

**MEIDEN**

# **MEIDENSHA REPORT 2016**



# About Meidensha Report 2016

Focusing on value-creating initiatives of the Meiden Group

For nearly 120 years, Meidensha Corporation (Meiden) has pursued manufacturing excellence and the creation of value to benefit society. This “passion for manufacturing excellence” will continue to be a core value for us as we aim to contribute to society and be a trusted enterprise.

The Meiden Group produced this report to explain our aim of building medium- to long-term value and achieving an affluent future for society.

## Information disclosure tools

Meiden uses its website to offer timely information about the Group that is both wide-ranging and detailed.

## 1 Profile

Basic information about the Meiden Group, including our Corporate Philosophy, a business overview, and history

- 03 | Meiden Group Corporate Philosophy
- 05 | Meiden Group Businesses
- 07 | Meiden Group History of Creating Value
- 09 | Financial / Non-Financial Highlights

## 2 Strategy

Representative Director and President Yuji Hamasaki talks about the progress of our growth strategy and policies going forward.

- 11 | Message from Management

## 3 Overview by Business Segment

We introduce the initiatives and results in each business segment, based on our Medium-term Management Plan.

- 15 | At a Glance
- 17 | V120 Initiatives in Our Main Business Segments

## 4 The Value Creation Process

We introduce the process of creating value as based on our Corporate Philosophy, along with some case studies.

- 19 | The Meiden Group Value Creation Process
- 21 | An Example of Value Creation: Value Creation with V-GIS

## 5 A Foundation for Creating Value

How we practice environmental management and human resources development to strengthen our competitiveness

- 29 | Research and Development, and Capital Investments
- 30 | Supply Chain Management
- 31 | Protection of the Environment
- 35 | Human Resources Management

## 6 Corporate Governance

About our management team and corporate governance system

- 37 | Corporate Governance
- 38 | Board of Directors & Executive Officers
- 39 | Compliance
- 40 | Risk Management
- 41 | Outline of Meiden Group

## Editorial Policy

Since fiscal 2013, Meiden Group has issued the Meidensha Report combining our annual report and CSR report.

Meiden Group aims to fully integrate our business and CSR initiatives. This will let us better support the social infrastructure people need and lead the way to a more prosperous tomorrow. We hope that the Meidensha Report will inform and let our readers know about Group-wide initiatives for achieving our Corporate Philosophy.

## Guidelines Used as References

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

## Reporting Period

This report mainly covers initiatives taken in fiscal 2015 (April 1, 2015 - March 31, 2016)

## Scope of Report

The report mainly covers initiatives of Meidensha Corporation (“Meiden”) and its Group companies. Human resources data applies to Group companies in Japan, while environmental reporting data applies to Meiden and 39 major Group companies (19 in Japan and 20 overseas).

## Publication

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### Disclaimer

In addition to past and current facts about 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.

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.

## Meiden Group Corporate Philosophy

### Corporate Mission

It defines the raison d'être and corporate mission

### Value Provision

It defines the unique value provision and core competence

#### 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 current stage of the medium-term 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.

## Corporate Philosophy

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

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

## MEIDEN CYCLE

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 Loyalty

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 loyalty 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.

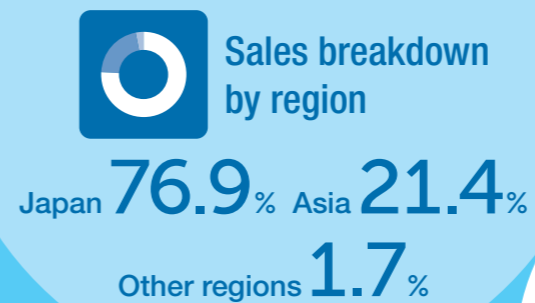
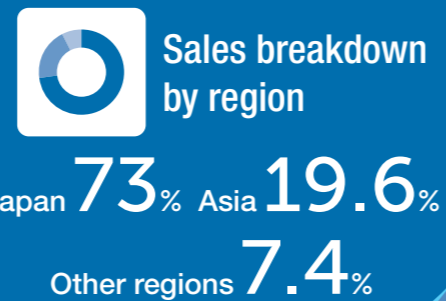
#### Move Ahead

"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"

# Meiden Behind Every Electricity Scene



## Outline of Meiden Group (Fiscal 2015)

## Six Meiden Electrical Technologies that Support Our Society

### Make

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



### Send

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



### Change

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



### Move

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



### Control

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



### Care (Protect)

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



# Since our foundation, we have been pursuing the art of manufacturing excellence that contributes to society through its outlook of what the society will be like in another 50 years and even in another 100 years.

**WEB** A more detailed timeline may be found on our website.  
[http://www.meidensha.com/corporate/corp\\_05/index.html](http://www.meidensha.com/corporate/corp_05/index.html)

## 1897 -

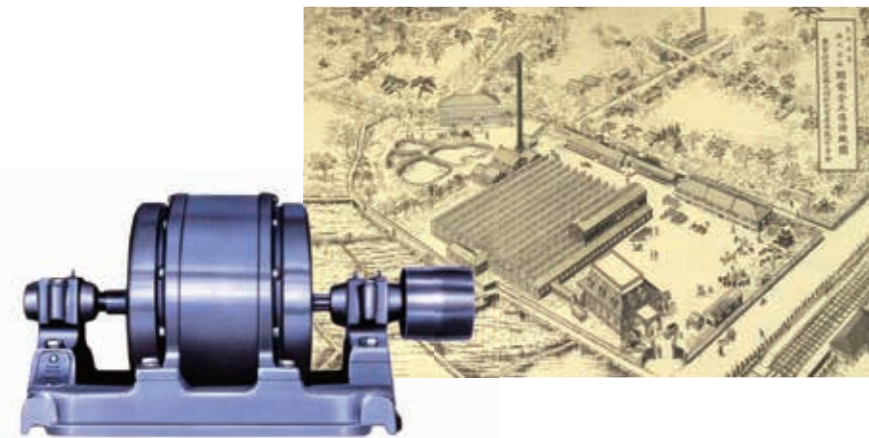
### Founding and birth of “Meiden a Motor Company”

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

In 1901, Shigemune successfully developed a three-phase induction

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

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



## The 1970s -

### Evolving into “Meiden a Power Electronics Company”

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



## The 1980s -

### Evolving into “Meiden a System Engineering Company”

In the latter half of the 1980s, economic expansion led Meiden to boost its production capacity at factories and upgrade its production system. We added to our family of Group companies and developed a variety of businesses to make us a stronger enterprise. We grew to have three core business areas, adding mechatronics and electronics to our existing power electronics field. The integration of technologies from each of these fields to create management, monitoring, and control systems, evolves our Group into a company known as “Meiden a System Engineering Company.”



## The 1990s -

### Approaching Our Centenary

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

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



## The 2010s -

### Aiming to be “Meiden a Global Company”

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

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

The world is undergoing vast change, but Meiden will never stop endeavoring to contribute to the formation of an “affluent future society.”



## Major ESG Initiatives

### **Environment** Contributing to the realization of a sustainable society



The Meiden Group Environmental Vision, part of our Basic Environmental Philosophy, directs us to contribute to the realization of a sustainable society. We are doing this by mitigating the environmental burden of our business activities and through our energy and water processing businesses, products, and technologies supporting social infrastructure.

### **Society 1** For customer peace of mind and satisfaction



With top-quality products and services, the Meiden Group helps our customers find solutions and realize their dreams for their peace of mind and satisfaction. For us, anything relevant to quality is a critical management issue. As such, the Meiden Group implements key quality policies under the direction of the President’s Quality Management Policy Directive.

### **Society 2** For a better workplace



As an enterprise supporting society’s infrastructure, Meiden actively promotes diversity management. Our goal is to engage our diverse human resources and better bring out their “Power of being in Touch” and “Agility” so that they can continue to meet the expectations of our customers and society. We are also working to support our employees both at work and in the home so that they can choose their working life styles based on their life stage.

### **Governance** Strengthen corporate governance



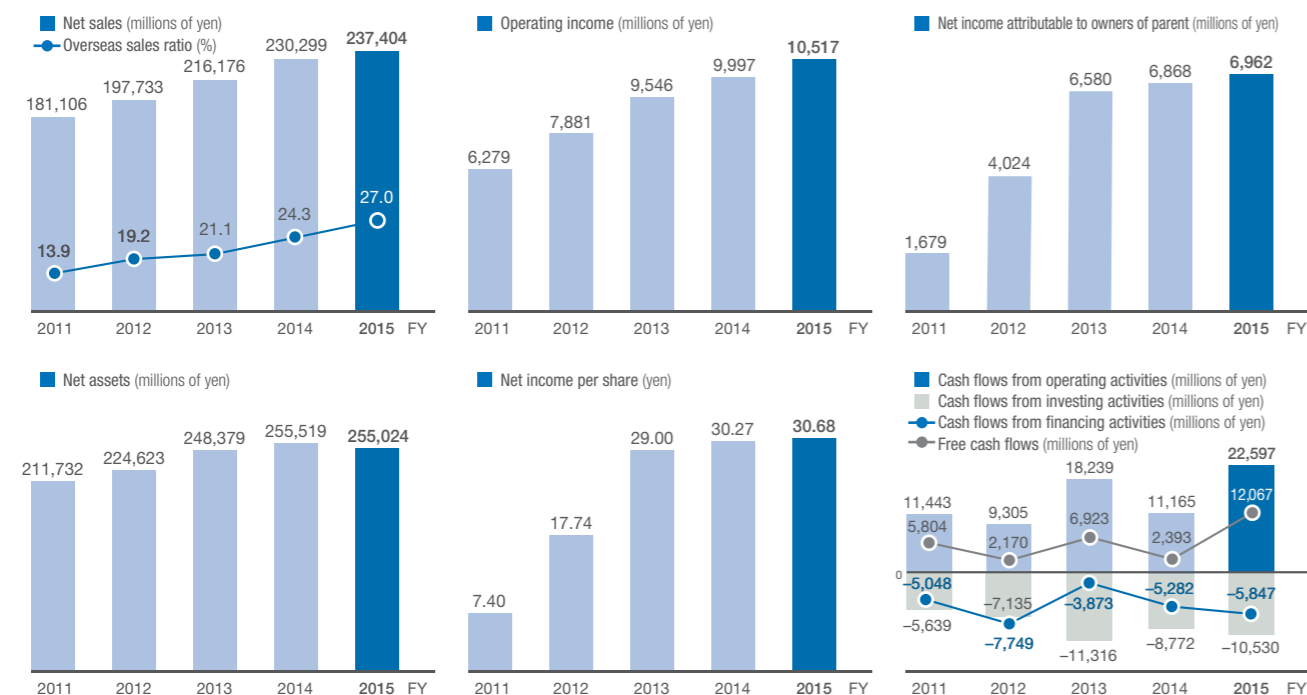
The Meiden Group works for prompt, efficient business management that is fair and transparent, and we maintain a system to ensure proper work processes. We have long had outside directors on our board as we endeavor to strengthen the supervisory function. We also host events such as a program introducing the Meiden Group to outside directors and sessions for them to exchange opinions with other members of the Board of Directors. Measures like these help ensure the effectiveness of our governance.

## Financial / Non-Financial Highlights

Meidensha Corporation and Consolidated Subsidiaries

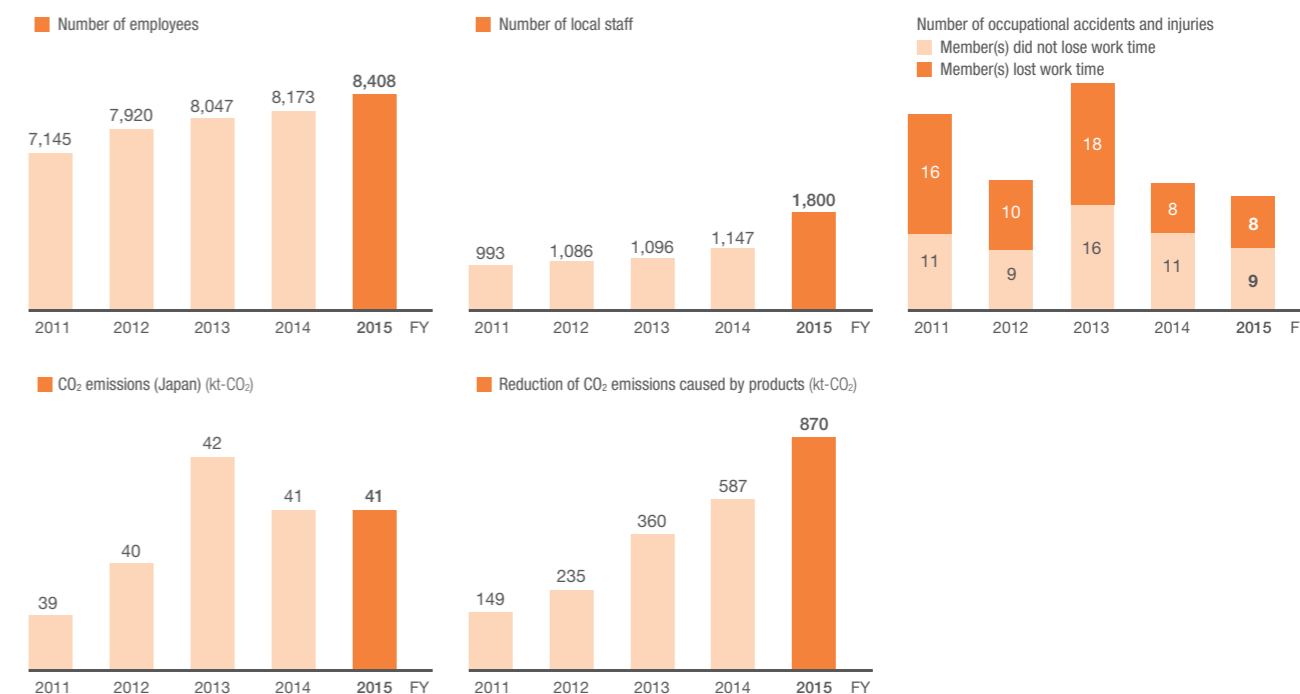
Financial indicators	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales (millions of yen)	181,106	197,733	216,176	230,299	237,404
Operating income (millions of yen)	6,279	7,881	9,546	9,997	10,517
Ordinary income (millions of yen)	5,266	5,946	7,790	10,502	10,595
Net income attributable to owners of parent (millions of yen)	1,679	4,024	6,580	6,868	6,962
Overseas net sales (millions of yen)	25,256	37,976	45,704	55,864	64,082
Overseas sales ratio (%)	13.9	19.2	21.1	24.3	27.0
Net assets (millions of yen)	211,732	224,623	248,379	255,519	255,024
Total assets (millions of yen)	53,421	58,077	60,607	67,405	68,771
Net assets per share (yen)	225.63	251.64	262.50	291.35	297.64
Net income per share (yen)	7.40	17.74	29.00	30.27	30.68
Equity ratio (%)	24.2	25.4	24.0	25.9	26.5
Return on equity (%)	3.3	7.4	11.3	10.9	10.4
Cash flows from operating activities (millions of yen)	11,443	9,305	18,239	11,165	22,597
Cash flows from investing activities (millions of yen)	-5,639	-7,135	-11,316	-8,772	-10,530
Free cash flows (millions of yen)	5,804	2,170	6,923	2,393	12,067
Cash flows from financing activities (millions of yen)	-5,048	-7,749	-3,873	-5,282	-5,847

Notes: 1. Net sales figures do not include consumption tax, etc.  
2. Operating income for fiscal 2014 has been retroactively changed due to a change in how this number is calculated. (Starting in fiscal 2015, consolidated Group expenses associated with employees on loan are stated as "operating expenses (sales costs and selling, general and administrative expenses)" instead of "non-operating expenses.")  
3. Starting with the period ending March 2016, we are changing our figures to net income and will list net income attributable to owners of parent.



