

FOR IMMEDIATE RELEASE

Meidensha Corporation Reports Earnings for the Fiscal Year Ended March 31, 2019

Tokyo, Japan; May 14, 2019 — Meidensha Corporation (TSE: 6508) reported consolidated net sales of ¥245,033 million and a net income attributable to owners of the parent of ¥7,653 million, or ¥168.68 per share, for the fiscal year ended March 31, 2019.

1. Operating Results and Financial Position

(1) Analysis of Operating Results

In the fiscal year under review (April 1, 2018 to March 31, 2019), despite weakening external demand, the Japanese economy gradually recovered due to solid internal demand and increased capital investment.

Meanwhile, although there is uncertainty due to trade friction between the United States and China, and a heightened sense of an economic slowdown in China and Europe, the global economy gradually recovered as the economic recovery in the United States continued.

[Consolidated Results]

In this operating environment, the Meiden Group has been steadily implementing the measures under the Medium-term Management Plan 2020, and aims to further enhance corporate value and strengthen earning capacity by conducting strategic investments in three areas: growth businesses, earnings-base businesses and new growth businesses.

Operating results for the year ended March 31, 2019 were as follows.

(Unit: millions of yen)

| | Fiscal year ended March 31, 2018 Result | Fiscal year ended March 31, 2019 Result | Change | Change (%) |
|--|---|---|---------|---------------|
| Net sales | 241,832 | 245,033 | 3,200 | 1.3 |
| Operating income | 11,381 | 10,336 | (1,044) | (9.2) |
| Ordinary income | 9,992 | 10,128 | 135 | 1.4 |
| Net income attributable to owners of the parent | 7,056 | 7,653 | 596 | 8.5 |

The results for each business segment are presented below, with sales figures including inter-segment sales.

1) Social Infrastructure Business

Net sales in the segment decreased 6.5% year on year to ¥137,532 million, and operating loss deteriorated by ¥4,187 million to ¥107 million.

Sales and income in the Electricity and Social Infrastructure Systems field decreased compared with the previous fiscal year due to the delivery dates of sales being delayed, deterioration of costs in overseas projects and the impact of unprofitable projects.

Sales and income in the Railway Systems field decreased compared with the previous fiscal year due to the impact of a lull in major overseas projects.

Sales and income in the Water Infrastructure Systems field decreased compared with the previous fiscal year due to budget cuts arising from fiscal difficulties at local governments, reduced demand stemming from a decline in population, etc. and the impact of delays in construction work.

2) Industrial Systems Business

Net sales in the segment increased 16.2% year on year to ¥65,100 million, and operating income improved by ¥1,238 million to ¥5,622 million.

The Motor and Drive field is performing strongly and sales and income increased compared with the previous year due to robust performance of motors and inverters for PHEVs and EVs. Sales and income decreased in the Electronics field compared with the previous year due to the sluggish performance of components for manufacturing equipment as a result of the semiconductor manufacturing equipment market being in an adjustment phase. Although sales decreased somewhat in the Dynamometer Systems field compared with the previous year, operating income increased because investment for automobile manufacturer testing equipment was steady and orders were also on a recovering trend.

3) Maintenance and Servicing Business

The Group has been strengthening the initiative of a one-stop service that covers from maintenance and inspection of electrical equipment to maintenance and operation management, and also aggressively conducting activities to diagnose and make proposals for electrical equipment using private plant and facility walkthrough activities. As a result, net sales in the segment increased 8.9% year on year to ¥36,974 million and operating income improved by ¥755 million to ¥4,343 million.

4) Real Estate Business

Net sales in the segment totaled ¥3,481 million, on par with the level achieved in the previous fiscal year, and operating income improved by ¥82 million to ¥1,419 million.

5) Other

Net sales in the segment increased 1.5% year on year to ¥18,601 million and operating income improved by ¥300 million to ¥797million.

(2) Analysis of Financial Condition

Total assets at March 31, 2019 amounted to ¥265,586 million, an increase of ¥1,128 million (0.4%) from the end of the previous fiscal year (March 31, 2018).

Current assets rose ¥4,275 million (2.9%) to ¥153,731 million as cash and time deposits increased.

