions. In fiscal 2012, we worked to achieve a rate of SF<sub>6</sub> gas emissions of 3.4% or less against the amount of the gas we purchased. The result of fiscal 2012 was an emissions rate of 3.0%. Going forward, we will take some measures such as capacity increase for the SF<sub>6</sub> gas collection facility and application of an alternative insulation gas, and will strive to reduce SF<sub>6</sub> emissions further. Our combined emissions of methane and dinitrogen monoxide were 74t-CO<sub>2</sub> (CO<sub>2</sub> equivalent) in fiscal 2012. Although the level of reduction of such gases is a small amount, we will continue to monitor the release levels and make improvements, for instance by increasing combustion efficiency, etc.

### Amount of emissions of GHGs other than CO<sub>2</sub> in Japan

|  | Amount of emissions (t) | CO <sub>2</sub> equivalent (t-CO <sub>2</sub> ) |
|--|-------------------------|---|
| Methane (CH <sub>4</sub> )             | 1.39                    | 29  |
| Dinitrogen monoxide (N <sub>2</sub> O) | 0.14                    | 43  |
| Sulfur hexafluoride (SF <sub>6</sub> ) | 0.49                    | 11,800  |
| Hydrofluorocarbons (HFC)               | 0.38                    | 90  |
| Perfluorocarbon (PFC)                  | 0                       | 0   |

### Topics

#### Initiatives at Meiden Numazu Works

Meiden Numazu Works, a main manufacturing hub of the Group, promotes environmental management programs with the three pillars of key subjects: "Make EMS programs a part of the daily activities as EMS as a key management challenge," "Improve eco-efficiency through energy management system," and "Contribute to local communities."

#### Examples of initiatives for fiscal 2013

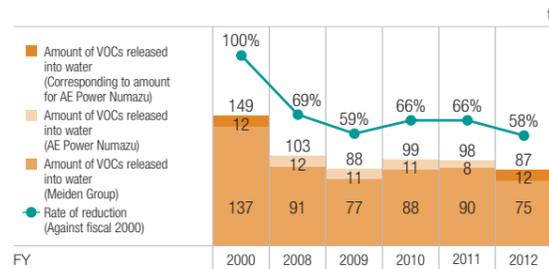
- Replacement of water-tube boilers with new small through-flow boilers
- Introduction of solar power system
- Reduction of power consumption through introduction of LED lighting



## Reducing Volatile Organic Compounds (VOCs) Release

In fiscal 2012, we set a target of a 30% reduction in figures for the release of VOCs against fiscal 2000 figures, and achieved a 42% reduction. Reduction factors include a reduction in our manufacturing activities for forged products and the introduction of varnish trickle impregnation technologies for the manufacture of new EV motors, etc. These significantly contributed to this reduction in VOC emissions. In fiscal 2013, we will continue to improve the varnish impregnation process and make further reductions in emissions.

### Trends in VOC release and rate of reduction in Japan



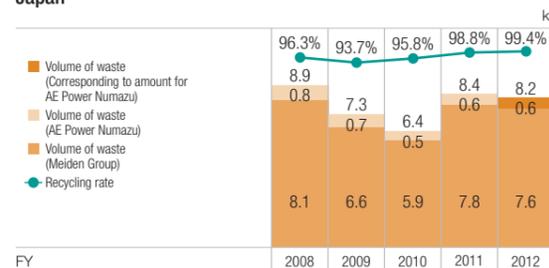
\* The figure for Meiden Group VOC release in fiscal 2000 was changed due to changes in the scope of calculation.

## Promoting the 3Rs for Wastes from Our Business Activities

The Meiden Group is promoting 3Rs (reduce, reuse, and recycle) of the wastes (including industrial waste, general waste, and saleable waste) produced by the Group's production hubs and offices in Japan. In fiscal 2012, we realized a total 99.4% waste recycling rate for the Group firms in Japan. In addition, we established a target of 'zero emission rate' of wastes<sup>1</sup> at five Japanese production hubs for fiscal 2012, and six business premises<sup>2</sup> actually achieved zero waste products. We are aiming to achieve zero wastes from the business activities in fiscal 2014, in particular, our major production hubs in Japan and servicing business units (BUs) like construction-related BUs.

<sup>1</sup> Meiden Group's definition of 'zero waste from business activities': Less than 1.0% of the total volume of wastes generated (industrial waste, general waste, saleable resources, but excluding sludge from construction) from the business activities are unrecyclable.  
<sup>2</sup> The six facilities that achieved zero emissions in fiscal 2012: Meiden Numazu Works, Meiden Ohta Works, Meiden Nagoya Works, Kofu Meidensha Electric Mfg. Co., Ltd., Hokuto Denko Corp. (Atsugi Plant), and Meiden Foundry Industrial Co., Ltd.

### Trends in volume of waste products, etc. and recycling rate in Japan



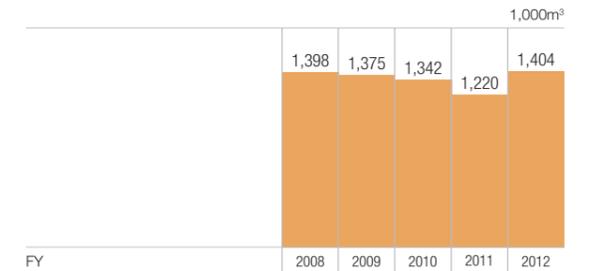
\* Construction sludge is not included in the volume of waste produced.

## Conserving water resources

The Meiden Group also considers the conserving of water resources to be an important issue for conserving biodiversity.

We are working to conserve water resources by constantly monitoring our water consumption volume.

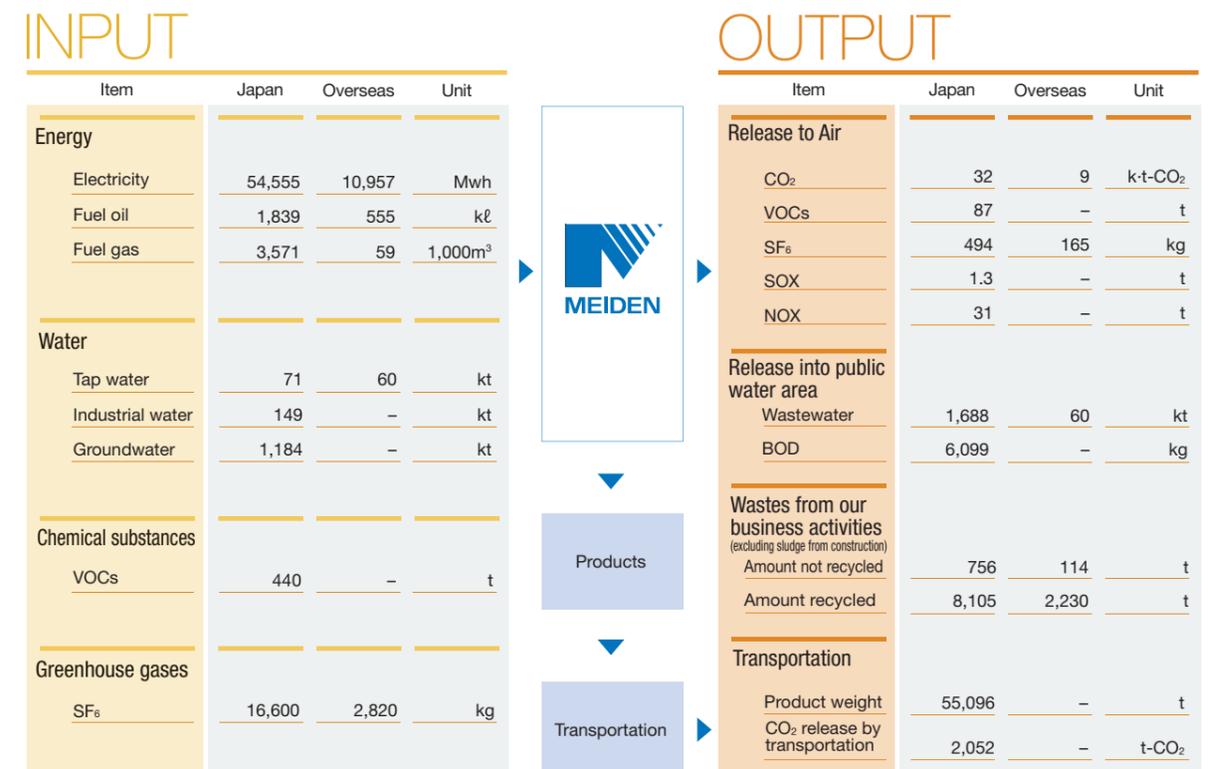
### Volume of water used by year in Japan



\* Total of tap water, industrial water, and groundwater.