Non-financial indicators	FY2011	FY2012	FY2013	FY2014	FY2015
Number of consolidated subsidiaries	40	43	42	39	39
Japan	25	26	25	21	19
Outside Japan	15	17	17	18	20
Number of employees	7,145	7,920	8,047	8,173	8,408
Of which, local staff	993	1,086	1,096	1,147	1,800
Number of occupational accidents and injuries	27	19	34	19	17
Member(s) did not lose work time	11	9	16	11	9
Member(s) lost work time	16	10	18	8	8
CO <sub>2</sub> emissions (Japan) (kt-CO <sub>2</sub> )	39	40	42	41	41
Reduction of CO <sub>2</sub> emissions caused by products (kt-CO <sub>2</sub> )	149	235	360	587	870

Notes: 4. Figures for employee numbers exclude those employees on temporary contracts.  
5. The historic Federation of Electric Power Companies (FEPC) nationwide average electric power CO<sub>2</sub> coefficient (receiving end) for each year through FY2013 was used to calculate CO<sub>2</sub> emissions for that year. The historic coefficient for FY2013 was used for calculating FY2014.  
6. With the dissolution of the joint venture Japan AE Power Systems Corporation, the Japan AE Power Systems Corporation Numazu Works (AE Power Numazu) was incorporated into the Meiden Group as Meiden T&D Corporation in April 2012. CO<sub>2</sub> emissions figures for FY2011 include data for AE Power Numazu.  
7. Reduction of CO<sub>2</sub> emissions caused by products is the expected reduction of such emissions caused by products sold.



The Meiden Group aims to further increase its corporate value by solidly implementing policies set out in the new medium-term management plan V120 launched in the fiscal year ended March 31, 2016 and by realizing both "strengthening the earnings base for our businesses in Japan" and "expanding growth of overseas business." As a result, consolidated net sales in the fiscal year ended March 31, 2016, increased by 3.1% over the previous fiscal year to ¥237,404 million, operating income grew by 5.2% to ¥10,518 million, and net income attributable to owners of the parent increased by 1.4% to ¥6,962 million.



Working to achieve the V120 Medium-term Management Plan, aiming to be a “heavy electric machinery supplier that supports the future of social infrastructure and has sustainable growth and development potential”

### Greeting from the President

Since our founding in 1897, Meidensha Corporation has created all types of technologies, products, and services and has served society for its sustainable development. Occasionally, customers ask us to repair or replace equipment we sold to them half a century ago. We receive requests like these because the Meiden Group has supplied a variety of systems throughout Japan and supported many projects of the nation’s infrastructure. We take this as a sign of the trust we have earned through our earnest pursuit of manufacturing excellence.

What are customers expecting from us? To meet their expectations, what do we need and what do we lack? These are questions we constantly ask ourselves, never resigning ourselves to the way things are. We have a spirit

of challenge that aims to improve on technology and quality and keep meeting our customers’ expectations. This is the Meiden Group’s “passion for manufacturing excellence.”

The Meiden Group will continue to prize our “passion for manufacturing excellence.” My hope is to keep the Meiden Group a force for a new era of useful solutions for people and society.

Representative Director and President

### Results of fiscal 2015

#### New records for orders received and net sales

Though there was some impact from the slowdown of emerging nations on the export and production sides, the Japanese economy in fiscal 2015 was supported by solid corporate profitability, capital investment, and job climate. Japan was able to sustain a mild economic recovery. However, things continued to be uncertain for the world economy, due to falling oil prices, the slow Chinese economy, and rising US interest rates.

With all this happening, the Meiden Group kicked off the V120 Medium-term Management Plan, which is a three-year plan from fiscal 2015 to fiscal 2017. Under V120, we will “enhance product competitiveness” while pursuing a growth strategy to realize two targets: “strengthen the earnings base of the Group’s domestic business” and “expand growth of overseas business.”

As a result, the Group recorded consolidated sales of 237.404 billion yen (up 3.1% year on year). A big contribution came from rising sales in the businesses targeted under V120, such as railways outside Japan, small and medium-sized hydro power plants, dynamometer systems, maintenance and services, and projects for overseas bases of Japanese companies. We also recorded operating income of 10.517 billion yen (up 5.2%), ordinary income of 10.595 billion yen (up 0.9%), and net income attributable to owners of parent of 6.962 billion yen (up 1.4%). Although each of these figures represents a year-on-year increase, none were as high as planned. However, as the starting year of our Medium-term Management Plan, which looks forward to 2017 (our 120th anniversary) and beyond, it can be said that fiscal 2015 has laid a good foundation for accelerating a new growth.

Among major management indicators, our shareholders’ equity ratio rose 0.6 points to 26.5%, ROE dropped 0.5 points to 10.4%, and ROA based on operating income rose 0.1 points to 4.1%.

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

	Fiscal 2015 (Planned)	Fiscal 2015 (Results)
Orders received	248,000	247,747
Net sales	235,000	237,404
Operating income	11,500	10,517
Ordinary income	11,000	10,595
Net income attributable to owners of parent	7,500	6,962

\* See pages 15-16 for details of results for each segment.

### Outlook for fiscal 2016

#### Toward fiscal 2017 targets

On the one hand, we expect an increase in downsizing of the Japanese market. The nation’s population is declining and both the national and regional governments face financial challenges, meaning there will be less new demand for public infrastructure like electric power and water processing. On the other hand, more urban infrastructure is being built, in part for the 2020 Tokyo Olympics and Paralympics. We foresee rising demand as private-sector manufacturers and public agencies plan to replace aging equipment and Electricity Market Reform makes progress.

We expect the situation to remain unpredictable outside Japan. However, economically emerging nations, especially in Asia, are predicted to continue growing and developing with the Trans-Pacific Partnership (TPP) and the launch of the ASEAN Economic Community. We foresee infrastructure demand continuing to grow from electric power companies, private manufacturers, railways, and water supply and sewage systems.

Thus, I believe the Meiden Group will have many business opportunities in the medium- to long-term.

Given these circumstances, we are planning on consolidated results as follows: 240 billion yen in sales, 10.5 billion yen in both operating income and ordinary income, and 7 billion yen in net income attributable to owners of parent. By achieving these sales and profit targets, we aim for an ROE of 10%.

### V120 progress and strategy

#### Further boosting profitability of major businesses targeted by V120

We see fiscal 2016, the second year under our Medium-term Management Plan, as a “challenge year” for building the momentum to reach our V120 targets. We will continue to work to “increase product competitiveness” for the Meiden Group’s core heavy electric products that have been our signature products. By so doing, we will “strengthen the profit bases in Japan” and “expand overseas business.” We will also aim to meet our fiscal 2017 targets by further enhancing the profitability of major businesses targeted by V120, such as power generation, conversion, and distribution products, overseas railways, and water processing.

To “strengthen the profit bases in Japan,” we will continue to innovate our business models, increasing our product competitiveness, reinforcing our system technologies with ICT and IoT technologies, and enhancing “one-stop services” for supporting customers’ total facilities as a package. We will put every effort into taking in orders from demand to build urban infrastructure and replace aging equipment of private-sector manufacturers and public agencies.

Next, we will try to “expand overseas business.” We will take part in social infrastructure projects of emerging nations, especially in Asia where demand is forecast to grow over the medium- to long-term, so that our business will grow in step with the pace of growth in each country. We will focus on participating in new projects of the private sector manufacturing industry and railway projects as well as entering in electric power utility markets in Southeast Asia and the Middle East, where the Meiden Group already has an extensive track record. It also includes India, which we see as a growing market. To that end, we will be establishing new partnerships, reinforcing business functions like sales, technology, and maintenance services, and making strategic growth investments. Moreover, to minimize risks related to exchange rates, contracts, quality, and the like, we will be putting management systems in place at our regional headquarters and adding more technical staff there.

Finally, we have worked to “increase product competitiveness.” On the development side, we have put our effort into making our core heavy electric products (power generation, conversion, and distribution products, motors, inverter, and the like) more competitive in terms of price, performance, quality, and originality. This has resulted in the development of new products. We will continue to pour our energy into strengthening fundamental core technologies so we can create more distinctive products in future. On the production side, we will be building production systems taking advantage of ICT and IoT technologies (including updates of our CAD technology) and working to build optimal supply chains. In addition, with the synergy captured by strengthening links between our products and systems, we will aim to grow and expand sustainably in Japan and abroad.

**Steady pursuit of four action plans for achieving strategy and creating a new value**

The Meiden Group will be pursuing the following four action plans to firmly carry out the V120 Medium-term Management Plan and creating a new value.



**(1) Building new partnerships**

We will use Group resources to increase our competitiveness. We will build strategic partnerships with other industry sectors, universities and research institutes, enterprises outside Japan, and so on to combine Group strengths with external resources and knowledge. In this manner, we will more efficiently enhance our technical strengths, sales channels and distribution network, and production functions. Specifically, in Japan we will step up our partnership with EAML Engineering Co., Ltd. to strengthen our small and medium-sized hydro power business. A closer collaboration with ORGANO CORPORATION will likewise enhance our solution proposal capability for entire public water and sewer facilities.

Outside Japan, we have acquired a 100% interest in TRIDELTA Überspannungsableiter GmbH, a German manufacturer and seller of surge arresters, to expand our own surge arrester sales channels and acquire a local production base. Additionally, we are working with our Indian transformer production and sales company Prime Meiden Ltd. to expand business in India and the regions in the west of India. Furthermore, we are creating partnerships with public agencies. This includes a joint verification test in industrial wastewater processing with Singapore’s Public Utility Board.

**(2) Nurturing of Group employees**

It is our human resources that support the Meiden Group’s business strategy. Our initiatives to treat people right and

operate our systems appropriately include maintaining our training system and promoting diversity with expanded opportunities for women. We will also continue initiatives to maximize motivation.

We also have set up training centers in Singapore and Thailand to secure and train global talent. Here, we are improving the technical skills of local employees. In future, we will be working to post human resources to the best positions for them within the Group and promote them according to their capabilities. This will include actively promoting local people from places outside Japan to managerial positions.

**(3) Strengthening CSR initiatives**

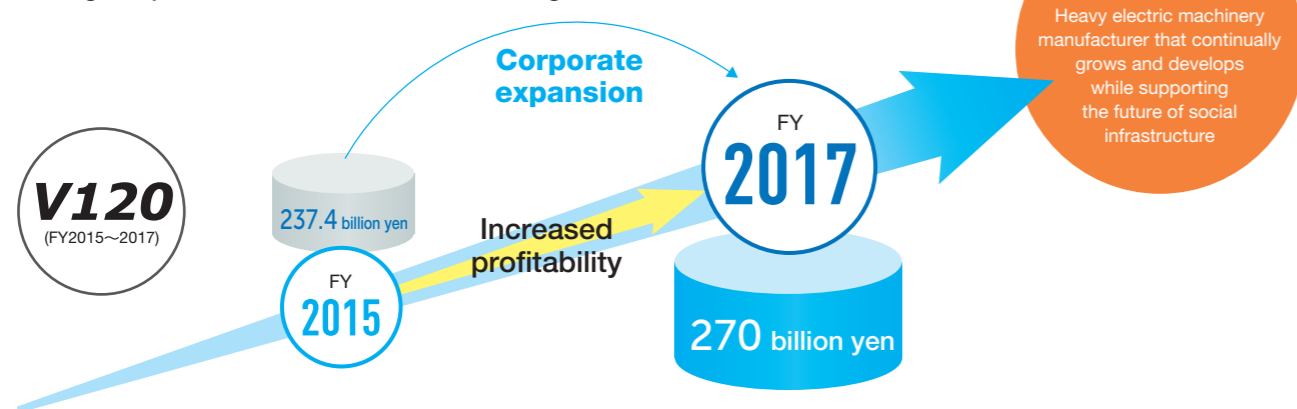
At the Meiden Group, corporate governance, compliance, and risk management are fundamental to corporate management. With regard to corporate governance in particular, we are endeavoring to make management fairer and more efficient. The efforts include enhancing the effectiveness of our executive officer system, and decision-making and supervising functions of the board of directors. Another approach is ensuring appropriate information disclosures to shareholders and other stakeholders through IR initiatives and the like.

We consider the environment, society, and human resources to be critical issues. We will fulfill our social responsibility by paying due consideration to these issues consistently.

◎ **Developing solid financial strength**

We will set financial targets that aim to realize our objectives of improving self-capital by enhancing profitability, improving the free-cash-flow level by effective use of assets, and securing a stable financial position employing various methods of capital procurement. We will work on improving our financial strength by working as a Group to achieve these targets.