## Overview of Environmental Impacts by Our Business Activities (Fiscal 2012)

At the Meiden Group, we monitor the environmental impacts from our business activities. Our rate of use of major resources and our environmental impacts from our business activities are shown below.



\* Average figures for the period from 2008 to 2010 published in the International Energy Agency (IEA)'s CO<sub>2</sub> Emissions from Fuel Combustion (2012 Edition) were used for the emission coefficient for power use for each country. For fuel oil and fuel gas, emission coefficients for each country published by the Greenhouse Gas Protocol Initiative were used.

Trickle impregnation

### Topics

#### Reduction of VOC release using trickle impregnation of low-styrene varnish (Kofu Meidensha Electric Mfg. Co., Ltd.)

Varnish is used in the motor production process in order to fix the coils in place. We previously used a process in which the rotors and stators were fully immersed in a tank of varnish using solvents containing styrene and other VOCs. For our new EV motors, we employ a varnish containing minimal VOCs, and use the trickle impregnation method, in which the amount of varnish necessary for impregnating the coils in place is directly trickled onto the coils. This has reduced the amount of varnish that we use, and significantly reduced releases of VOCs.

Note: Following the 2012 dissolution of Japan AE Power Systems Corporation, Japan (a joint venture of Hitachi-Fuji-Meiden by merging each T & D business since 2000, "AE Power"), the AE Power's business operations at Numazu City ("AE Power Numazu") were transferred to a new company called Meiden T&D Corp. in April 2012 (now merged in Meiden BUs). The graphs showing the volume of CO<sub>2</sub> emissions and VOC release and wastes from business activities show data for AE Power Numazu from fiscal 2008 to fiscal 2011. For the period prior to fiscal 2000 (Pre-AE Power) and fiscal 2012 (Post-AE Power), the amount of equivalent AE Power Numazu figures shows the corresponding then and current related figures by T&D activities of Meiden Group for reference.

**Moving Forward with Our Customers**

# We help resolve our customers' issues by offering high-quality products and services

## President's Quality Management Policy Directive for Fiscal 2013

### Offering customers peace of mind and satisfaction

**Mission:** "To produce trusted products and best product experience for the customers" While keep "the passion for manufacturing excellence" and by producing the high quality products and services, we aim to assist our customers in solving their issues and to produce the best product experience. We need to solidly implement the key policy measures to get the tangible results.

#### Basic Policy

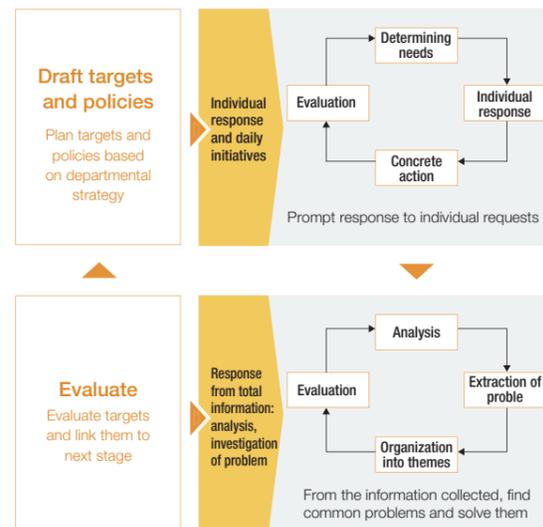
- 1 To enhance the best product and service experiences at the customers, we need to act as a "problem-solving partner" of the customers and thus we all need to get the actual feedbacks from our customers and shall fast take up the needed actions reflecting the demands and requirements of the customers.
- 2 To increase the quality level of the products and services (quality, delivery schedule and reliability level) and the job performance quality, we need to define what is each one's challenges and issues and start over the key actions: "Change, Stop (the nonessential matters) and Start Over (new things)". By practicing such actions, we shall make the incremental improvements on each step and realize the overall quality improvement.
- 3 Realizing by each and every member, the contribution of our products to the society and the damages to be inflicted by defective products and services, we will maintain a reliable level of technology, plan out reliable procedures for conducting our business, establish a reliable system to execute those procedures, and conduct our business with a sense of concern and the highest priority on safety.

## Incorporating Customer Comments in Products and Services

Meidensha watches market trends and listens to customers' information, wishes and disappointments so that we can offer satisfying products and services. We analyze these customer needs to propose solutions, develop new products and take concrete action to provide services and make improvements.

Each of the departments that interact with customers—development, marketing, engineering, manufacturing, onsite construction and maintenance—incorporates certain evaluation items and a review of the state of its own initiatives into subsequent plans, conducts a self-evaluation of initiative results and uses the PDCA cycle to enhance initiatives.

### Flow of initiatives for finding customer needs



Scene from a training session

#### Topics

### Building quality control skills

Meidensha gives rank-specific training in quality control technology to help staff learn the basics of quality control. This applies not only to production department staff directly engaged in product craftsmanship but also to new and young employees, mid-career leaders, and so on. In fiscal 2012, we expanded training to Group companies in Japan and abroad. Trainees learned the role of quality control, how to make improvements, the seven QC tools, "5 Whys" analysis, preventing human error, and preventing new and recurring defects. Practice was part of the training.

## Initiatives for Improving Quality

### Initiatives for error-proofing program against 3F situations (first time, far from norm, far in frequency)

Our aim is to be mindful of change points, when errors are likely to happen, and to be aware of risk and take steps against it in advance. We work to build mechanisms that examine, verify and control risks at three error-likely situations: 3Fs (first time, far from norm, far in frequency).

### Follow-up on quality improvement measures by executive officer

The Quality Control Officer visits each department's sites to check the state of quality improvement initiatives and appropriateness of recurrence prevention measures for any problems that have occurred. By seeing the actual situation on the ground, the officer works to ensure improvement in quality. Moreover, the direct contact with site staff increases quality awareness.



Follow-up by executive officer

## Earth-friendly craftsmanship enhancing product reliability, extending life, and boosting efficiency

### Enhancing Reliability

The Materials and Environmental Performance Analysis Center evaluates product reliability, prevents defects, and diagnoses cases of reduced life. These efforts are based on improving product quality, creating new products, and considering the environment.

In recent years, moreover, regulations on chemical substances have expanded internationally, as with the RoHS Directive and REACH Regulation. To respond to such regulations, we are preparing measuring techniques for harmful substances as listed in product and environmental regulations and we are actively applying these even to inexpensive, high-quality components outside Japan.



Analyzing electronic component quality by soft X-ray

### Front-Loading by Computer Analysis

The Analytic Simulation and Advanced Control Center practices front-loading, which is computer validation of designs by analysis simulation from the earliest stage, thereby determining the optimal design. This enhances product quality, shortens development time by reducing rework, and improves product performance and safety.

#### Topics

### Training Maintenance Engineers for Safety and Assurance



Maintenance technology training

Meidensha's Engineering Center, located next to the Numazu Works, provides skill and technology training for maintenance engineers. The curriculum covers nearly all Meidensha products, including ultra-high- and high-voltage substations, computer equipment, power conversion equipment, power generation equipment, motors, and more. The teaching approach is to let trainees learn by getting their hands on actual equipment. Trainees learn about the internal construction of equipment by using cut-away models of products. They get to actually operate disconnect switches and circuit breakers, test protective relays, and to operate power generation equipment and inverters, among other experiences. Teaching materials include the latest equipment, such as solar power generators.

This technical training develops engineers who help our customers run their equipment safely, securely, and efficiently.



## Working with Business Partners

## Practicing CSR throughout the supply chain based on fair trade

### Meiden Group Basic Procurement Policy

#### Basic Procurement Policy

- Compliance with applicable laws and social norms
- Fair trade based on free competition
- Consideration for the environment
- Building healthy partnerships

### Practicing Environmentally Aware Procurement

The Meiden Group works to build eco-friendly products, which reduce the environmental impacts across their life cycle from manufacturing to disposal. We have established Green Procurement Guidelines to promote procurement of products and services with little environmental burden. Following these guidelines ensures that we practice green procurement. We also survey our business partners to learn how they are addressing CSR and the environment using our CSR survey sheet (environmental activities survey sheet), and we obtain their cooperation in our CSR procurement activities, which include green procurement.

### Communication with Business Partners

#### Production Plan Briefings for Business Partners

Twice a year at the start of each fiscal year, our works, which are production bases, invite major business partners to a briefing session to learn about business conditions and plans in the Company and its various departments. In addition, we select certain business partners who have been especially cooperative with our materials procurement efforts, and we commend them and show them our appreciation at the briefing sessions.

Also, we use Web-EDI to make ordering, delivery date response, and delivery work more efficient, while the use of electronic information is making us ever more paperless.

### CSR Provisions Added to Basic Purchasing Agreement

We revised our basic purchasing agreement in fiscal 2012, adding provisions related to environmental management. To go with this, we held training/study sessions at our internal procurement departments in each area. Information provided here included the content of the explanation given to business partners.



At a study session



At a Meiden Group Procurement Meeting

#### Topics

#### A Stronger Procurement System throughout the Meiden Group

At periodic Meiden Group Procurement Meetings, we work to improve the Group-wide procurement platform. Meetings address four themes: thorough legal compliance, thorough CSR procurement, stronger risk management (BCP, internal control), and stronger human resource development.



## Together with Shareholders/Investors

## Communication Activities Based on Proactive Information Disclosure

### Information Disclosure and IR Initiatives

#### Information Disclosure Policy

The Meiden Group has established an information disclosure policy rooted in the basic stance found in our Corporate Code of Conduct that "We disclose corporate information in a timely fashion according to predetermined rules to ensure that our business activities are transparent and that customers, shareholders and other investors, local communities and other stakeholders correctly understand and trust us."

#### Communication with Institutional Investors and Analysts

We hold results briefing sessions twice a year to deepen understanding of the Meiden Group. Top managers explain our financial results and business strategy and answer questions from institutional investors and analysts. Materials distributed at these briefing sessions are also posted on our website so that individual shareholders and investors who cannot attend the sessions also have access to the information.



Results briefing session

#### Stronger Information Sharing

As the Meiden Group has stepped up business strategy overseas, we have strengthened our ability to provide information in languages other than Japanese. We have newly released an English version of our CSR Report. Our English and Chinese websites have enhanced content under the company profile and business overview, and have new IR and CSR information. In ways like these, we are working to make the Meiden Group better known outside Japan. We also actively published press releases and cooperated with media coverage so that information going through outside media would be more credible.

#### Providing Information through IR Tools

The Meiden Group endeavors to provide information to shareholders and investors with a variety of IR tools. We release a report every year to coincide with our regular general meeting of shareholders in June. Every December we publish a mid-term shareholders newsletter covering the latest topics along with semi-annual management and financial reporting, in a format that is easy to understand. Also, once a year we issue the Meidensha Report, which contains management, financial, and CSR information. These tools are also available on our website so that more stakeholders can access the information.



# Promote to Building a Positive Workplace to Enable Employees to Prove Their Potential Talents

## Promote Fair and Just Employment Practices and Support Diversity in the Workplace

### Employment Policy

Our basic policy is to evaluate employees in a fair and just manner and respect their individual abilities and willingness, irrespective of gender, educational background, age, etc.

### Hiring of People with Disabilities

The designated company, Meiden Universal Service Co., Ltd. ("Meiden Universal Service"), a Meiden Group company, for providing workplaces for people with intellectual disabilities, was established in 2006 and increased the number of workplaces by establishing branch offices and expanding the staffs at key Meiden manufacturing hubs in Japan. Meiden Universal Service was awarded by Ohta City Government, Gunma Prefecture as an excellent "Business Enterprise in Support of the Hiring of People with Disabilities."

From April 2013, the mandatory hiring level of people with disabilities was increased by the Japanese Labor Law to 2.0%. Not only the hiring at the designated company, but also at Meiden's Tokyo area, we promoted the hiring of such individuals. In fiscal 2012, we hired two (2) people in the Tokyo area. For fiscal 2013, we aim to increase the hiring of such persons at each major manufacturing hub in Japan.

### Rate of employment of people with disabilities

|  | 2009/6 | 2010/6 | 2011/6 | 2012/6 | 2013/6 |
|--|--------|--------|--------|--------|--------|
|  | 1.73%  | 1.95%  | 2.09%  | 2.12%  | 2.13%  |

## Human Resource Development

### Human Resource Development Policy

- ① We will develop human resources capable of contributing to the management philosophy and to securing the necessary profit for such objectives.
- ② We will provide advice and support to each person so that he or she can find their unique potential and can have career development to maximize their current and future job performance.

### Main Training Programs

- ① New-recruit training to help them get a smooth start as a working member of society and subsequent follow-up training after one year
- ② Newly promoted-employee training to enable them to have the necessary knowledge and way of thinking for their new job performance
  - \* We are reinforcing the training for younger cluster employees; in particular, young employees with third and fourth year company experience after joining.
  - We added the training for such company age groups. For newly promoted assistant managers or managerial staff, we have a training program immediately after their appointment and follow-up training. These training series will help them to acquire practical knowledge.
- ③ Subjectively based and participative training program in the form of collective training or by correspondence course. This program is for career development of each employee to enable him or her to acquire the necessary knowledge or skills for the career goal set by themselves.
- ④ Life-planning and career-design training program to help senior employees prepare for their retirement or post-company life-plan in Japan. This training will enable them to acquire the life-planning skills including budgeting.
- ⑤ Departmental training programs to foster professional people in each job description such as engineers, technicians, sales and marketing people.
- ⑥ Basic product technology introductory course for back-office staff to strengthen their basic knowledge base as members of a supplier company.



Engineer training at an overseas affiliate

### Topics

#### Strengthen Human Resource Development through Training of Overseas Meiden Group Managers and Technicians

We provide various training programs for the personal development of our employees as members of society or professionals. Following the training program for Overseas Meiden Group company engineers in Japan in fiscal 2011, we started a training program for Overseas Meiden Group company managers and technicians in fiscal 2012. We promote fostering and increasing 'global' business leaders and engineers among Overseas Meiden Group companies.

## Building a Positive Workplace with Job Satisfaction

### Promoting Work-Life Balance Practices

With the enactment of "the Act on Advancement of Measures to Support Raising Next Generation Children" in July 2003, a measure to counter the declining birthrate in Japan, since April 2005, we drew up an action plan to realize a good balance between work and child-rearing or work-life balance in general and conducted the related initiatives.

In the first half of fiscal 2012, we won an excellence award from Nagoya City Office in their program of "Nagoya City Child-Rearing Support Enterprise Recognition and Award Program." We conducted child-rearing support seminars and manager training programs for work and child-rearing balance. Through these programs, we can raise the awareness of various available programs for child-rearing support and promote workplaces that are positive about employees attending such programs. We can produce good results. For raising of awareness among children on manufacturing jobs, we held a "handicraft session" and for direct music experience, we held a "Meet-the-Music Session." We actively promoted community involvement programs and we received positive reviews.



A Scene at a Child-rearing Support Seminar (at Meiden Chubu Branch)



Meet-the-music Session

## Occupational Safety and Health Initiatives

### Establishment of President's Safety and Health Management Policy Statement

Each year the Meiden Group establishes a President's Safety and Health Management Policy Statement and undertakes safety and health initiatives in keeping with the policy.

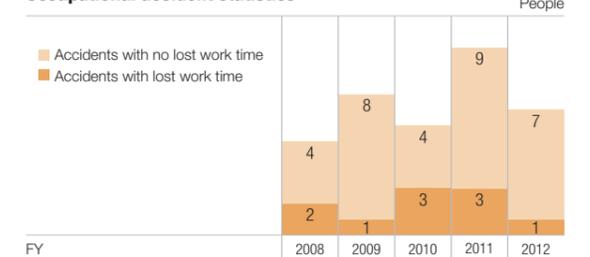
Recognizing that the safety and health of each employee are fundamental to company operations, we work to eliminate occupational accidents and enhance health management.

We also create English and Chinese versions of the President's Policy Statement and present the policy to all overseas Meiden Group companies.



Computer System Factory awarded for 3,000 consecutive accident-free days

### Occupational accident statistics



### Meiden Group Safety and Health Management Policy Statement for Fiscal 2013

In recognition of the sayings that "Safety is our first priority" and "Nothing is more valuable than good health," Meiden Group shall pursue the following initiatives to fully review the existing programs and promote and maintain safety and health management in accordance with the following Basic Policy and Code of Conduct Guideline on Occupational Health and Safety (OH&S).