**Strategic Importance of our Medium-term Management Plan V120**



**Growing toward our 120th anniversary and beyond**

**Building a new future with strong products**

The Meiden Group will celebrate its 120th anniversary in fiscal 2017, the culminating year of V120. We will continue to step up our efforts for new growth by steadily carrying out V120 while adapting flexibly to the current business environment.

A strength of the Group is three key features; i.e. “Sense of Mission”, “Power of being in Touch” and “Agility.” The wellspring of value creation is a “Sense of Mission” in support of the social infrastructure (developed over our long history with our customers). The “Power of being in Touch,” which refers to the deep level of communication across the wide spectrum of networks with our customers 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 our customers. We will continue to sustain and build on these three strengths as we seek to maximize our corporate value.

We will continue to take bold challenges to create a new value and technologies for the realization of a more affluent society in future.

**President’s CSR Policy Statement**

**Management foundation of our business activities**  
**Compliance, Corporate Governance and Risk Management**  
 By strengthening these building blocks of management foundation, we hope to further cultivate the corporate culture necessary for CSR management.

**[ 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.

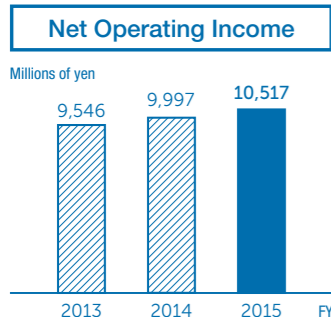
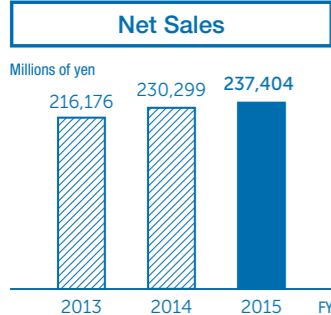
**[ Society ]**  
**Provide values needed by society**  
 We accept our responsibilities as good corporate citizens through many initiatives, including: resolution of customer issues; promotion of community involvement and proactive communication; proper information disclosure at the correct time, etc.

**[ 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.



Consolidated Sales  
**237,404**  
Millions of yen

Net Operating Income  
**10,517**  
Millions of yen



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

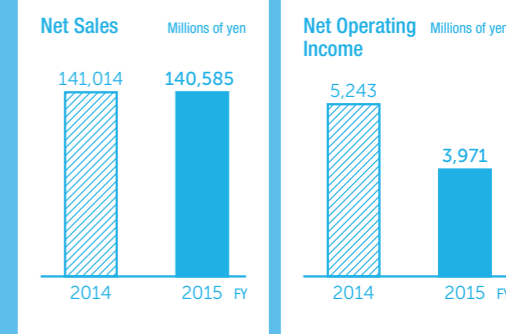


### Social Infrastructure Systems Business

We manufacture and sell equipment for emergency and non-emergency power generation, hydroelectric power generation, and power transmission and distribution facilities, to power companies, government agencies, railways, and buildings and factories in Japan and abroad. The product offerings include power quality stabilization systems and power generation systems such as solar power and small and medium-sized hydro power, as well as energy solution services such as smart grid systems.

We are also involved in the fields of drinking water and sewerage treatment for local governments in Japan. Our activities include manufacturing and sales of electrical facilities for water processing systems and process control systems and information networks. We also offer solutions services such as contract facility management services for drinking water treatment plants.

Net sales in this segment declined 0.3% from the previous fiscal year to ¥140,585 million, while operating income fell 24.2% to ¥3,971 million, in part because of rising costs caused by troubles with certain products. In our electric power and social infrastructure systems businesses, we saw electric power companies in Japan increase equipment updates, along with rising demand for small and medium-sized hydro power facilities. Meanwhile, there was increase in demand from Japanese companies for substation and distribution equipment for their production bases outside Japan. However, numbers fell overall year on year, in part because of a drop in solar power products due to lower prices on renewable energy. In our railway systems business, sales were strong for railway projects in Southeast Asia, like Malaysia, Thailand, and Singapore. They lifted the numbers over the previous fiscal year. Sales in the water and environmental business rose over the previous year because of electrical facility updates in large wastewater treatment plants in Japan and solid demand for drinking water treatment facility management services.

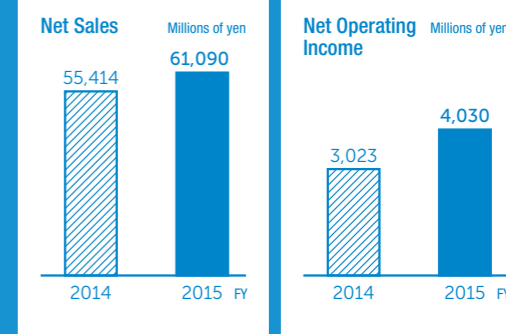


### Industrial Systems Business

We manufacture and sell motors and inverters for elevators, textile machinery, industrial vehicles, and electric vehicles. Other products include vacuum capacitors and industrial computers for makers of semiconductor manufacturing equipment.

We also manufacture and sell dynamometers and other testing systems for automobile manufacturers, and logistics support systems for factories and warehouses.

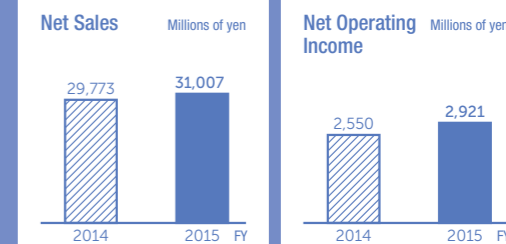
Net sales in this segment reflected solid private sector capital investment and increased 10.2% over the previous fiscal year to ¥61,090 million, while operating income grew 33.3% to ¥4,030 million. In the motor and inverter business, general industrial products (for elevators, etc.) were about the same as the previous year, but strong demand for motors and inverters used on Mitsubishi Motors Corporation's PHEV helped lift the overall numbers higher. The electronic equipment business saw rising numbers, with solid demand particularly for vacuum capacitors, pulse power supplies, and the like. Numbers were up over the previous fiscal year in the dynamometer and logistic systems business. Automobile manufacturers and others upped their capital investment in advanced technologies and R&D to enhance performance, and there was solid demand for logistics equipment to further rationalize and save labor on production lines.



### Maintenance and Servicing Business

We provide services relating to the remote management and monitoring of facilities and the proposal of measures for extending the life of facilities, energy conservation, and other services related primarily to the maintenance of products we supply.

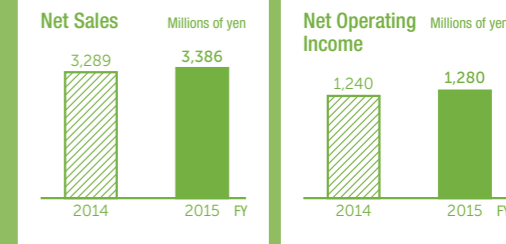
Thanks to increasing demand for maintenance and the implementation of facility-wide one-stop service, offering everything from equipment production and maintenance & inspection to facility management and operations management, net sales in the segment increased 4.1% over the previous fiscal year to ¥31,007 million, while operating income grew 14.6% to ¥2,921 million.



### Real Estate Business

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

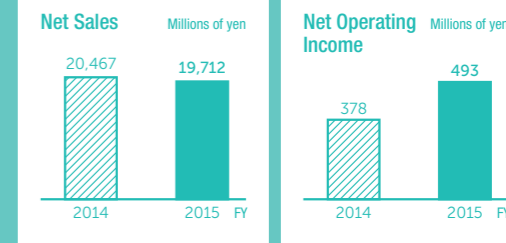
The Group is engaged in the real estate leasing business, centering on the office and commercial building ThinkPark Tower (Osaki, Shinagawa City, Tokyo). The net sales in the segment totaled ¥3,386 million – nearly the same level of the previous fiscal year, and operating income amounted to ¥1,280 million.



### Other Business

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

This segment includes categories not included in any of the above segments, such as manufacturing and marketing of electrochemical measuring equipment and electric insulation materials, welfare services for employees, and goods merchandising. Net sales in the segment declined 3.7% from the previous fiscal year to ¥19,712 million, and operating income grew 30.2% to ¥493 million.



# V120 Initiatives in Our Main Business Segments

## Social Infrastructure Business

In our power and social infrastructure systems business, we will expand our range of products and services responding to the problems and the needs of power utilities. For instance, there are the upgrading of facilities, the need to reduce costs and rationalize operation, and maintenance in line with Electric System Reform. In addition, we will continuously enhance our initiatives in relation to areas with future growth potential, including our small and medium-sized hydroelectric business and other renewable energy-related businesses. As for overseas, we will engage with power companies in emerging nations in Asia. Meanwhile we enhance our sales and service system targeting private manufacturing companies, in particular Japanese-affiliated companies.

In our water and environmental system-related business, we will enhance our ability to respond to customers' needs. For instance, it is done by boosting our ability to provide solutions using ICT/IoT one-stop services, making our equipment last longer, and increasing energy conservation performance. We will work to develop new businesses such as private-public partnerships (PPP) by taking advantage of strategic partnerships. That covers enhancing our ability to provide comprehensive responses, from plant design to operation and maintenance management, including services in relation to mechanical equipment. We will make particular efforts in the area of international sales of ceramic flat membranes, one of our specialty products.

In our railway system-related business, we aim to increase our sales of power regeneration equipment and overhead cable inspection equipment in the domestic market. As for overseas, we are currently involved in a number of large-scale projects in Asia and the Middle East.

These are the areas in which we foresee ongoing significant demand into the future. We will therefore make efforts to enhance our project management-related systems in order to further expand this area of our business and boost our profitability.

## Industrial Systems Business

In our PHEV and EV motor and inverter-related business, even greater miniaturization and increased efficiency through continuous basic technological development and product development will give us enhancement of our product competitiveness and sales increases.

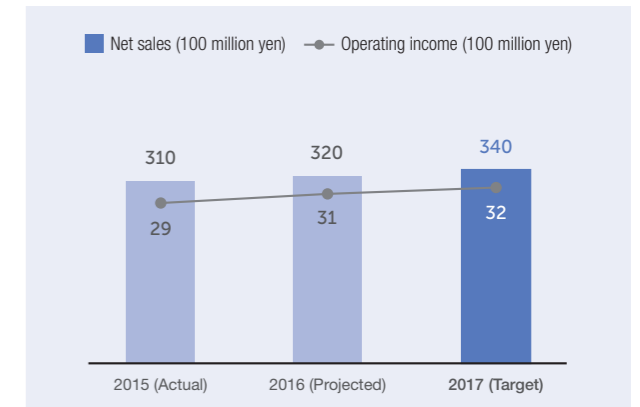
In our applied motor and inverter business, we have developed high-speed motors and transformer-less medium-voltage inverters as new Meiden specialty products. In the future, we will make use of the basic technologies and mass production technologies developed in our PHEV and EV motor and inverter-related business. Thus we work to boost the competitiveness and increase sales of specialty products including motors and inverters for elevators and forklifts.

In our dynamic measurement system-related business, we will work to enhance our ability to provide solutions for automotive base model development. By boosting the performance of evaluation systems, we will increase the sophistication of vehicle evaluations in tests, contributing to the reduction of automotive development time and the realization of increased quality. In V120, we are working to increase the vibration performance of our dynamometers, seeking to act as a system integrator in the automotive development process.

## Maintenance and Servicing Business

Domestically, we are expanding the scope of our maintenance services business area from its traditional focus on electrical equipment to encompass mechanical equipment. We are also enhancing our ability to provide a one-stop service for entire facilities, from equipment manufacture to inspection and servicing and operation and maintenance management. Furthermore, a rationalization of our maintenance services using ICT and the IoT will be tackled as well. By means of these initiatives, we will boost our profitability by accessing new needs, for instance for outsourcing of maintenance management and operation of domestic public facilities and measures to more sustainable infrastructures.

As for overseas, we will proceed with the upgrading and enhancement of our maintenance services system, in line with the increasing supply of Group products to private manufacturing companies, with a focus on Japanese-affiliated companies.



## Financial targets

### Profitability target

	FY 2015 results	FY 2015~2017 target
ROE	10.4%	At least 10%
ROA (Operating profit basis)	4.1%	At least 5%

### Investment Plan

	FY 2015 results	FY 2015~2017 Cumulative amount over three years
Capital investment	8.3 billion yen	At least 28 billion yen
Growth investment budget		Scale: 12 billion yen
R&D expense	9.9 billion yen	At least 30 billion yen

Securing of investment resources

Realization of long-term strategy

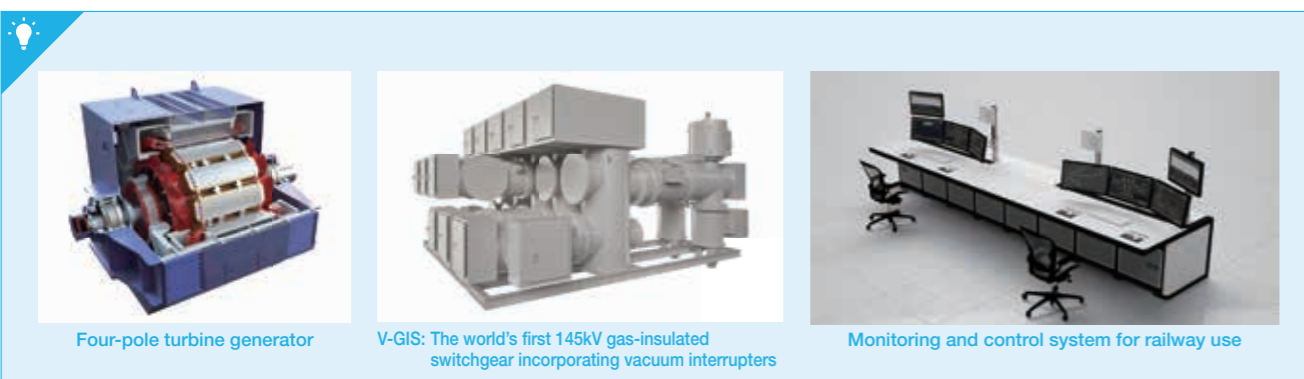
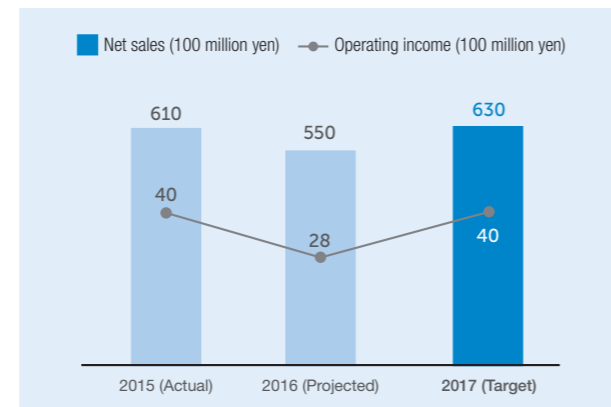
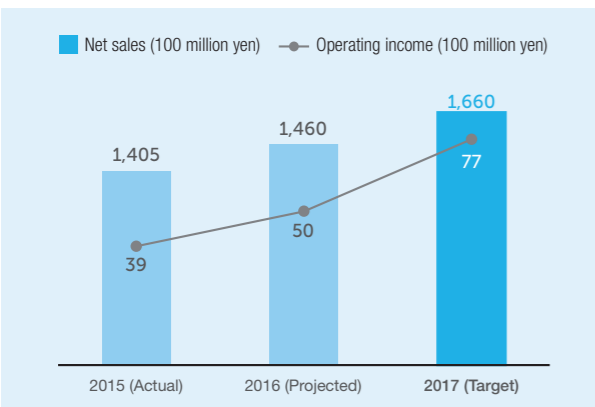
Strengthening of profit base of domestic businesses

30% or higher increase in overseas sales

Increased growth in overseas businesses

Strengthening of product competitiveness

\* Refer to P. 29 for more detail regarding research and development and facility investments.