#### Basic Policy

In order to realize our responsibilities under Meiden Group CSR, Meiden Group recognizes that the safety and health of our employees at work is the central core value issue for the Group, and shall implement action with everyone's help at all of our business units at home and abroad toward the objectives: "To secure a safe and comfortable work environment and help in realizing the work-life balance and better lives of our employees."

#### Code of Conduct Guideline on Occupational Health and Safety (OH&S)

The Group shall work towards realization of the Basic Policy in compliance with the following Code of Conduct Guideline on OH&S.

- ① Abide by applicable legislation and other regulations and strictly obey the existing rules regarding OH&S.
- ② Build the OH&S Management System in a phased manner and perform the Plan-Do-Check-Act Cycle on a continuous basis.
- ③ Promote risk assessment and seek to lessen risk factors to a permissible level at every workplace to realize safe workplaces and eliminate serious occupational accidents.
- ④ Realize a Group-wide safety and health system through OH&S education and training and internal patrol programs.
- ⑤ Promote a comfortable workplace environment through the 5 S's (Sort, Set in Order, Shine, Standardize, Sustain) Program and aim towards vibrant workplaces and productivity gains.
- ⑥ Raise awareness of OH&S at each Group employee level and strive to improve personal health on its own responsibility and work hard to maintain and build health.

In implementing the Code of Conduct, all our Group employees shall implement a safe and comfortable work environment with the help and guidance of the head of each business unit in accordance with "The Safety and Health Management Policy Guidelines for Fiscal 2013."

**Positive Communication with Local Communities**

# Aiming to realize a Prosperous Future Society through Community Involvement and Development

Through contributing to society by following the Meiden Group Social Contribution Policies, we work to maintain good communication with stakeholders that support the Group's business, and with members of the communities where we have our business bases.

### Meiden Group Social Contribution Policies

- 1 We shall contribute to the sustainable development of society through our main business of manufacturer and supplier of electromechanical products.
- 2 We appreciate the local communities that support our business activities and we shall execute social contribution that helps the progress of community development.
- 3 The Group's executive officers and employees shall voluntarily support our social contribution initiatives.

In 1918, Mrs. Take Shigemune, the second President of the Company and wife of our founder, Mr. Hosui Shigemune, used her own funds to establish Hosui Elementary School in Osaki (Shinagawa City, Tokyo), an area where the Company had a factory. Following in her footsteps, the Meiden Group makes a wide variety of social contributions through our active involvement with local communities and with society.

Since fiscal 2007, the 110th anniversary of our founding, we have conducted the "Meiden Handicraft Session" at Hosui Elementary School and other elementary schools in communities where we have our manufacturing hubs.

As of fiscal 2012, we were able to provide hands-on experience in the joy of making things to a total of 4,997 children.



A scene of assembling a Scroller II from kits with motor units

- Community** Involvement and Development
- Concern for **the environment** and coexistence with nature
- Conveying a message to **young adults and children**

For fiscal 2012, here are some examples of Meiden Group's social contribution programs that incorporate the key concepts above.

### We received an appreciation letter for our contribution to the restoration work of the South Miyagi Water Processing Center

As disaster relief, we worked to restore the electrical facilities of South Miyagi Water Processing Center, Miyagi Prefecture, Japan. In just two years after the occurrence of the major earthquake in 2011, we were able to fully restore the facilities. This fast action was highly rated by the industry and on March 25, 2013, Tohoku Regional Office of the Japan Sewage Works Agency presented us with a letter of appreciation.



At the project office of South Miyagi Water Processing Center (Meiden Group employees who worked hard to restore the facilities there)

### Green Energy Christmas

Meidensha has been a premier member of a car-sharing program called "Smart Share Club Osaki" since fiscal 2011. The organization undertakes various initiatives for building a sustainable society in support of its two key topics: "Build a disaster-proof town" and "Realize a low-carbon society in the region."

Smart Share Club Osaki (principal promoting office: "Osaki Area Management," an incorporated association), joined Green Energy Christmas, a project of the Agency for Natural Resources and Energy, an organization of the Ministry of Economy, Trade and Industry. From December 1 - 25, 2012, we decorated ThinkPark Tower (our head office building) and the area around the south exit of JR Osaki Station with beautiful lighting powered by green electricity certificates.\*



\* Smart Share Club Osaki purchased home solar-generated power in Shinagawa City through green energy certificates. During this Christmas period, we used about 1,800 kWh of green electricity.

### Donation of "Partner" Personal Lifts to Four Facilities Where Group Has Bases on 40th Anniversary of Founding of Meiden Kohsan Co., Ltd.

In memory of the 40th Anniversary in fiscal 2012, Meiden Kohsan Co., Ltd. donated its "Partner" personal lifts to four facilities in areas where the Meiden Group has manufacturing hubs. This was to express our special thanks to the community. Donations were made to the large facility institution as well as for a university R & D laboratory.



Tokyo area: Graduate School of Information Science and Technology at The University of Tokyo  
Our lift was donated to assist the development of the latest humanoid robots, including nursing care robots



Ohta area: "Resting Home - Hakkyuen," a nursing home in Ohta City, Gunma Prefecture.  
Our lift is being used as a supporting system for bathing work there.

### We joined the "Tree-Planting Ceremony" in Numazu City

Following on from last fiscal year's participation, our Meiden Numazu Works people joined the "Third Tree-planting Ceremony for making a forest in Numazu City." This event is one of the forest improvement initiatives as a part of "Eco Town Numazu" programs promoted by Numazu City Office.

In total about 450 people from Numazu City participated: the local elementary and junior high schools, companies, environmental groups, etc. We planted tree seedlings on the grounds of the candidate campus site of Shizuura Elementary and Junior High School facing Suruga Bay. From Meiden Group, we provided about 400 seedlings, and 37 employees and their family members joined this program. Following the instructions of Emeritus Professor Akira Miyawaki of Yokohama National University, the participating members practiced a tree-planting technique to plant the tree species rooted in the planting area and plant them in close formation, making the forest disaster resistant.



### Kofu Meidensha Electric Mfg. Co., Ltd. gave an Environmental Lesson for Elementary School Students

Kofu Meidensha Electric Mfg. Co., Ltd. taught an environmental lesson at Isawahigashi Elementary School in Fuefuki City, Yamanashi Prefecture.

Our people introduced Meiden Group environmental initiatives to 38 sixth-graders. Also, we gave them a riding experience in a pure EV, the "i-MIEV."

The students listened with great interest to the briefing of Meiden Group products that were quite new (unknown) to them.





**Thai Meidensha Co., Ltd.: Employees Travel to Plant Coral**

Employees of Thai Meidensha Co., Ltd., a Meiden Group engineering company in Thailand, make a trip every year to “do something for people at large.” In fiscal 2012, 200 employees, family members and others planted coral branches in a seaside town called Sattahi located at southern tip of Chonburi Province near Pattaya Beach. (In 2011, members did a thorough cleanup and painting of a local elementary school, had an exchange session with the students there, and donated educational equipment including PCs. In 2010, they planted baby mangrove trees in the seaside.)

The coral planting theme was “Life for sea.” Living coral branches were fixed to plastic pipe and lowered underwater at a point 200 meters off the coastline. The instructor explained why planting coral means cleaning the environment of the sea and what we should do for preserving the natural environment. Each and every participating member planted the coral and made a wish that it will grow successfully.



**Meiden Ohta Works: Clearing Undergrowth in the Red Pine Forest**

Members of Meiden Ohta Works cleared undergrowth in a red pine forest of Mt. Kanayama, Ohta City, Gunma Prefecture.

The red pines of Mt. Kanayama are a popular symbol of Ohta City among citizens, but the trees have been seriously damaged by pine bark beetles and lack of care (undergrowth), etc. As a result, many of these decayed and dead trees are cut down every year. The red pines hate undergrowth as it takes their nutrients. To preserve the red pine forest, Meiden Ohta Works signed up as the owner of 20 pine trees in 2000 and clears away the undergrowth around those trees every June.



At a nature observation session

**Topics**

**“Nature Observation Meeting” Program**

“ThinkPark Forest,” a zone in our head office building premises, creates a green space that seamlessly connects with the green zone of other nearby companies. The Meiden Group and neighboring companies started the “Nature Observation Meeting” from fiscal 2012. The meeting invites employees of event-sponsoring companies, and receives help and advice from the Nature Conservation Society of Japan on the day. We monitor and record the living matter in the green zone of Osaki Area during the four seasons.