# The Value Creation Process We Seek to Realize through Actualization of Our Corporate Philosophy

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

**1 Social issues that we recognize**

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

**Main business risks**

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

**Capital that supports the Meiden Group businesses**

- ▶ **Financial capital (Funds)**
  - Own capital and funds procured from financial institutions that can be employed to conduct business activities
- ▶ **Manufacturing capital (Infrastructure/Equipment)**
  - Production bases and production equipment that provide the foundation for product competitiveness
  - Network for provision of maintenance services
- ▶ **Intellectual capital (Technology/Expertise)**
  - Technology and expertise developed since the foundation of the company (All departments)
- ▶ **Human capital (Human resources)**
  - The ability, experience, and ambition of human resources who support the sustainable growth of the company
  - Corporate governance system
  - Training facilities
- ▶ **Social capital (Relationships of trust with stakeholders)**
  - Relationships of trust and dialogue with stakeholders, in particular customers
  - Cooperation with suppliers implementing the same CSR activities as Meidensha Corporation
- ▶ **Natural capital (Environmental resources essential to business activities)**
  - Natural resources (oil resources, water, minerals, etc.) and energy resources used in production activities

**Building trust by continuing to respond to the expectations of our customers and society**  
(P7-8: Evolution in value creation by the Meiden Group)



**Increasing the corporate value of the Meiden Group**

Net sales	237.4 billion yen	Net profit attributable to shareholders of the parent company	6.96 billion yen
Operating income	10.5 billion yen	Total assets	255.0 billion yen
Net income per share	30.68 yen		

**Corporate Mission**

**2 Strategy**  
(>P11-16)  
Medium-term Management Plan, V120

**Creating a new future through product power**



**4 Value provided to customers**

**For customer peace of mind and satisfaction**

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

**Concrete examples of the provision of value**

- ① Consideration of the environment**
  - Conservation of energy and resources
  - Securing of water resources
- ② Comprehensive customer support**
  - Optimal engineering that considers the customer's perspective
  - Safe, secure, and efficient equipment operation
- ③ High-quality products and services**
  - High-quality, high-performance, and high-efficiency

**Foundations for value creation**  
(>P29-36)

- Research and development / Facility investments
- Supply chain management
- Environmental protection
- Human resources management Etc.

**Corporate governance**  
(>P37-40)

- Corporate governance
- Introducing our executives
- Compliance
- Risk management

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

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

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

The Meiden Group has ceaselessly transformed itself over the course of its 119 years of existence. The optimal allocation of the various forms of capital that we have accumulated over our history has supported our business activities. Seeking to ensure efficient investment of the capital that supports our business in order to realize our financial targets, our Medium-term Management Plan, V120, sets out four key action plans: ①Build new partnerships; ②Shift management resources based on "business direction"; ③Set and implement financial targets; and ④Strengthen corporate governance.

**Challenge of Creating Value in Our Corporate Activities**

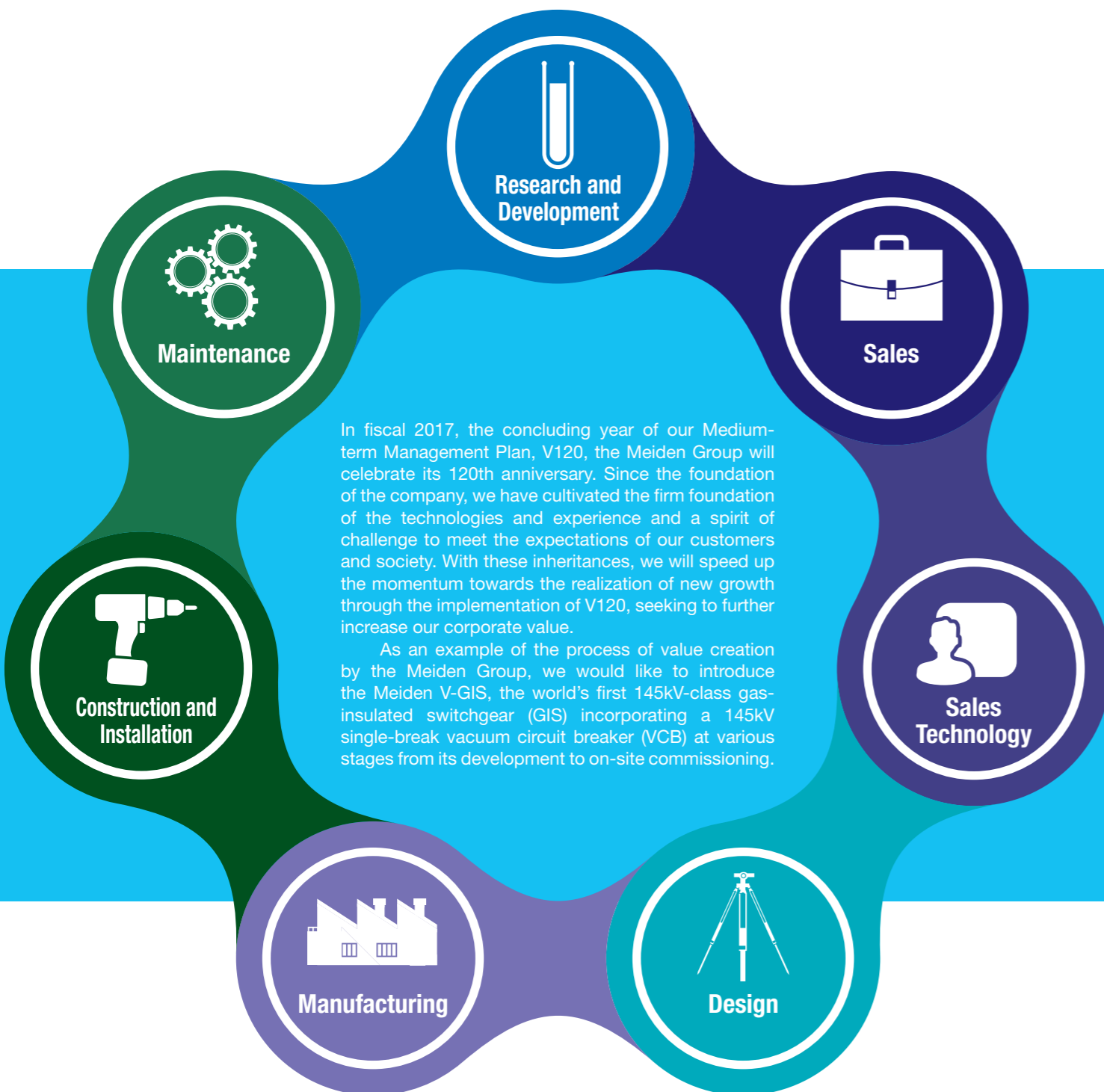
What actually creates value is the value chain stretching from research and development to maintenance. In their day-to-day business activities, each of our employees takes up their responsibility as a manufacturer of electrical machinery that supports social infrastructure, and challenges themselves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

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

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

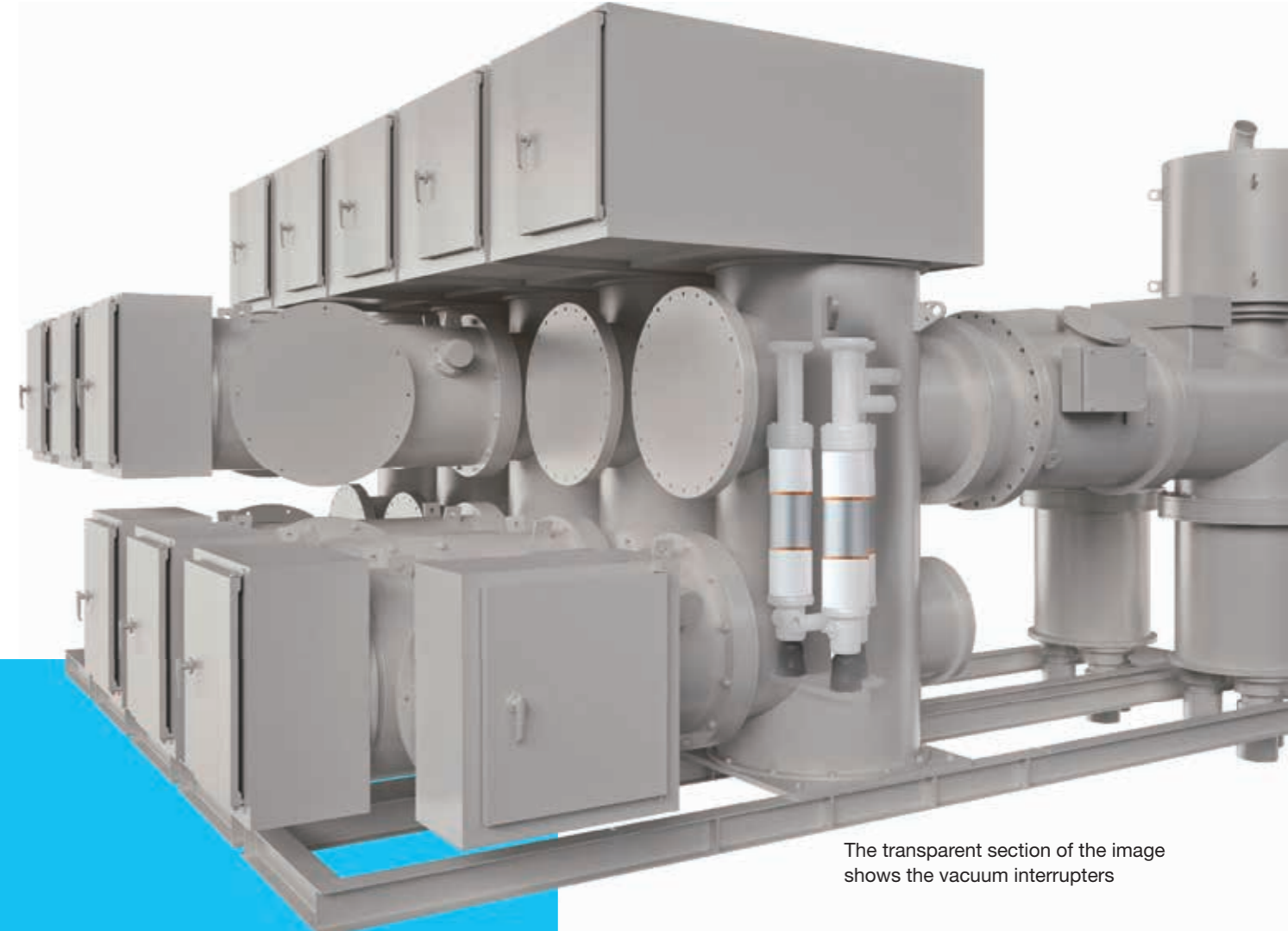
# Maximizing Value to Customers through Efforts on Every Front

Value Creation with V-GIS



In fiscal 2017, the concluding year of our Medium-term Management Plan, V120, the Meiden Group will celebrate its 120th anniversary. Since the foundation of the company, we have cultivated the firm foundation of the technologies and experience and a spirit of challenge to meet the expectations of our customers and society. With these inheritances, we will speed up the momentum towards the realization of new growth through the implementation of V120, seeking to further increase our corporate value.

As an example of the process of value creation by the Meiden Group, we would like to introduce the Meiden V-GIS, the world's first 145kV-class gas-insulated switchgear (GIS) incorporating a 145kV single-break vacuum circuit breaker (VCB) at various stages from its development to on-site commissioning.



The transparent section of the image shows the vacuum interrupters

## V-GIS

The world's first 145kV-class gas-insulated switchgear (GIS) incorporating a vacuum circuit breaker (VCB)

### Background to the Development of the V-GIS

Today, there is an increasing shift in production bases, centering especially on the manufacturing industry, from Japan to offshore locations, in particular the ASEAN nations. Via its subsidiaries in the ASEAN region, Meiden has responded to the diverse needs of its customers through the engineering of power receiving substation systems. Meiden has built relationships of trust with customers by responding to their diverse needs through the provision of systems that combine medium/high-voltage equipment including transformers, circuit breakers, and gas-insulated switchgear manufactured both by Meiden and by other companies. As a result, Meiden has long had a high level of brand recognition in the ASEAN region, and Japanese companies advancing into the region have high expectations of our ability to engineer power receiving substation systems.

Increasing demand for the construction of new facilities and the upgrading of existing facilities is expected in the ASEAN region. In future, therefore, it will be essential for us to strengthen our product competitiveness in order to increase sales in the region. We therefore set out to develop the V-GIS as a key component of high-voltage power receiving substation systems which would distinguish us from our competitors.