Through the programs, we came to understand that there are various living things out there even in a metropolitan green zone of Osaki. Going forward, we plan to revitalize this meeting program as a community event and the same time, we would like to utilize our findings through the meetings for academic purposes.

**Corporate Governance**

We strive to conduct corporate management in a fair, highly transparent, fast and efficient manner and to improve the governance structure to secure the fairness of business practices

**Corporate Governance System**

**Basic Approach**

In order to realize the Group’s philosophy, we view it is essential to secure self-sustainability and self-governance and formulated the “Basic Policy to Improve the Governance Structure to Secure the Fairness of Business Practices” at a regular Meiden Board of Directors’ Meeting in May 2005, and thus are promoting stronger corporate governance.

**Basic Policy to Improve the Governance Structure to Secure the Fairness of Business Practices, which covers:**

- 1 System to ensure the directors’ performance of their duties complies with applicable laws and regulations and the terms of the provisions in the Articles of Incorporation
- 2 System to manage and store information relating to the directors’ performance of their duties
- 3 Internal rules and risk management system against risk-causing losses
- 4 System to secure directors’ efficient execution of their duties
- 5 System to ensure employees’ performance of their duties complies with applicable laws and regulations and the terms of the provisions of the Articles of Incorporation
- 6 System to ensure the Group conducts its business in a fair manner
- 7 Matters relating to employees who assist the performance of duties by corporate auditors
- 8 Matters relating to the separation of corporate auditors assisting employees from the supervision of the directors
- 9 System of reporting to the corporate auditors by directors and employees and a system of reporting to the corporate auditors by others
- 10 Other systems to ensure effective enforcement of auditing by the corporate auditor

**Policy Actions Update \*As of June 26, 2013**

In June 2003, the Company adopted an executive officer system. At the same time, we sought to reinforce the functions of the Board of Directors. For a part of these efforts, we separated the “decision-making authority and supervisory functions” and the “business performance functions” from the Board of Directors. The former functions were assigned to the Company’s directors, and the latter to the representative directors and executive officers who were delegated duties by the representative directors. As a result, the Board of Directors is responsible for making decisions from the standpoint of the entire Group, and for overseeing the overall management of the Group.

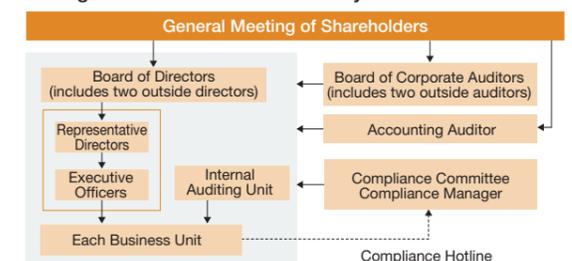
Two of the ten members of the Board of Directors are outside directors. This structure is designed to reinforce corporate governance by enhancing the Board’s supervisory function concerning the execution of duties.

Executive officers appointed by the Board of Directors comply with the Group management policies decided by the Board of Directors. They are responsible for executing their delegated and designated duties and perform their duties quickly while receiving the supervision of the related representative directors. The Company has adopted a corporate auditor system. The Board of Corporate Auditors consists of four members, two of whom are outside corporate auditors. The Board of Corporate Auditors communicates with directors, the internal auditing department, and other related departments, while adhering to auditing policies, the division of duties, and auditing rules for corporate auditors stipulated by the Board of Corporate Auditors. The corporate auditors attend Board of Directors Meetings and other important meetings, and audit the duties of directors by means of monitoring the business operations and financial conditions of the Group. We have an Internal Auditors Office to assist the Board of Corporate Auditors, which works under the direct control of the Board.

In addition, we have an Internal Auditing Division, which directly reports to the president, fulfilling the role of diagnosing the Group’s corporate fitness level in a regular manner. This 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. It also reports the results of internal audits to top management, and offers advice to the related employees on their performance of business duties.

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

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





## Compliance as a Major Pillar of Our CSR Activities

### Compliance System at the Meiden Group

#### Compliance Policy and System

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

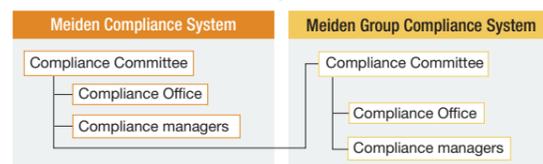
Given this policy, Meiden and its Group companies established a compliance committee at each level as per Meiden Group Compliance Promotion Rules. These committees actively communicate with each other and promote CSR programs.

The purpose of our Compliance Committee is to decide on policies for compliance programs, arrange compliance awareness campaigns, respond to internal information on COC violations, and compile the common committee's opinions on various events that have occurred and take action to resolve the issues. The activities of the Committee are reported to the representative director (Compliance) and lawyer and we strongly promote our compliance programs and secure the transparency of those programs.

Each workplace has a compliance manager, who makes sure that the Committee's policies are well understood and the business activities comply with the applicable laws, regulations and social norms. The compliance manager also offers consultation to any employee who seeks advice on some problem and, when necessary, reports to the head of the workplace to offer advice to correct the problem. The compliance manager reports periodically on these activities to the Committee.

Compliance activities are also in place at overseas Meiden Group companies. As per the medium-term management plans, we are planning to select leader companies in the designated regions and will promote improvement of internal rules and the establishment of Compliance Committees for the designated regions.

#### 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").

For the Internal Hotline System, any employee in Japan can enter the 'hot-line site on compliance violations' on an anonymous basis. For the Public Whistleblower System, the contact points by phone are available at internal telephones and the external third-party phone. The third-party phone is located at the law firm to protect the whistleblower and to secure fairness in response to compliance violation information.

The Compliance Committee studies information that is brought to the above points of contact, and, if necessary, consults with a lawyer for resolution.

#### Compliance Education and Information Exchange Meetings

The Meiden Group holds Compliance Information Exchange Meetings at major business premises in Japan. The purpose is to maintain and raise compliance awareness and receive input from the workplaces from each compliance manager. The Compliance Information Exchange Meetings also serve as education for compliance managers. The compliance managers and selected employees are trained and exchange views with the Compliance Committee. These events were held at 22 locations in Japan in fiscal 2012, inviting a total of about 1,300, including compliance managers and selected Group employees. The committees reported on their companies' compliance activities, on individual whistleblower cases and on how the Company responded. Lectures were given on how to create a positive working environment and participants learned the applicable laws and regulations, especially focusing on the Antimonopoly Act and the Act Against Delay in 'Payment, etc.' to Subcontractors. For their part, the participants talked about their workplace conditions, and expressed their opinions and hopes to the committees. We aim to reflect these participants' ideas and hopes in formulating this fiscal year's compliance program policies for even better compliance activities.



Information exchange meeting



## Activities to Prevent Various Risks and Minimize Impacts on Occurrence

### A Stronger Risk Management System

In fiscal 2012, we established a Company-Wide Risk Management Committee (RMC). Based on the RMC regulations, we created necessary action lists and compiled detailed rules. In order to define Meiden Group risk management program policies, we formulated the "Business Risk Management Policy."

Going forward, we will take a consistent approach to risk management.

#### Operations of the Company-Wide Risk Management Committee

Under the guidance of the Company-Wide RMC, each working group committee (WGC) in the Company gathered information about potential serious business risks in each business operation. Based on the report by the WGCs, actions were taken to address urgent and vital business risk matters with top priority.

Going forward, we will collect the latest related information, especially on serious risk factors such as earthquake disasters, information security, and any new influenza virus, and will continuously take measures to prepare for any such occurrences.

### Programs for Intellectual Property (IP) Protection and Use

#### Basic Intellectual Property Policy

The Medium-term Management Plan POWER 5 Phase III lists "Advancement of craftsmanship for the Meiden Group's new solid growth" as a basic policy. To support this theme of "advancing our manufacturing excellence" in terms of IP rights, we aim to contribute to the business of the Meiden Group by reducing IP risks (such as the risk of IP infringements with other firms) and by supporting IP-related activities at Meiden Group, i.e., supporting R&D programs, protection and effective use of R&D activities results, etc.

#### Initiatives in support of Meiden Group Going Global

The Meiden Group lists "Strengthen Meiden Group overseas strategy" as one of the key policy topics in POWER 5 Phase III. The Intellectual Property Division is promoting patent registrations in many countries and the effective use of our IP rights in overseas markets. As a result, our patent applications to overseas patent offices show an increasing trend every year. In order to avoid IP disputes with other firms in overseas markets, we are strongly conducting market research on patent infringement risks.



Company-Wide Disaster Response Office



Numazu Area Disaster Response Office

#### Topics

#### Implementation of Total Disaster Reduction Drills

In fiscal 2012, we conducted a disaster reduction drill at key spots in Meiden Numazu Works. This exercise was based on the worst-case scenario of the Great Tokai Area Earthquake (estimated to be potentially larger in size than the Great East Japan Earthquake in 2011). The drills included evacuation to high ground against tsunami, contacting exercises with other key business hubs in Japan for confirmation of the safety of designated people, and sharing of updates of disaster information. We also conducted an emergency relief team loading exercise for relief materials and products. This additional exercise was made after reviewing the last fiscal year's disaster reduction drills to create more effective exercise programs.

# Directors / Corporate Auditors

As of June 26, 2013

## Directors



CHAIRMAN  
**Junzo Inamura**



PRESIDENT  
**Yuji Hamasaki**



EXECUTIVE VICE PRESIDENT  
**Kozo Masaki**



EXECUTIVE VICE PRESIDENT  
**Akira Wachi**

Director and Senior Managing Executive Officer  
**Gentaro Kawashima**

Director and Senior Managing Executive Officer  
**Takeshi Miida**

Director and Senior Managing Executive Officer  
**Koichi Yamamoto**

Director and Senior Managing Executive Officer  
**Mamoru Sugii**

Outside Director  
**Hiroyuki Takenaka**

Outside Director  
**Botaro Hirosaki**

## Corporate Auditors

Senior Corporate Auditor  
**Kazuyuki Tanaka**

Senior Corporate Auditor  
**Tetsuo Yamada**

Corporate Auditor  
**Masakiyo Inoue**

Corporate Auditor  
**Yoshiaki Shin**

# Financial Statements

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- p.54 • Consolidated Statements of Comprehensive Income (Loss)
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- p.57 • Consolidated Statements of Cash Flows

## Consolidated Balance Sheets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (as of March 31, 2013 and 2012)

| Assets   | Million of yen   |                  | Thousand of<br>U.S. dollars (Note1) |
|--|------------------|------------------|-------------------------------------|
|  | 2013             | 2012             | 2013                                |
| <b>Current assets:</b>   |                  |                  |                                     |
| Cash and time deposits (Note 19)                                   | ¥ 7,568          | ¥ 12,748         | \$ 80,511                           |
| Receivables:   |                  |                  |                                     |
| Trade notes  | 3,618            | 2,533            | 38,489                              |
| Trade accounts   | 69,655           | 62,199           | 741,011                             |
| Loans receivable and advances                                      | 596              | 321              | 6,340                               |
| Due from unconsolidated subsidiaries and affiliates                | 674              | 895              | 7,170                               |
| Allowance for doubtful accounts                                    | (349)            | (336)            | (3,713)                             |
| Inventories (Note 5)   | 38,544           | 31,571           | 410,043                             |
| Deferred income taxes (Note 17)                                    | 4,681            | 3,501            | 49,798                              |
| Other current assets   | 2,686            | 3,153            | 28,574                              |
| Total current assets   | 127,673          | 116,585          | 1,358,223                           |
| <b>Property, plant and equipment:</b>                              |                  |                  |                                     |
| Land (Note 8)  | 12,714           | 9,356            | 135,255                             |
| Buildings and structures (Notes 6 and 8)                           | 77,624           | 75,551           | 825,787                             |
| Machinery and equipment (Note 6)                                   | 60,728           | 54,930           | 646,043                             |
| Construction in progress   | 1,003            | 1,510            | 10,670                              |
| Less: Accumulated depreciation                                     | (85,204)         | (79,974)         | (906,425)                           |
| Net property, plant and equipment                                  | 66,865           | 61,373           | 711,330                             |
| <b>Investments and other assets:</b>                               |                  |                  |                                     |
| Investment securities (Notes 4 and 8)                              | 15,882           | 13,173           | 168,957                             |
| Investments in unconsolidated subsidiaries and affiliates (Note 4) | 191              | 8,138            | 2,032                               |
| Long-term loans receivable   | 31               | 29               | 330                                 |
| Deferred income taxes (Note 17)                                    | 6,595            | 6,617            | 70,160                              |
| Software   | 4,448            | 3,471            | 47,319                              |
| Goodwill   | 882              | —                | 9,383                               |
| Other assets   | 2,167            | 2,440            | 23,053                              |
| Allowance for doubtful accounts                                    | (111)            | (93)             | (1,181)                             |
| Total investments and other assets                                 | 30,085           | 33,775           | 320,053                             |
| <b>Total assets</b>  | <b>¥ 224,623</b> | <b>¥ 211,733</b> | <b>\$ 2,389,606</b>                 |

See accompanying notes.

## Consolidated Balance Sheets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (as of March 31, 2013 and 2012)

| Liabilities and Net assets  | Million of yen   |                  | Thousand of<br>U.S. dollars (Note1) |
|---|------------------|------------------|-------------------------------------|
|   | 2013             | 2012             | 2013                                |
| <b>Current liabilities:</b>   |                  |                  |                                     |
| Short-term borrowings (Note 7)  | ¥ 2,201          | ¥ 1,736          | \$ 23,415                           |
| Commercial paper (Note 7)   | 26,000           | 23,500           | 276,596                             |
| Current portion of long-term debt (Notes 7 and 8)                     | 9,597            | 5,957            | 102,096                             |
| Payables:   |                  |                  |                                     |
| Trade notes   | 5,914            | 6,412            | 62,915                              |
| Trade accounts  | 24,549           | 22,751           | 261,160                             |
| Due to unconsolidated subsidiaries and affiliates                     | 109              | 3,863            | 1,160                               |
| Advances received from customers                                      | 8,949            | 8,331            | 95,202                              |
| Accrued income taxes  | 2,618            | 1,254            | 27,851                              |
| Accrued bonuses for employees   | 5,846            | 4,798            | 62,191                              |
| Provision for product warranties                                      | 550              | 249              | 5,851                               |
| Provision for loss on orders  | 1,061            | 659              | 11,287                              |
| Other current liabilities   | 25,414           | 22,518           | 270,361                             |
| Total current liabilities   | 112,808          | 102,028          | 1,200,085                           |
| <b>Long-term liabilities:</b>   |                  |                  |                                     |
| Long-term debt (Notes 7 and 8)  | 19,649           | 27,858           | 209,032                             |
| Employees' severance and retirement benefits (Note 9)                 | 30,060           | 24,171           | 319,787                             |
| Reserve for retirement allowance for directors and corporate auditors | 120              | 116              | 1,277                               |
| Provision for environmental measures                                  | 952              | 1,070            | 10,128                              |
| Provision for loss on guarantees                                      | 17               | 12               | 181                                 |
| Deferred income taxes (Note 17)                                       | —                | 44               | —                                   |
| Other Long-term liabilities   | 2,940            | 3,012            | 31,276                              |
| Total Long-term liabilities   | 53,738           | 56,283           | 571,681                             |
| <b>Contingent liabilities</b> (Note 12)                               |                  |                  |                                     |
| <b>Net assets</b> (Note 10):  |                  |                  |                                     |
| Common stock  |                  |                  |                                     |
| Authorized — 576,000,000 shares                                       |                  |                  |                                     |
| Issued and outstanding — 227,637,704 shares                           | 17,070           | 17,070           | 181,596                             |
| Capital surplus   | 13,197           | 13,197           | 140,393                             |
| Retained earnings   | 22,942           | 19,825           | 244,064                             |
| Less: Treasury stock, at cost   | (154)            | (152)            | (1,638)                             |
| Unrealized gains on securities, net of taxes                          | 4,432            | 2,665            | 47,149                              |
| Unrealized losses on hedging derivatives, net of taxes                | (85)             | (90)             | (904)                               |
| Foreign currency translation adjustment                               | (295)            | (1,309)          | (3,139)                             |
| Minority interests  | 970              | 2,216            | 10,319                              |
| Total net assets  | 58,077           | 53,422           | 617,840                             |
| <b>Total liabilities and net assets</b>                               | <b>¥ 224,623</b> | <b>¥ 211,733</b> | <b>\$ 2,389,606</b>                 |

See accompanying notes.