### What is Meiden's new V-GIS?

A gas-insulated switchgear (GIS) is a device employed in the power-receiving section of a high-voltage substation that supplies power in large factories and similar facilities. Gas-insulated switchgear plays an important role in ensuring the stable supply of power. The switchgear incorporates a variety of devices including circuit breakers, isolators, and surge arresters, and its interior is filled with an insulating gas (SF<sub>6</sub> gas). Meiden has succeeded in significantly reducing the size of GIS by employing compact layouts for the multiple devices they contain.

In fiscal 2015, we supplied a new product to one of our customers. The V-GIS is a 145kV GIS incorporating a vacuum circuit breaker. (The "V" in the product name stands for "vacuum".)

### The Role of Circuit Breakers and Meiden's Mission

Circuit breakers are devices that cut off current when large currents flow into power transmission networks due to short circuits or other accidents, in order to prevent large-scale power outages. Meiden began manufacturing circuit breakers in 1907. In the 1960s, we commenced manufacturing vacuum circuit breakers. Vacuum circuit breakers incorporate cylindrical devices known as vacuum interrupters. The vacuum inside these devices gives excellent performance in extinguishing arcs that occur when current is cut off, enabling current to be cut off rapidly and securely.

The use of two vacuum interrupters in series would make it possible to cut off a higher voltage. However, this required more space, and would increase cost. What was needed was a "single-break" system, which would realize superior performance using a single vacuum interrupter. Having manufactured vacuum circuit breakers since the 1960s, Meiden has a stock of technologies in this area spanning half a century. We also possess a responsibility and a sense of mission as an electrical equipment manufacturer that has supported Japan's power transmission network for a century. With an unparalleled understanding of the role of circuit breakers, we applied the technological expertise fostered by the ongoing development of high-performance vacuum circuit breakers to the development of the V-GIS.



### Our main sources of value creation

**Intellectual capital**

The technologies and R&D capability cultivated since our foundation

**Human capital**

The ability, experience and ambition of our R&D engineers



### Strengthening Our Customer-oriented Engineering Ability

Meiden's sales division will put our product development division to work based on an understanding of customers' needs, and continuously monitor those needs even after delivery of the product.

Having understood our customers' needs, our sales engineering division will propose a product that meets those needs. After receiving approval from the customer, we will instruct our factory division to design and manufacture the product.

Recently, we have been gathering information on Vietnam and Myanmar, where infrastructure development are in progress. We monitor, identify, and analyze the needs of Japanese companies advancing into these markets and we actively propose solutions for them. Our subsidiaries in the ASEAN region have a proud history of responding successfully to their customers' needs, thus have built solid relationships of trust with their customers. In future, we intend to stimulate an effect of mutual complementarity and synergy by having both Japanese staff members and local staff members work together in providing engineering support at our ASEAN subsidiaries. It also enhances Meiden Group sales activities. In concrete terms, we will establish gas-insulated switchgear (GIS) configurations suited to different power systems, and work to strengthen our product competitiveness in the power utility market.

We are also making PR efforts for potential customers. Our fiscal 2017 sales target for V-GIS in the ASEAN region is 15 or more units.



### Our main sources of value creation

**Manufacturing capital**

Sales bases with a firm foundation in their regions

**Human capital**

The ability to steadily implement projects

**Social capital**

Relationships of trust with customers, cooperation with public institutions



### Our main sources of value creation

- Intellectual capital**  
Creativity backed up by experience and results
- Natural capital**  
Energy conservation, reduction of use of greenhouse gases



### A Single-break Vacuum Circuit Breaker – A Product of the Application of Our Abundant Technological Experience

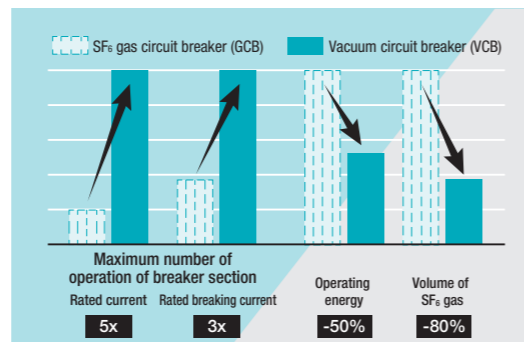
The 145kV single-break vacuum circuit breaker (VCB) employed in our V-GIS was developed on a foundation of vacuum technology cultivated by Meidensha over many years. Our conventional 145kV-class vacuum circuit breaker units have employed two vacuum interrupters connected in series per phase. To make it possible to use one vacuum interrupter for each phase, we replaced the glass insulation tubes with ceramic tubes, and developed a high-performance vacuum interrupter able to interrupt current at a higher voltage.

Because the vacuum interrupters are positioned inside a ground plane (a tank) in a 145kV-class gas-insulated switchgear, the insulation performance must be greater than that required for a porcelain type circuit breaker. In addition to the use of ceramic insulation tubes, we revised the insulation design of the interrupter as a whole, and established conditioning technology to boost insulation performance.

These initiatives enabled us to reduce both the cost of the vacuum interrupters and the size of the gas-insulated switchgear. In addition, study of the dynamic characteristics of vacuum circuit breakers (VCB) using the analysis of mechanical systems enabled us to reduce development time for the VCB actuators.

#### Features of the V-GIS

- 1 Outstanding energy efficiency**
  - The developed VCB operates three to five times as often as SF<sub>6</sub> gas circuit breakers (GCB) used in conventional breaker sections, but uses half the energy for operation
- 2 Environmentally friendly**
  - Reduces the use of SF<sub>6</sub> gas, a strong greenhouse gas, by approximately 60%
- 3 High-reliability current breaking performance**
  - Increased number of operation: 10,000 times at load current; 30 times at rated breaking current
  - Excellent switching capability, able to break even with repeated lightning strikes and able to interrupt load current even in the event of a gas leak
- 4 Ease of inspection**
  - Because vacuum circuit breakers interrupt current inside vacuum interrupters, there is no need to conduct internal inspections
  - The use of long-life grease and long-life O rings has extended the life of the device



### Reduction of Costs through Comprehensive Quality Management and the Use of IP

We source some of the main components used in the V-GIS from overseas in order to reduce costs.

In the case of the tank, when we decided on overseas procurement, we selected the materials at the drawing stage, and had samples manufactured for inspection. As part of this process, we sought to ensure the high standards of quality in use in Japan for important quality controlled items such as coatings. To make this possible, we have translated the work instructions we use at our Numazu Works into the relevant languages, enabling us to achieve a quality management standard equivalent to our domestic standard, and realize a high-quality product. In addition, when parts for the product were manufactured, quality was monitored over several periods, and we worked to ensure that no defective parts were shipped.

Voltage transformers for power consumption measurement were subjected to a witness test by the Thai Provincial Electricity Authority (PEA). We therefore comprehensively evaluated and selected suppliers based on considerations including quality, adequate ability to respond to overseas customers, and flexibility (including the area of services).

### Increasing the Quality of Manufacturing Transfer Operations

In order to prevent the occurrence of initial defects of manufacturing product, we implemented a design review (DR) in relation to the assembly test procedure from the stage of development and design. We identified the essential tools in advance, and prepared the necessary documents, such as process check-lists, and deployed them to ensure the manufacture of high-quality products.

Manufacturing

#### Main sources of value creation

- Manufacturing capital**  
High-quality products: "JAPAN Quality"
- Social capital**  
Collaboration with overseas subsidiaries, cooperation with overseas suppliers





### Localization to Increase Product Competitiveness and Our sense of Responsibility as an Electrical Equipment Manufacturer

We are training Thai staff at our Numazu Works in order to enable us to rely on local staff. They will be responsible for the installation of gas-insulated switchgear (GIS) and the supervision of tests in future. This initiative intends to increase the quality of the work conducted in Thailand. This will also reduce costs for Japanese test supervisors, and will also benefit us in terms of price competition with other companies. In the future, we intend to expand our sales with Thai Meidensha as an Asian manufacturing and sales base.

We will also conduct periodic follow-up visits to customers following delivery of the V-GIS in order to survey the status of operation of the products. The information we obtain will be employed in making improvements to future products, enabling us to manufacture and deliver an improved, more user-friendly and appealing product to our customers. We have also commenced training programmes in the area of power receiving and distribution equipment, from design to delivery, with a focus on Meiden Asia Pte Ltd., which will enable us to further enhance our ability to provide rapid response.

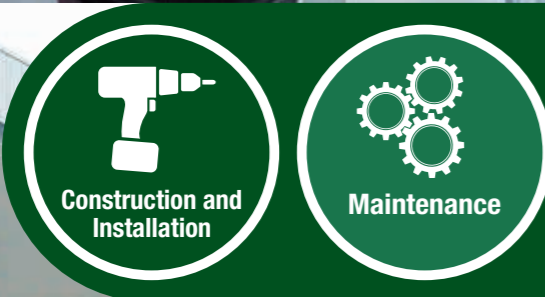
Advancing localization in this way will cultivate a sense of their responsibility as manufacturers of electrical equipment among our local staff. As a result, it will lead to the supply of even better products to our customers.



### We aim to become a heavy electrical industry supplier with sustainable growth and development potential in support of future social infrastructure

As shown in the example of our V-GIS, the Meiden Group is focusing its energies on enhancing its product power in the area of heavy electrical equipment in which we have our origins, creating a cycle that will generate sustainable growth.

We will continuously contribute to make more affluent and more livable future societies. We ensure the peace of mind and satisfaction of our customers through consideration for the environment and comprehensive customer support. We also assist our customers in solving their problems and realizing their cherished dreams through the provision of high-quality products and services. These cannot be done without the challenges of continuously creating new technologies and new value by all of the Group's employees.



#### Our main sources of value creation

- Intellectual capital**  
Expertise enabling smooth, safe and rapid equipment delivery
- Human capital**  
Local staff possessing sophisticated technological expertise and a strong sense of responsibility

### Smooth, Safe and Rapid Delivery of Equipment

In fiscal 2015, we delivered the first V-GIS to a Japanese-affiliated company in Thailand. Thailand is a major market for the V-GIS, and our Thai subsidiary, Thai Meidensha Co., Ltd. undertakes the installation of the product. Thai Meidensha has delivered a large amount of super-high-voltage equipment over the course of its history. Hence it has the knowledge and expertise to ensure the smooth, highly-efficient, rapid, and safe delivery of the product.

For the on-site assembly of the V-GIS, we redesigned the tools employed in the coupling of the gas-insulated switchgear (GIS) and the transformer to ensure safer assembly. In addition, the supervisor and the operators are designated, the work procedure is laid out, and a check-list is prepared prior to the installation work, and the work itself is conducted in a planned and systematic manner.

In order to boost the technical abilities of the local staff members at our Asian subsidiaries, we are making committed efforts to develop the technical skill of local engineering personnel to the same level as that of Thai Meidensha personnel. This is done by conducting experiential training programs in cooperation with our Plant Construction & Engineering Division.



# Research and Development, and Capital Investments

We are actively engaging in research and development programs, capital investment to assist the progress of our “Manufacturing Excellence” in preparation for a new leap forward of the Meiden Group.

## Research and Development

In order to realize the increased product competitiveness which is a goal of V120, we have focused on the development of technologies. These include technologies for structural analysis and electromagnetic flux analysis, and insulating materials and other material technologies, in our core product areas, generators, switchgear, transformers, and motors and inverters. These efforts have enabled us to create new products and improve and reduce the cost of the existing products.

In the area of switchgear, we have developed the world’s first 145kV gas-insulated switchgear incorporating a vacuum interrupter (V-GIS). The first product has been delivered within the ASEAN region (to Thailand), and is now in operation. In the future we will continue to make improvements to electrode materials and the overall structure of the product, expanding the area of application of the V-GIS, and extending the product family.

In the area of transformers, we are working to develop extra high-voltage and high-capacity technologies to raise the voltage rating to 154kV and higher of our eco-friendly transformer family that uses plant-sourced oils as insulating oils. By making improvements from materials upwards, we are seeking to extend the life of our products.

In the area of EV-related products, we are pushing ahead with development efforts to enhance our product competitiveness by further reducing the size and cost and increasing the efficiency of our motors and inverters.

In the area of motors, we have developed a compact and high-efficiency high-speed motor (250kW; 20,000rpm) that can be used in applications such as aeration blowers and compressors. We will work to develop higher-speed and higher-capacity products that will be able to contribute to opening up new markets in Japan and overseas.

In the area of inverters, we have developed a transformer-less medium-voltage inverter using a proprietary circuit design, which has achieved the world’s highest efficiency at the world’s lowest volume. In future, we will work to expand the lineup of this product.

Seeking to boost our fundamental technological capacity, we have established a development method that makes use of computers for large-scale analyses in order to reform and improve our development processes. In

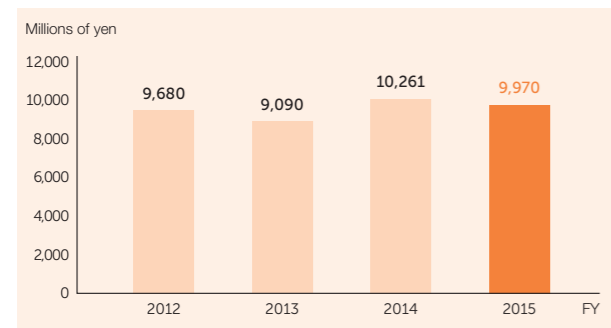
the area of generating equipment, we have visualized the temperature distribution within the machine by conducting analyses of the flow of heat in the entire product, enabling us to improve cooling efficiency and reduce the size and cost of the products. In future, we will apply this method to the development of other products, and work to develop advanced analytic technologies to enable us to realize model-based development.

In addition, in an effort to increase the added value of the Group’s businesses and products, we are working to create one-stop service systems for the inspection, maintenance management and operational management of power, small and medium-sized hydropower, water and sewage and other facilities using ICT and the IoT. Our goal is to collect and analyze operational data from our customers’ facilities, and to use them to increase the efficiency of existing equipment and detect potential malfunctions in advance, enabling us to make proposals of optimal operating plans for customers. We have also applied cloud technology we had established in our water and environment business area to develop Japan’s first online diagnostic and monitoring system for the prediction of remaining transformer life. In future, we intend to develop a new business area, applying this technology to other infrastructure equipment.

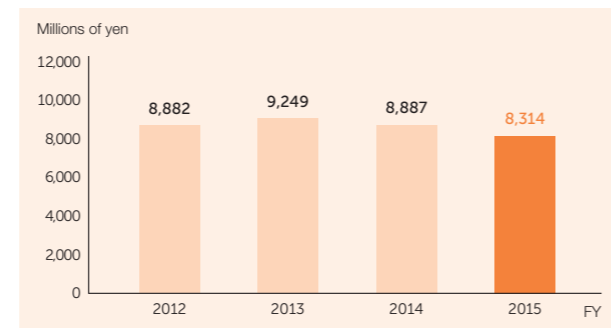
## Capital Investments

Under our mission to support social infrastructure, we have invested mainly in production facilities in order to strengthen our product competitiveness. Domestic investments have targeted the rebuilding of our CAD system to increase the efficiency of our production processes. As measures to increase the production of high-demand products, we have also expanded our vacuum capacitor production facilities, and upgraded the heat treatment vacuum furnaces for vacuum interrupters. As of overseas, we invested in order-receiving, purchasing, and accounting systems to support business expansion, and the construction of a production facility to assemble ceramic flat sheet membrane units in Singapore. In the area of real estate, we invested in the construction of a rental apartment block as an efficient means of utilizing the site of a former company residential building.

Trends in R&D expenses



Trends in value of capital investment



# Supply Chain Management

The Meiden Group practices a “supply chain CSR” program in its procurement of materials. Our CSR initiatives and Corporate Code of Conduct are based on our Corporate Philosophy. We ask our business partners to practice every aspect of CSR in their business activities to the same degree as we do in our own.

## 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

## Promote CSR Programs that Include the Supply Chain

Meiden Group practices CSR to maintain fair trade that allows for mutual growth for procurement of materials. We prepared a “Meiden Group Supply Chain CSR Promotion Guidebook” based on CSR initiatives that the Group practices throughout its business. We provide the guidebook to suppliers along with a request that they and their own suppliers practice similar CSR initiatives. The guidebook is based on the Supply Chain CSR Deployment Guidebook (August 2006 Edition) of the Japan Electronics and Information Technology Industries Association (JEITA).

## Promote Green Procurement Activities

### Green Procurement

We consider sourcing as a part of our supply chain CSR activities. Since fiscal 2014, we issue the “Green Procurement Guidelines” as our environmental guiding principles in our supply chain activities. By issuing CSR survey sheets (including environmental activities survey sheets) to our suppliers, we are able to understand their programs for CSR and environmental protection activities. In this manner, they help us in our CSR procurement activities including our green sourcing.

## Our Response to Conflict Minerals Issue

### Meiden Group policy on conflict minerals Issue

The Meiden Group works to prohibit the use of conflict minerals –tantalum, tin, gold, and tungsten mined in the Democratic Republic of the Congo and surrounding nations, which help fund armed groups that repeatedly engage in human trafficking, forced labor, child labor, abuse, or other inhumane acts.

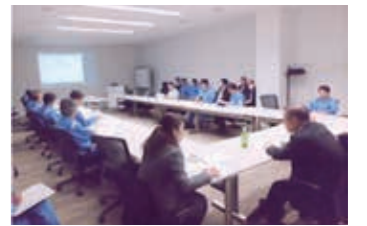
The Meiden Group practices responsible minerals procurement to fulfill our CSR. In fiscal 2015, we examined materials we had purchased over the previous year from about 800 major suppliers. The results did not show any involvement in conflict on the part of the Meiden Group.

## Promote a Stronger Group Procurement Organization

We are working to build a stronger procurement organization throughout the Meiden Group. We conduct periodic Meiden Group Procurement Meetings and refine the programs to improve the Group’s common procurement platform.

### Programs to improve the procurement platform

- Strictly comply with laws and regulations
- Strictly implement CSR procurement
- Strengthen risk management (BCP and internal controls)
- Strengthen HR development



At a Meiden Group Procurement Meeting

## TOPICS

### “Eco-Action 21” Certification and Registration

In fiscal 2015, Meiden held study meetings (“Greening Programs”) in three districts to advance certification and registration under Eco-Action 21, the environmental management system recommended by the Ministry of the Environment. We intended these meetings for small and medium-sized enterprises that had not yet earned certification for environmental management. All 27 suppliers who took part in the programs have since received certification and were given certificates of certification and registration in a ceremony held in each of our relevant production bases.

The Meiden Group will continue to support supplier initiatives to acquire Eco-Action 21 certification and registration and will aim to promote environmental management systems and make environmental improvements throughout the value chain.



Certification ceremony in the Numazu district



# Protection of the Environment

Under our Basic Environmental Philosophy, every individual employee of Meiden Group promotes environmental management that contributes to the protection of the global environment and the realization of an affluent society through our core business.

## Basic Environmental Philosophy

### President's Environmental Management Policy Statement for Fiscal 2016

We shall enhance our corporate value by two ways: (1) Contribute in building the better environment for society through our products, construction works and services and (2) Positively conduct programs to lower environmental footprints through the promotion of energy saving in our business activities and reduction of chemical materials in our products

#### 1. Philosophy:

With our basic environmental philosophy: "Contribute to people, society and the global environment," 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.

#### 2. Policies:

- (1) By promoting the development of new products and innovative technologies and providing such products to wider global markets, we endeavor to positively contribute to the society.
- (2) We strive to design and develop environmentally conscious products by conducting environmental impact evaluation for the product's life cycle, from initial material procurement to final disposal.
- (3) 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 material to reduce the environmental impact from our business activities
- (4) After establishing our internal guidelines, we endeavor to comply with the related environmental laws, regulations, rules and other required matters and strive to prevent the pollutions from our operations.
- (5) 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 and achieve our environmental goals
- (6) We strive to implement initiatives including environmental education and PR activities in order to increase all of our employees' understanding of environmental management and environmental protection and in so doing, we shall activate our environmental programs.
- (7) We endeavor to publicize our environmental initiatives both within the Group and to society and promote broader communication with our stakeholders.

Yuji Hamasaki  
President  
Meidensha Corporation  
(1st April 2016)

## Environmental Vision

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

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

### Targets that express our Environmental Vision

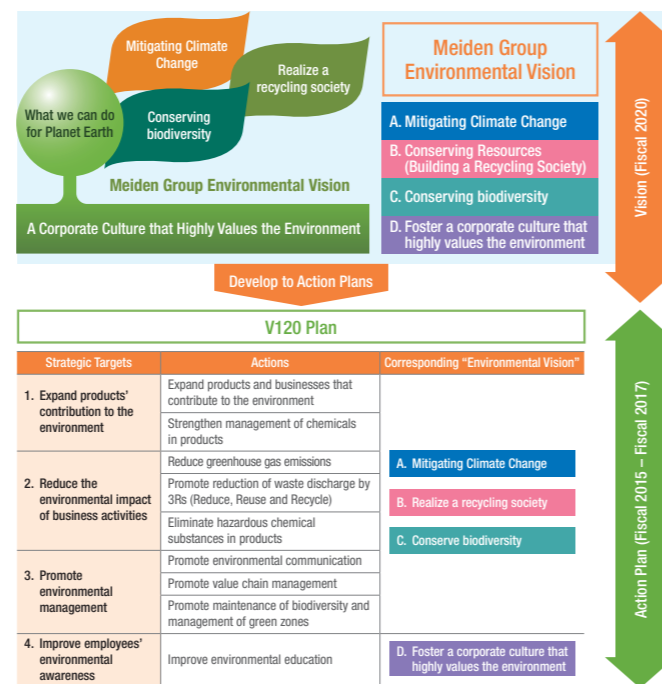
#### A. Mitigating Climate Change

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

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

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

### Deployment of Action Plans



#### C. Conserving biodiversity

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

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

- 1 Promote environmental communication: Actively disclose our environmental activities and results and promote two-way communication with our stakeholders.
- 2 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.

## Strategic Environmental Management Initiatives

### Environmental Management Promotion Framework

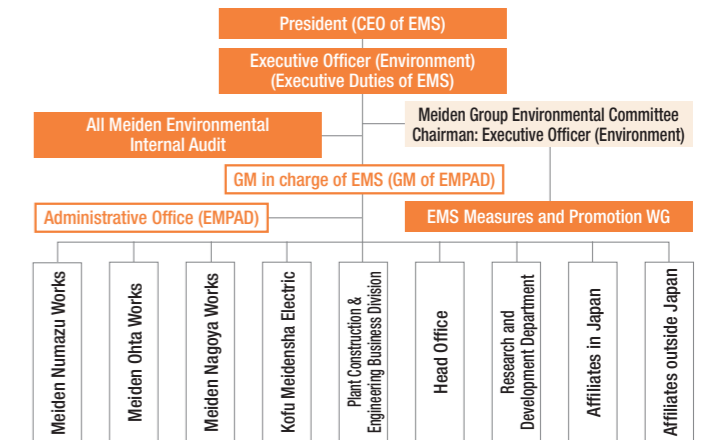
Meiden Group promotes an environmental management system (EMS) at each level and at the Group-wide level. In our EMS organization, the chief executive officer is our President and the officer carrying out EMS executive duties is our executive officer (environment) who oversees the overall EMS management of the entire Meiden Group.

The general manager (GM) in charge of EMS is the General Manager of the Environmental Management Program Administration Division (EMPAD). The GM maintains and improves EMS of the Meiden Group. The GM organizes the All-Meiden Environmental Internal Audit Group (AMEIA Group) as an independent organization and the AMEIA Group inspects and monitors the status of the EMS program, conditions of compliance with related laws and regulations and makes proposals for EMS improvements.

Our executive officer (environment) is the chairman of the Meiden Group Environmental Committee (MGEC), which is our EMS Organization's highest decision-making body in relation to environmental activities. The MGEC sets

environmental targets and formulates action plans, conducts management reviews, responds to emergency situations and reviews and reports on the activities of environmental measures and working groups (WGs) and EMS promotion WGs. The MGEC decides the policy directions of our EMS.

### Meiden Group EMS Promotion Organization



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

Strategic Targets	Actions	Fiscal 2015 Targets	Fiscal 2015 Results	Evaluation
1. Expand products' contribution to the environment	Expand products and businesses that contribute to the environment	Contribute 620 thousand t/year reduction in CO <sub>2</sub> emissions by ECBs	Contributed 870 thousand t/year reduction in CO <sub>2</sub> emissions by ECBs	○
		Conduct LCA assessments in new products	Conducted LCA assessments for all new products	○
2. Reduce the environmental impact of business activities	Reduce greenhouse gas emissions	Reduce energy consumption per unit of production by 1% from 2014 levels	Reduced energy consumption per unit of production by 1% from 2014 levels	○
		Reduce SF <sub>6</sub> output amount to less than 3% of purchased amount	Reduced SF <sub>6</sub> output amount to 1.9% of purchased amount	○
		Promote reduction of waste discharge by 3Rs (Reduce, Reuse and Recycle)	Achieved zero emissions at all applicable locations	○
		Eliminate hazardous chemical substances in products	Reduced waste emissions per unit of production by 20.8% against the level of fiscal 2014	○
3. Promote environmental management	Promote value chain management	Reduce VOC emissions by 30% (against the level of fiscal 2000)	Reduced VOC emissions by 50% (against the level of fiscal 2000)	○
		Support supplier EMS systems (20 companies)	EcoAction 21 acquired by 27 companies	○
4. Improve employees' environmental awareness	Promote maintenance of biodiversity and management of green zones	Manage green zones by factories in a manner that is considerate of biodiversity <Main four locations> <sup>*4</sup>	Conducted environmental conservation activities etc., at our four main locations	○

### Meiden Group V120 Medium-term Targets (in Japan) and Fiscal 2016 Environmental Targets

Strategic Targets	Actions	V120 Targets (Fiscal 2017 Targets)	Fiscal 2016 Environmental Targets	
1. Expand products' contribution to the environment	Expand products and businesses that contribute to the environment	Contribute 800 thousand t/year reduction in CO <sub>2</sub> emissions by ECBs	Contribute 800 thousand t/year reduction in CO <sub>2</sub> emissions by ECBs	
		Conduct LCA assessments in each product category	Disclose LCA data for new products	
2. Reduce the environmental impact of business activities	Reduce greenhouse gas emissions	Reduce energy consumption per unit of production by 3% from 2014 levels	Reduce energy consumption per unit of production by 2% from 2014 levels	
		Reduce SF <sub>6</sub> output amount to less than 3% of purchased amount	Reduce SF <sub>6</sub> output amount to less than 3% of purchased amount	
		Promote reduction of waste discharge by 3Rs (Reduce, Reuse and Recycle)	Zero emissions <sup>*1</sup> at 9 sites (Major production hubs in Japan <sup>*2</sup> , engineering service business units (BUs) and construction service business units (BUs))	Zero emissions <sup>*1</sup> at 9 sites (Major production hubs in Japan, engineering service business units (BUs) and construction service business units (BUs))
		Eliminate hazardous chemical substances in products	Reduce waste emissions per unit of production <sup>*3</sup> by 8%	Reduce waste emissions per unit of production by 5% against the level of fiscal 2014
3. Promote environmental management	Promote value chain management	Reduce VOC emissions by 30% (against the level of fiscal 2000)	Reduce VOC emissions by 30% (against the level of fiscal 2000)	
		EMS system certified by 45 suppliers	EMS system certified by 27 suppliers	
4. Improve employees' environmental awareness	Promote maintenance of biodiversity and management of green zones	Utilize green zones by factories in a manner that is considerate of biodiversity <Main four locations> <sup>*4</sup>	Manage green zones by factories in a manner that is considerate of biodiversity <Main four 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.