## Consolidated Statements of Income

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2013, 2012 and 2011)

|  | Million of yen   |           |           | Thousand of<br>U.S. dollars (Note1) |
|--|------------------|-----------|-----------|-------------------------------------|
|  | 2013             | 2012      | 2011      | 2013                                |
| <b>Net sales</b> (Note 16)   | <b>¥ 197,733</b> | ¥ 181,107 | ¥ 167,729 | <b>\$ 2,103,543</b>                 |
| <b>Cost of sales</b> (Notes 13 and 14)   | <b>150,255</b>   | 138,890   | 128,910   | <b>1,598,458</b>                    |
| <b>Selling, general and administrative expenses</b> (Notes 13 and 14)                  | <b>39,597</b>    | 35,938    | 33,041    | <b>421,245</b>                      |
| <b>Operating income</b>  | <b>7,881</b>     | 6,279     | 5,778     | <b>83,840</b>                       |
| <b>Other income (expenses):</b>  |                  |           |           |                                     |
| Interest and dividend income   | 406              | 394       | 415       | 4,319                               |
| Interest expense   | (804)            | (880)     | (901)     | (8,553)                             |
| Equity in net income (loss) of affiliated companies                                    | (314)            | 286       | 40        | (3,340)                             |
| Gain on sales of marketable securities and investment securities (Note 4)              | 6                | 7         | 8         | 64                                  |
| Loss on devaluation of securities  | (3)              | (440)     | (1,121)   | (32)                                |
| Loss on valuation of stocks of subsidiaries and affiliates                             | —                | (1,379)   | —         | —                                   |
| Loss on disposal of inventories  | —                | —         | (57)      | —                                   |
| Loss on disposal of fixed assets   | (129)            | (60)      | (167)     | (1,372)                             |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | —                | —         | (25)      | —                                   |
| Gain on sales of fixed assets  | 30               | 14        | 7         | 319                                 |
| Provision of allowance for doubtful accounts   | (17)             | (43)      | (0)       | (181)                               |
| Loss on product warranties   | —                | —         | (800)     | —                                   |
| Provision for environmental measures   | —                | —         | (605)     | —                                   |
| Early extra retirement payments  | —                | —         | (270)     | —                                   |
| Loss on termination of a retirement benefit plan (Note 9)                              | (66)             | —         | —         | (702)                               |
| Settlement of contract amendment (Note 15)   | (449)            | —         | —         | (4,777)                             |
| Others   | (667)            | (1,092)   | (200)     | (7,096)                             |
| <b>Income (loss) before income taxes and minority interests</b>                        | <b>5,874</b>     | 3,086     | 2,102     | <b>62,489</b>                       |
| <b>Income taxes</b> (Note 17):   |                  |           |           |                                     |
| Current  | 3,184            | 1,552     | 1,399     | 33,872                              |
| Prior year   | —                | —         | 239       | —                                   |
| Deferred   | (1,519)          | (360)     | (94)      | (16,160)                            |
| Total  | 1,665            | 1,192     | 698       | 17,712                              |
| <b>Income (loss) before minority interests</b>   | <b>4,209</b>     | 1,894     | 1,404     | <b>44,777</b>                       |
| <b>Minority interests</b>  | <b>184</b>       | 215       | 208       | <b>1,958</b>                        |
| <b>Net income (loss)</b> (Note 21)   | <b>¥ 4,025</b>   | ¥ 1,679   | ¥ 1,196   | <b>\$ 42,819</b>                    |

|   | Yen     |        |        | U.S. dollars<br>(Note1) |
|---|---------|--------|--------|-------------------------|
|   | 2013    | 2012   | 2011   | 2013                    |
| <b>Amounts per share of common stock</b> (Note 21): |         |        |        |                         |
| Net income (loss)                                   | ¥ 17.74 | ¥ 7.40 | ¥ 5.27 | \$ 0.19                 |
| Cash dividends applicable to the year               | 5.00    | 4.00   | 4.00   | 0.05                    |

See accompanying notes.

## Consolidated Statements of Comprehensive Income (Loss)

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2013, 2012 and 2011)

|  | Million of yen |         |         | Thousand of<br>U.S. dollars (Note1) |
|--|----------------|---------|---------|-------------------------------------|
|  | 2013           | 2012    | 2011    | 2013                                |
| <b>Income (loss) before minority interests</b>   | <b>¥ 4,209</b> | ¥ 1,894 | ¥ 1,404 | <b>\$ 44,777</b>                    |
| <b>Other comprehensive income (loss)</b>   |                |         |         |                                     |
| Unrealized gains (losses) on securities, net of taxes                                      | 1,767          | 131     | (998)   | 18,798                              |
| Unrealized gains (losses) on hedging derivatives, net of taxes                             | 3              | (50)    | 5       | 32                                  |
| Foreign currency translation adjustment  | 1,168          | (242)   | (363)   | 12,425                              |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 7              | 11      | 32      | 74                                  |
| Total other comprehensive income (loss) (Note 11)  | 2,945          | (150)   | (1,324) | 31,329                              |
| <b>Comprehensive income (loss)</b>   | <b>7,154</b>   | 1,744   | 80      | <b>76,106</b>                       |
| Comprehensive income (loss) attributable to:   |                |         |         |                                     |
| Comprehensive income (loss) attributable to owners of the parent                           | 6,811          | 1,609   | (76)    | 72,457                              |
| Comprehensive income (loss) attributable to minority interests                             | 343            | 135     | 156     | 3,649                               |

See accompanying notes.

## Consolidated Statements of Shareholders' Equity/Changes in Net Assets

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2013, 2012 and 2011)

|                                    | Million of yen          |              |                 |                   | Million of yen          |  |  |   |                    |         |
|------------------------------------|-------------------------|--------------|-----------------|-------------------|-------------------------|--|--|---|--------------------|---------|
|                                    | Number of shares issued | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Unrealized gains on securities, net of taxes | Unrealized losses on hedging derivatives, net of taxes | Foreign currency translation adjustment | Minority interests | Total   |
| <b>Net assets at April 1, 2010</b> | 227,637,704             | ¥17,070      | ¥13,197         | ¥19,244           | (¥145)                  | ¥3,530                                       | (¥51)  | (¥871)                                  | ¥2,158             | ¥54,132 |
| Net income                         |                         |              |                 | 1,196             |                         |  |  |   |                    | 1,196   |
| Cash dividends                     |                         |              |                 | (908)             |                         |  |  |   |                    | (908)   |
| New Consolidated Investment        |                         |              |                 | (428)             |                         |  |  |   |                    | (428)   |
| Change of scope of equity method   |                         |              |                 | (47)              |                         |  |  |   |                    | (47)    |
| Acquisition of treasury stock      |                         |              |                 |                   | (6)                     |  |  |   |                    | (6)     |
| Disposal of treasury stock         |                         |              | 0               |                   | 0                       |  |  |   |                    | 0       |
| Net changes during the year        |                         |              |                 |                   |                         | (1,015)                                      | 5  | (262)                                   | 55                 | (1,217) |
| <b>Balance at March 31, 2011</b>   | 227,637,704             | ¥17,070      | ¥13,197         | ¥19,057           | (¥151)                  | ¥2,515                                       | (¥46)  | (¥1,133)                                | ¥2,213             | ¥52,722 |
| <b>Net assets at April 1, 2011</b> | 227,637,704             | ¥17,070      | ¥13,197         | ¥19,057           | (¥151)                  | ¥2,515                                       | (¥46)  | (¥1,133)                                | ¥2,213             | ¥52,722 |
| Net income                         |                         |              |                 | 1,679             |                         |  |  |   |                    | 1,679   |
| Cash dividends                     |                         |              |                 | (908)             |                         |  |  |   |                    | (908)   |
| New Consolidated Investment        |                         |              |                 | (3)               |                         |  |  |   |                    | (3)     |
| Acquisition of treasury stock      |                         |              |                 |                   | (2)                     |  |  |   |                    | (2)     |
| Disposal of treasury stock         |                         |              | 0               |                   | 1                       |  |  |   |                    | 1       |
| Net changes during the year        |                         |              |                 |                   |                         | 150  | (44)   | (176)                                   | 3                  | (67)    |
| <b>Balance at March 31, 2012</b>   | 227,637,704             | ¥17,070      | ¥13,197         | ¥19,825           | (¥152)                  | ¥2,665                                       | (¥90)  | (¥1,309)                                | ¥2,216             | ¥53,422 |
| <b>Net assets at April 1, 2012</b> | 227,637,704             | ¥17,070      | ¥13,197         | ¥19,825           | (¥152)                  | ¥2,665                                       | (¥90)  | (¥1,309)                                | ¥2,216             | ¥53,422 |
| Net income                         |                         |              |                 | 4,025             |                         |  |  |   |                    | 4,025   |
| Cash dividends                     |                         |              |                 | (908)             |                         |  |  |   |                    | (908)   |
| Acquisition of treasury stock      |                         |              |                 |                   | (2)                     |  |  |   |                    | (2)     |
| Disposal of treasury stock         |                         |              | (0)             |                   | 0                       |  |  |   |                    | 0       |
| Net changes during the year        |                         |              |                 |                   |                         | 1,767  | 5  | 1,014                                   | (1,246)            | 1,540   |
| <b>Balance at March 31, 2013</b>   | 227,637,704             | ¥17,070      | ¥13,197         | ¥22,942           | (¥154)                  | ¥4,432                                       | (¥85)  | (¥295)                                  | ¥970               | ¥58,077 |

|                                    | Thousand of U.S. dollars (Note 1) |              |                 |                   | Thousand of U.S. dollars (Note 1) |  |  |   |                    |           |
|------------------------------------|-----------------------------------|--------------|-----------------|-------------------|-----------------------------------|--|--|---|--------------------|-----------|
|                                    | Number of shares issued           | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost           | Unrealized gains on securities, net of taxes | Unrealized losses on hedging derivatives, net of taxes | Foreign currency translation adjustment | Minority interests | Total     |
| <b>Net assets at April 1, 2012</b> | 227,637,704                       | \$181,596    | \$140,393       | \$210,904         | (\$1,617)                         | \$28,351                                     | (\$957)  | (\$13,926)                              | \$23,574           | \$568,318 |
| Net income                         |                                   |              |                 | 42,819            |                                   |  |  |   |                    | 42,819    |
| Cash dividends                     |                                   |              |                 | (9,659)           |                                   |  |  |   |                    | (9,659)   |
| Acquisition of treasury stock      |                                   |              |                 |                   | (21)                              |  |  |   |                    | (21)      |
| Disposal of treasury stock         |                                   |              | (0)             |                   | 0                                 |  |  |   |                    | 0         |
| Net changes during the year        |                                   |              |                 |                   |                                   | 18,798                                       | 53   | 10,787                                  | (13,255)           | 16,383    |
| <b>Balance at March 31, 2013</b>   | 227,637,704                       | \$181,596    | \$140,393       | \$244,064         | (\$1,638)                         | \$47,149                                     | (\$904)  | (\$3,139)                               | \$10,319           | \$617,840 |

See accompanying notes.

## Consolidated Statements of Cash Flows

MEIDENSHA CORPORATION AND CONSOLIDATED SUBSIDIARIES (years ended March 31, 2013, 2012 and 2011)

|   | Million of yen |                |                | Thousand of<br>U.S. dollars (Note1) |
|---|----------------|----------------|----------------|-------------------------------------|
|   | 2013           | 2012           | 2011           | 2013                                |
| <b>Operating activities:</b>  | <b>¥ 5,874</b> | <b>¥ 3,086</b> | <b>¥ 2,102</b> | <b>\$ 62,489</b>                    |
| Income (loss) before income taxes and minority interests  |                |                |                |                                     |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities:           |                |                |                |                                     |
| Depreciation and amortization   | 7,930          | 7,008          | 7,166          | 84,362                              |
| Gain on negative goodwill   | (252)          | –              | –              | (2,681)                             |
| Increase (decrease) in allowances   | 4,099          | 976            | 2,835          | 43,606                              |
| Interest and dividend income  | (406)          | (394)          | (415)          | (4,319)                             |
| Equity in net loss (income) of affiliated companies   | 314            | (286)          | (40)           | 3,340                               |
| Interest expense  | 804            | 880            | 901            | 8,553                               |
| Gain on sales of marketable securities and investment securities  | (6)            | (7)            | (8)            | (64)                                |
| Gain on sales of fixed assets   | (30)           | (14)           | (7)            | (319)                               |
| Loss on disposal of fixed assets  | 129            | 60             | 167            | 1,372                               |
| Loss on devaluation of securities   | 3              | 440            | 1,121          | 32                                  |
| Decrease (increase) in receivables  | (5,531)        | (5,866)        | (580)          | (58,840)                            |
| Decrease (increase) in inventories  | 1,163          | (1,398)        | (2,381)        | 12,372                              |
| Increase (decrease) in payables   | (4,058)        | 5,188          | 4,747          | (43,170)                            |
| Other-net   | 1,378          | 3,715          | 327            | 14,661                              |
| Sub-total   | 11,411         | 13,388         | 15,935         | 121,394                             |
| Interest and dividend received  | 438            | 378            | 426            | 4,660                               |
| Interest expense paid   | (759)          | (848)          | (858)          | (8,075)                             |
| Income taxes paid   | (1,784)        | (1,475)        | (793)          | (18,979)                            |
| Net cash provided by operating activities   | 9,306          | 11,443         | 14,710         | 99,000                              |
| <b>Investing activities:</b>  |                |                |                |                                     |
| Purchase of marketable securities and investment securities   | (1)            | (3)            | (22)           | (11)                                |
| Purchase of investments in subsidiaries   | (5,215)        | (50)           | (110)          | (55,479)                            |
| Proceeds from sales of marketable securities and investment securities                                      | 18             | 69             | 28             | 191                                 |
| Proceeds from sales of stocks of subsidiaries and affiliates  | 7,375          | –              | 140            | 78,457                              |
| Purchase of property, plant and equipment   | (7,377)        | (3,800)        | (3,727)        | (78,479)                            |
| Proceeds from sales of property, plant and equipment  | 47             | 34             | 121            | 500                                 |
| Purchase of software  | (2,167)        | (1,661)        | (1,342)        | (23,053)                            |
| Purchase of investment in consolidated subsidiaries in resulting change in scope of consolidation           | 219            | –              | –              | 2,330                               |
| Proceeds from sale of investment in consolidated subsidiaries in resulting change in scope of consolidation | (217)          | –              | –              | (2,309)                             |
| Proceeds from subsidy   | 196            | 46             | 1,465          | 2,085                               |
| Other-net   | (14)           | (275)          | (871)          | (147)                               |
| Net cash provided by (used in) financing activities   | (7,136)        | (5,640)        | (4,318)        | (75,915)                            |

|  | Million of yen |                 |                 | Thousand of<br>U.S. dollars (Note1) |
|--|----------------|-----------------|-----------------|-------------------------------------|
|  | 2013           | 2012            | 2011            | 2013                                |
| <b>Financing activities:</b>   |                |                 |                 |                                     |
| Increase (decrease) in short-term bank loans   | (4,346)        | (1,194)         | (11,597)        | (46,234)                            |
| Increase (decrease) in commercial paper  | 2,500          | 1,500           | (8,000)         | 26,596                              |
| Proceeds from long-term debt   | 980            | 1,154           | 16,808          | 10,426                              |
| Repayment of long-term debt  | (5,959)        | (5,604)         | (5,793)         | (63,394)                            |
| Purchase of treasury stock   | (2)            | (2)             | (6)             | (21)                                |
| Cash dividends paid  | (908)          | (909)           | (906)           | (9,659)                             |
| Cash dividends paid to minority shareholders   | (51)           | (132)           | (41)            | (543)                               |
| Other-net  | 37             | 139             | (64)            | 393                                 |
| Net cash provided by (used in) financing activities  | (7,749)        | (5,048)         | (9,599)         | (82,436)                            |
| <b>Effects of exchange rate changes on cash and cash equivalents</b>                       | <b>389</b>     | <b>(116)</b>    | <b>(164)</b>    | <b>4,138</b>                        |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                | <b>(5,190)</b> | <b>639</b>      | <b>629</b>      | <b>(55,213)</b>                     |
| <b>Cash and cash equivalents at beginning of year</b>                                      | <b>12,674</b>  | <b>11,986</b>   | <b>11,180</b>   | <b>134,830</b>                      |
| <b>Increase in cash and cash equivalents due to addition of consolidated subsidiaries</b>  | <b>–</b>       | <b>49</b>       | <b>177</b>      | <b>–</b>                            |
| <b>Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries</b> | <b>–</b>       | <b>0</b>        | <b>–</b>        | <b>–</b>                            |
| <b>Cash and cash equivalents at end of year (Note 19)</b>                                  | <b>¥ 7,484</b> | <b>¥ 12,674</b> | <b>¥ 11,986</b> | <b>\$ 79,617</b>                    |

See accompanying notes.



MEIDEN

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