\*2 Major production hubs: Meiden Numazu Works, Meiden Ohta Works, Meiden Nagoya Works, Kofu Meidensha Electric, Meiden Chemical (Sagami Works), Hokuto Denko (Atsugi Works)

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

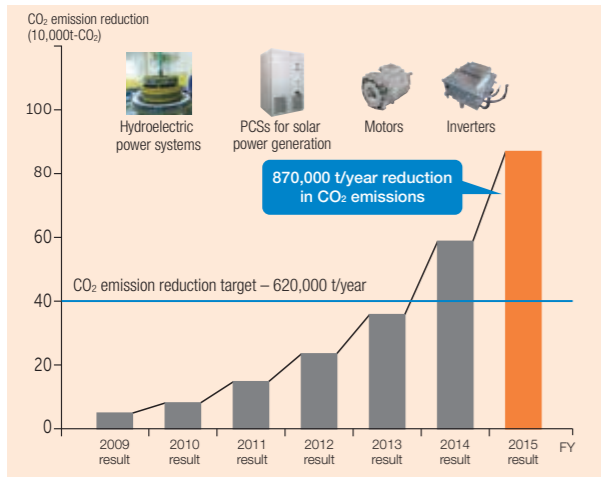
\*4 Main four locations: Meiden Numazu Works, Meiden Ohta Works, Meiden Nagoya Works, and Kofu Meidensha

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

### Contribute to Mitigating Climate Change by Reducing CO<sub>2</sub> Emissions from Products

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

In fiscal 2015, we included more products in our calculation of environmental benefit (the expected CO<sub>2</sub> emissions curbing effect from products sold). This calculation showed a benefit of about 870,000 t/year, exceeding our target of 620,000 t/year.



Object products / businesses	CO <sub>2</sub> emissions reduction
Power conditioners for solar power generation	Emissions curbed if conventional power replaced by renewable energy
Wind power sales business	
Hydropower generators*	Emissions curbed if replacing gasoline vehicle of same grade
Electrical components for electric vehicles	
Power conditioners for storage batteries*	Emissions curbed by replacing pumped-storage power generation (or replaced with a higher efficiency product)
Electrical components for electric forklifts*	Emissions curbed by replacing conventional Meiden products (lowering energy losses)
Engines / turbine generators*	
Transformers*	
Total: 870,000 tons	

(Note 1) The \* mark indicates products added to scope of calculation in fiscal 2015.  
(Note 2) Calculated by multiplying the difference in CO<sub>2</sub> emissions during usage stage by estimated product life and number of units sold each year. However, in the case of wind power sales, calculation is based on of the actual amount of electricity generated annually.



Solar power generation facility for Tokushima-shi No. 10 Water Purification Plant

## TOPICS

### Toyama Prefecture Hayatsuki River Shoreline Land Improvement District

This power station was built to take advantage of unused potential energy from the Hayatsuki River, provide sustainable energy, and cut maintenance and management costs for the land improvement facility. The power station generates 530 kW of electricity using abundant water available from the Suke River (used for agriculture) and its net head of about 18 m.



Hayatsuki River Shoreline No. 1 Power Station  
Horizontal axis cross-flow hydro-turbine and horizontal axis induction generator

## Development of Environmentally Conscious Products (ECP)

A Meiden Green Product\* registered in fiscal 2015

### [AC/DC converter for storage batteries (power storage system)]

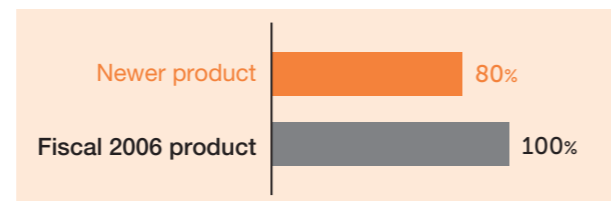
An AC/DC converter for storage batteries has a load-leveling function to reduce contracted demand and an autonomous operating function for BCP purposes.



The following are features of this product, with comparisons to a Meiden product developed in fiscal 2006.

- ▶ Fits in a standard (20-foot) container; 10% lighter, 30% smaller
- ▶ Uses a three-level inverter; 20% less energy consumption

### Life cycle CO<sub>2</sub> emissions



## Environmental Initiatives related to Business Activities

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

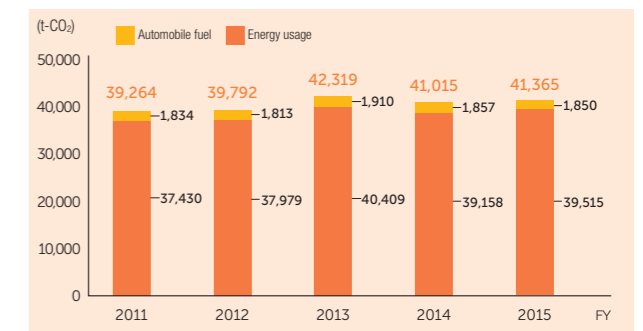
Most of the greenhouse gas emissions caused by the Meiden Group results from energy that is used in our business activities. In response, we have switched to energy efficient LED lighting and metal-halide lamps in our factories and have systematically updated our air conditioning systems. We are in addition improving the operation of our existing facilities, reviewing their management, and rationalizing energy consumption through both capital investment and facility operation.

With our consistent energy-saving study circles and have undertaken grass roots-level activities that carefully control air conditioning use helped us share knowledge and raise awareness about energy conservation.

The results of the above activities have been as follows: in the Meiden Group as a whole, although energy consumption rose by the equivalent of about 150 kl of crude oil (a gain of 0.8%), which increased CO<sub>2</sub> emissions by about 350 tons, we have increased the efficiency of our energy usage and we achieved our fiscal 2015 target of reducing energy consumption per unit of production\* by 1% from fiscal 2014.

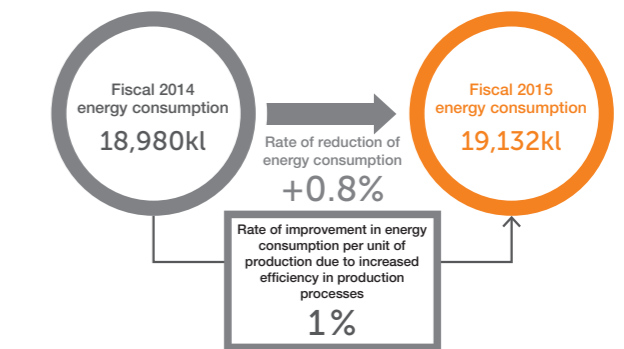
\* Energy consumption per unit of production:  
An indicator, found by dividing the amount of energy used by the amount of production at each factory or department

### Trends in CO<sub>2</sub> emissions (Domestic)



\* The "CO<sub>2</sub> emission factor for electricity usage," published by the Federation of Electric Power Companies of Japan, is used as the electric power CO<sub>2</sub> indicator. For figures through fiscal 2014, we use the adjusted factor (with credits) for each fiscal year; for fiscal 2015, we use the fiscal 2014 figure.

### Energy consumption and rate of improvement in energy consumption per unit of production (Domestic)



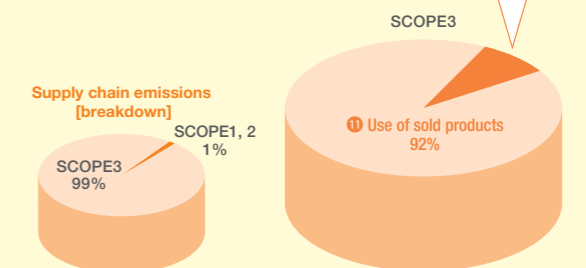
## TOPICS

### Calculating CO<sub>2</sub> Emissions in the Supply Chain (SCOPE 3)

In fiscal 2015, we took part in the Ministry of the Environment's "supply chain emissions calculation support program." Through this program, we calculated the CO<sub>2</sub> emissions not only from our own business activities, but throughout the whole supply chain, including indirect emissions in both upstream and downstream sectors.

By visualize the environmental impact imposed at each stage of the supply chain, we were able to make one problem clear: that a high percentage of our emissions falls in "Use of sold products" (Scope 3, Category 11) and "Purchased goods and services" (Scope 3, Category 1). To promote our environmental measures, we will address the entire supply chain, by mitigating the downstream burden through environmentally friendly design of products and the upstream burden through green procurement.

- ① Purchased products and services 7.5%
- ② Capital goods 0.38%
- ③ Fuel- and energy-related activities not included in Scope 1 or 2 0.01%
- ④ Upstream transportation and distribution 0.01%
- ⑤ Downstream transportation and distribution 0.01%
- ⑥ Waste generated in operations 0.01%
- ⑦ Business travel 0.03%
- ⑧ Employee commuting 0.01%
- ⑨ End-of-life treatment of sold products 0.04%
- ⑩ Downstream leased assets 0.15%



For an overview of the environmental impact of our business activities, see "Meiden Group CSR 2016" (PDF version). We have also undergone a third-party verification of energy and CO<sub>2</sub> (exclusive of portion from automotive fuel). See "Meiden Group CSR 2016" (PDF version).

# Human Resources Management

The Meiden Group aims to maintain a fair and just employment system and a positive workplace to enable each employee to exercise his or her potential.

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

### Employment Policy

We are working on providing fair opportunities to enable a diverse range of employees to prove and demonstrate their potential, free from obstacles based on age, gender, nationality, etc. We are working hard to build a positive environment that provides the opportunities for each employee to prove and show their unique individuality through action programs. (e.g. diversity education programs at all levels, a personnel treatment system for career development and review of personnel evaluation, and holding opinion-exchange working group meetings by female workers in Japan, etc.)

We also provide employee training based on these core labour standards of the ILO\*: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

\* ILO (International Labour Organization): A United Nations organization that provides advice and instruction to national governments on improving labor conditions and social welfare.

### Hiring of People with Disabilities, and Re-Employment System

Meiden Universal Service K.K., an exceptional subsidiary, provides a workplace for people with mental disabilities. We have worked to increase employment for this population by expanding the company's reach, including new branches at manufacturing facilities in various regions. In 2015, Meiden Universal Service was honored for its contribution to the employment and occupational independence of persons with mental disabilities over the years. It received a commendation from the Governor of Gunma Prefecture as a "Business of Excellence for the Employment of Persons with Disabilities in Gunma Prefecture."

In Japan, we amended our re-employment system applicable to those who reach the mandatory retirement age of 60 as of April 2013. We now offer employment opportunities to all applicable and re-employment-seeking people by giving job descriptions and entering re-employment contracts.



A re-employed employee giving instructions

### Rate of employment of people with disabilities (Meiden Group)

2010/6	2011/6	2012/6	2013/6	2014/6	2015/6
1.95%	2.09%	2.12%	2.13%	2.18%	2.19%

### Promoting Diversity (Encouraging women to play active roles)

Since fiscal 2014, the Meiden Group has implemented diversity promotion programs. Through such efforts, we aim to produce new value by making the best use of the uniqueness and individual talent of each employee.

In fiscal 2015, we gave diversity training on childcare and nursing care to staff at all levels. Among other events, we held opinion-exchange working group meetings for female workers in Japan. The purpose of events like these is to motivate and draw out the potential of each individual, male or female, and encourage a corporate culture in which women play an active part.

We will continue to develop action plans in keeping with the intent of the Act Concerning Promotion of Women's Career Activities. We will make it our policy to increase the percentage of women in managerial positions and actively hire and develop women as technical employees.

## Human Resources Development

### Human Resources Development Policy

- Following the spirit of the Corporate Philosophy and Corporate Code of Conduct, we will support improvement of each employee's skill level through training (talent development) and improvement of organizational performance (improvement of results) and thereby offer greater value to customers.
- We will enrich our range of elective and voluntary-participation technical and language trainings, etc., establishing a training system that is more targeted rather than being something for everyone.

### Various Training Programs

We provide various training programs for the personal development of our employees as Meiden Group employees, as members of society, and as professionals. In fiscal 2015, we conducted training programs for overseas Meiden Group managers and engineers, with the training courses given in Japanese, English, and Chinese. We also invite overseas Meiden Group technicians to Japan, where they join the training programs at their mother factories. We will continue to reinforce these educational programs to develop globally-minded talent.



Training programs for overseas Meiden Group engineers

## Building a Positive Workplace with Job Satisfaction

### Personnel Treatment System

Since April 2015, we have revised our personnel treatment system for general staff members in Japan. That intends to inspire our employees to contribute to the Company and increase their motivation to work. This system aims to reward employees who have made higher contributions or worked hard according to their actual contributions through our multi-track job qualification systems by balancing the "job role" and "job contribution." This system additionally aims to meet various working styles, allowing employees to work in their preferred work locations.

### Major initiatives

- MBO Performance Measuring System**  
In order to ensure high evaluation transparency, we use the MBO (management by objectives) performance measuring system coordinated with TQM (Total Quality Management) activities.
- Self-reporting system**  
The self-reporting system helps employees develop personal talent and form career plans.
- Meister program**  
The Meister program gives special benefits to employees who contribute to Meiden Group through excellent craftsmanship. We treat them as high-level experts. So far, we have certified nine employees as Meister between fiscal 2008 and fiscal 2015.
- Job rotation program**  
We have adopted a job rotation program to develop the abilities of our young employees.

### Flexible Work Styles

In fiscal 2015, we started work-at-home and satellite office programs. The work-at-home system gives employees work-style choices that can raise productivity. Employees are allowed to work at their own homes, which helps them accomplish childcare or nursing care in addition to work. The satellite office program was inaugurated to boost efficiency and shorten commuting times for those employees who live far from their workplaces. These employees can work in office spaces outside their usual work area, which allows them to work with more flexibility.

## Occupational Safety and Health Management Initiatives

### Safety and Health Initiatives Based on President's Safety and Health Management Policy

Each fiscal year, Meiden Group draws up a President's Safety and Health Management Policy and undertakes safety and health initiatives in keeping with the policy. We draw up English and Chinese versions of this policy and apply the same initiatives to overseas Meiden Group companies.

Recognizing that the occupational safety and health (OSH) of each employee are fundamental to the Group's operations, we work to eliminate occupational accidents and maintain and improve each employee's health at work.

This follows our Basic Policy: "To secure a safe and positive work environment and help in realizing the work-life balance and better lives of our employees."

WEB

For more information about the President's Safety and Health Management Policy, see "Meiden Group CSR 2016".

### Occupational Safety and Health(OSH) Management Initiatives - Aiming to Eliminate Occupational Accidents and Injuries

There were fewer occupational accidents and injuries in fiscal 2015 than fiscal 2014, but there is still far to go to eliminate them. We analyzed the causes of these incidents and found that human factors (unsafe behaviors) were to blame for most of them. Our hope is to reflect on the situations and eliminate these unsafe behaviors to raise and reinforce health and safety awareness. Following is a list of new initiatives introduced in fiscal 2015.

- ▶ Expanding hazard prediction training (previously given mainly to production, construction, and maintenance staff) to general staff, sales, and sales engineering departments.
- ▶ Expanding safety sense training (previously limited to the construction departments) to production staff, including affiliated companies, and develop it as a Group program.
- ▶ Taking heat stroke prevention measures in the whole Group.
- ▶ Distributing individual hazard-prediction self-check cards to all employees of the Meiden Group in Japan as a way of increasing safety and health awareness.
- ▶ Providing online OSH training.

\* Information on the number of occupational accidents and injuries may be found at our website.

## TOPICS

### Having Acquired OHSAS18001 Occupational Health and Safety Management System Certification at Four Major Production Bases in Japan

Our effort to acquire OHSAS18001 certification began in fiscal 2013. In fiscal 2014, we newly established a Group supervisory department called the "Operational Health and Safety Management Department." It promotes acquisition of the certification and bolsters OSH management initiatives. The department endeavors to enhance Group employee OSH. Their programs include checking compliance with relevant laws and regulations and providing guidance to improve it to increase OSH awareness; providing instructions to strengthen our management programs; providing support for establishing appropriate risk assessment operating systems; and holding and planning legally-required trainings and developing a sense for safety.

The Meiden Ohta Works acquired OHSAS18001 certification in October 2015, followed by Meiden Numazu Works in December 2015 and Meiden Nagoya Works and Kofu Meidensha Electric Mfg. Co., Ltd. in January 2016. In each case, certification was also acquired by all affiliated companies on the grounds of the respective premises. Therefore, all four major production bases finished obtaining certification during fiscal 2015. Additionally, Meiden Singapore, a major overseas production base, earned its certification in fiscal 2013.

The Meiden Group will continue to promote its OSH management system and build workplaces where all employees, in Japan and abroad, can work safely and healthfully.

# 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" in May 2006, and thus have been promoting stronger corporate governance. Certain basic policies were amended at the meeting of the board of directors that occurred in May, 2015, to reflect a revision of the Companies Act.

#### The Governance Structure to Secure the Fairness of Business Practices

- 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
- System to manage and store information relating to the directors' performance of their duties
- Internal rules and risk management system against risk-causing losses
- System to secure directors' efficient execution of their duties
- 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
- System to ensure appropriate business conduct by the group comprising the Company as well as its subsidiaries
- Matters relating to employees who assist the performance of duties by corporate auditors
- Matters relating to the separation of corporate auditors assisting employees from the supervision of the directors
- System for directors and employees of the Company and subsidiaries to report to auditors, and other systems pertaining to reporting to auditors
- Matters pertaining to procedures for advance payment or reimbursement of costs arising from the performance of auditors' duties and policies relating to performance of said duties
- Other systems to ensure effective enforcement of auditing by the corporate auditor

### Policy Actions Update \*As of end of June, 2016

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.

Executive officers appointed by the Board of Directors are responsible for executing their designated duties in compliance with the Group management policies decided by the Board, within the scope of authority given to them by the representative directors. The executive officers perform their duties actively under the supervision of the representative directors.

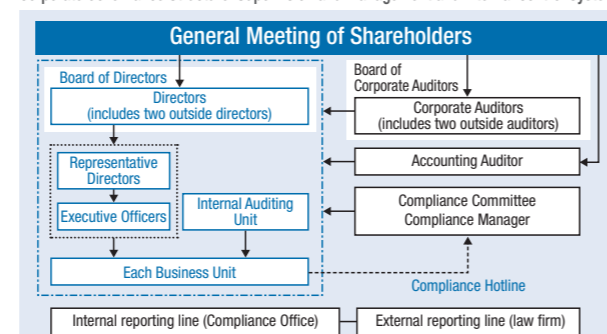
Two of the ten members of the Board of Directors are independent outside directors, who have no stake in Meidensha's management. This structure is designed to reinforce corporate governance by enhancing the Board's supervisory function concerning the execution of duties.

Meidensha has also adopted a corporate auditor system. The Board of Corporate Auditors consists of four members, two of whom are outside corporate auditors. Each of the auditors communicates with directors, the internal auditing department, and other related departments, while adhering to the auditing policies, allotted 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 execution of duties by directors by monitoring business operations and financial conditions of the Group. We have an Internal Auditors Office to assist the Board of Corporate Auditors 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



# Board of Directors & Executive Officers

As of June 29, 2016

## Representative Directors



Representative Director, Chairman **Junzo Inamura**    Representative Director, President **Yuji Hamasaki**    Representative Director, Executive Vice President **Kozo Masaki**    Representative Director, Executive Vice President **Takeshi Miida**

## Director and Senior Managing Executive Officers

Mamoru Sugii    Tadayoshi Machimura    Masamichi Kuramoto    Tetsuya Morikawa

## Directors

Hiroyuki Takenaka (Outside Director)    Junji Yasui (Outside Director)

## Senior Corporate Auditors

Kazuyuki Tanaka    Tetsushi Tanaka

## Corporate Auditors

Yoshiaki Shin (Outside Corporate Auditor)    Mitsuru Nawata (Outside Corporate Auditor)

## Managing Executive Officers

Toru Akiya    Nobutoshi Ohashi    Kazumi Ikarashi    Akira Yamamoto    Manabu Yokoi    Michihiko Katoh

## Executive Officers

Shigetaka Wakabayashi    Kazuhiko Furukawa    Teruhisa Abo    Satoru Kameyama    Noritaka Matsushita    Isamu Sutoh    Norio Takekawa  
Masayuki Iwao    Akio Inoue    Tomoyasu Hachiro    Nobuaki Tamaki    Tatsuki Mochizuki    Hiroshi Toke

# Compliance

Meiden Group considers compliance initiatives to be a key part of our practice of CSR. We work to comply with the law, society's expectations, and social norms and ethics in general.

## Compliance System at Meiden Group

### Compliance Policy and System

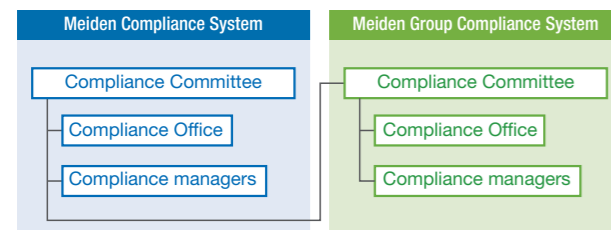
Meiden Group Code of Conduct (COC) defines that we shall strive to ensure compliance with applicable laws and regulations of our business operations-related matters, other applicable laws and regulations at home and abroad, social and ethical norms, and its underlining spirit, and we shall conduct our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

### 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. Those who report problems are protected under the Whistleblower Protection Act.

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

### Compliance Education and Information Exchange Meetings

The Compliance Committee hold Compliance Information Exchange Meetings at major business premises in Japan every year. The purpose is to maintain and raise compliance awareness and receive input from people in each workplace.

The Compliance Information Exchange Meetings also serve as education for compliance managers and selected employees of the Group companies, who also have the opportunity to exchange views with the Compliance Committee. These events were held at 22 locations in fiscal 2015, inviting a total of 1,043.

The Committee reported on their companies' compliance activities, including individual whistleblower cases and how the company responded to them. Training was also given on workplace harassment and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. Legal affairs staff gave further training to ensure legal compliance in sales, with practical examples. The participants talked about their workplace conditions, expressing their opinions and hopes to the Committee and asking many questions. We aim to reflect these participants' input in formulating this fiscal year's compliance programs to ensure even better compliance activities.



Information Exchange Meeting

# Risk Management

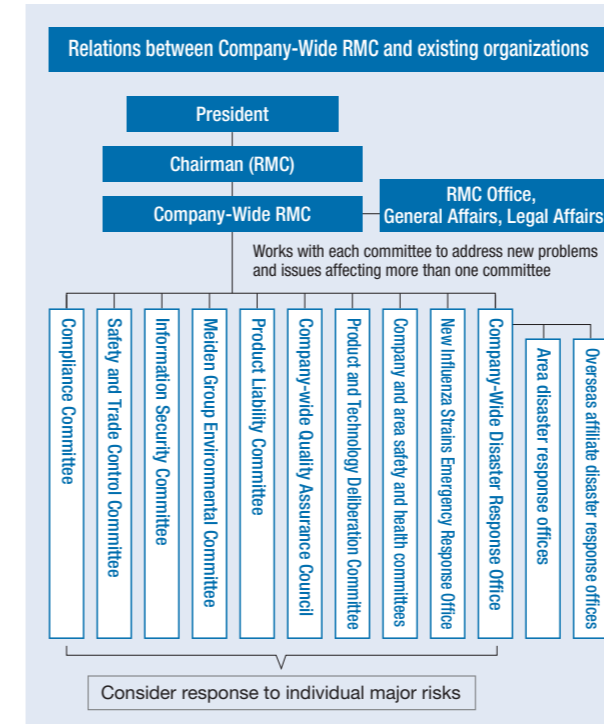
The entire Meiden Group is stepping up its risk management system, working to prevent various risks and minimize impacts if such events occur.

## A Stronger Risk Management System

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

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

### The Company-Wide RMC



### Priority Initiatives for Fiscal 2015

In fiscal 2015, we conducted a study of frameworks to manage risks of disaster, terrorism, and the like outside Japan and effective systems for checking the safety of overseas employees.

As part of our efforts towards disaster prevention, we worked with the community to run a drill under the scenario

of an earthquake occurring directly beneath Tokyo. Additionally, we gave a briefing to general employees on emergency functions and supply reserves at our Head Office building as a way of sharing vital information with them. We also brought in digital radios for inter-base communication during disasters and are working to step up our disaster countermeasures.

### Priority Initiatives for Fiscal 2016

The Meiden Group will study specific measures, anticipating a variety of enterprise risks.

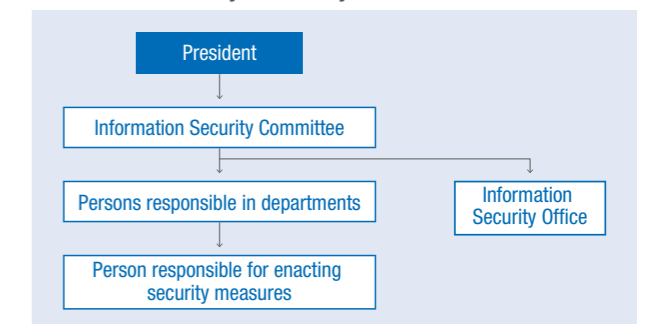
We will also start to draw up business continuity plans (BCP) in preparation for a large-scale disaster. Other approaches we plan to step up include emergency rescue drills, safety check system operating drills, and training on measures for employees stranded and unable to get home. These will help increase our readiness when disaster strikes.

### Strengthening Information Security Management

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

In fiscal 2015, we repeated online courses on information security to the entire Meiden Group and stepped up physical measures to further strengthen information security. We worked to prevent information leaks from equipment, took measures against unauthorized trespassing and access, and took steps against virus infections.

### Information security control system



# Outline of Meiden Group

## Corporate Data as of March 31, 2016

Corporate Name	MEIDENSHA CORPORATION	Capital	¥17,070 million
Established	June 1, 1917 (Since December 22, 1897)	Consolidated Sales	¥237,404 million
Representative Director, President	Yuji Hamasaki	Consolidated Number of Employees	8,408
Head Office	ThinkPark Tower, 2-1-1, Osaki, Shinagawa-ku, Tokyo, 141-6029 Japan	Consolidated Subsidiaries	39 (19 in Japan, 20 overseas)

## Consolidated Subsidiary Companies as of March 31, 2016

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

Area Code	Company Name	Capital	Business Entity
Singapore	MEIDEN SINGAPORE PTE. LTD.*1	S\$25.4 million	Manufacture and sale of transformers, switchboards, and circuit breakers, maintenance and after-sale service of electrical equipment, electrical engineering and import/export operations, and overseas procurement
Thai	THAI MEIDENSHA CO., LTD.	TB30.0 million	Electrical engineering, technical consulting, after-sale service, and import/export operations
U.S.A.	MEIDEN AMERICA, INC.*1	US\$21.5 million	System engineering, sales, technical consulting, and after-sale service of dynamo products
China	MEIDEN HANGZHOU DRIVE SYSTEMS CO., LTD.*1	US\$19.0 million	Manufacture of PM motors and other specialist electrical devices, general purpose inverters, and assembly units for automatic guided vehicles
Germany	TRIDELTA MEIDENSHA GmbH	€78 thousand	Manufacture and sale of electric power / electric railroad lightning arresters and lightning arrester accessories

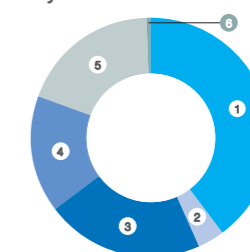
\*1. Specified subsidiary

Another 24 companies

## Share data (As of March 31, 2016)

Stock Listing	Tokyo Stock Exchange, Nagoya Stock Exchange
Total number of authorized shares	576,000,000
Total number of issued shares	227,637,704 (Including treasury shares of 748,304)
Number of shareholders	14,060

Distribution of shares by shareholder



1	Financial institutions	39.85%
2	Securities companies	3.74%
3	Business companies	21.24%
4	Overseas investors	15.89%
5	Individuals	18.95%
6	Other	0.33%

## Major shareholders

	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	18,631	8.21
Japan Trustee Services Bank, Ltd.	14,045	6.19
Sumitomo Electric Industries, Ltd.	13,156	5.80
Sumitomo Mitsui Banking Corporation	11,209	4.94
NEC Corporation	8,730	3.85
Sumitomo Mitsui Trust Bank, Limited	7,500	3.31
CBNY-GOVERNMENT OF NORWAY	6,001	2.65
SUMITOMO LIFE INSURANCE COMPANY	5,307	2.34
Meidensha employees stock ownership	4,912	2.17
Mitsui Sumitomo Insurance Company, Limited	4,377	1.93

(Note) The shareholding ratio excludes treasury shares.



# MEIDENSHA CORPORATION

TOKYO JAPAN

ThinkPark Tower, 2-1-1, Osaki, Shinagawa-ku, Tokyo 141-6029 Japan  
[www.meidensha.co.jp](http://www.meidensha.co.jp)



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