Fixed assets decreased by ¥3,147 million (2.7%) to ¥111,854 million due to a decrease in the valuation of investment securities associated with the fall of the market price of listed shares held.

Total liabilities at March 31, 2019 were ¥181,088 million, a decrease of ¥2,139 million (1.2%) from the end of the previous fiscal year, attributable to a lower level of commercial paper.

Net assets amounted to ¥84,497 million, an increase of ¥3,268 million (4.0%), owing to recording of net income attributable to owners of the parent.

As a result, the equity ratio came to 31.5% as of March 31, 2019, compared with 30.3% at the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents at March 31, 2019, amounted to ¥12,433 million, an increase of ¥3,196 million from the previous fiscal year-end. The following are the main factors affecting changes in cash flows during the fiscal year under review.

Cash Flows from Operating Activities

Net cash provided by operating activities in the fiscal year ended March 31, 2019 amounted to ¥14,365 million, compared with ¥17,975 million provided in the previous fiscal year.

The major inflows were income before income taxes of ¥10,272 million and depreciation and amortization of ¥8,623 million, which were partially offset by outflows from income taxes paid of ¥4,913 million and a decrease in trade payables of ¥1,203 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥8,074 million, compared with ¥7,582 million used in the previous fiscal year. This was mainly due to payment of ¥7,831 million for the purchase of property, plant and equipment, and intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥3,101 million, compared with ¥11,230 million used in the previous fiscal year. Expenditures can be broken down into ¥6,000 million in repayment of commercial paper, ¥2,586 million in repayment of long-term debt, and ¥2,042 million in cash dividends paid. Revenues were largely made up of ¥7,249 million in proceeds from long-term debt.

(Reference) Trends in Cash Flow-Related Indices

| For the years ended March 31 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|------|
| Equity ratio (%) | 25.9 | 26.5 | 29.6 | 30.3 | 31.5 |
| Equity ratio on a market-capitalization basis (%) | 34.5 | 45.6 | 36.2 | 34.8 | 25.9 |
| Ratio of interest-bearing debt to cash flow (years) | 5.0 | 2.3 | 4.3 | 2.5 | 3.1 |
| Interest coverage ratio (times) | 16.6 | 38.3 | 24.6 | 37.3 | 23.0 |

Equity ratio: Total equity / Total assets

Equity ratio on a market capitalization basis: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interests paid

Note 1. All figures are based on consolidated financial results.

Note 2. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.

Note 3. Calculations involving cash flow use cash flows from operating activities.

Note 4. Interest-bearing debt includes all debt recorded on the consolidated balance sheets for which interest is paid.

(4) Future Outlook

While the domestic market is continuing to downsize facilities due to factors such as dwindling population and the financial difficulties faced by the national and local governments, the requirements and challenges of the market have been changing drastically including wider public infrastructure services, movements coordinated between the government and the private sector, the measures to address aging of the existing infrastructure, and growing demand for energy savings.

In the overseas market, the uncertain conditions are likely to continue, but it is expected that infrastructure-related demand would continue to grow given the economic development in emerging countries led by those in Asia in the medium- to long-term.

Under these conditions, the Group will promote the establishment of its earnings base by strengthening growth areas through strategic investment and further improving QCDSE to achieve the targets of the “Medium-term Management Plan 2020.”

The current management forecast for consolidated financial results for the year ending March 31, 2020 is as follows. All figures are for the full year.

(Unit: millions of yen)

| | Fiscal year ended March 31, 2019 Result | Fiscal year ending March 31, 2020 Forecast | Year-on-year change |
|--|---|--|------------------------|
| Orders | 240,310 | 260,000 | 19,689 |
| Net sales | 245,033 | 260,000 | 14,966 |
| Operating income | 10,336 | 11,000 | 663 |
| Ordinary income | 10,128 | 10,800 | 671 |
| Net income attributable to owners of the parent | 7,653 | 7,800 | 146 |

(5) Material Events Related to Going-concern Assumptions

Not applicable

2. Basic Approach to the Selection of Accounting Standards

The Meiden Group's policy for the time being is to prepare its consolidated financial statements based on the Japanese accounting standards after taking into account the comparability of the consolidated financial statements between terms and with other companies.

The Group plans to respond appropriately to the application of the International Financial Reporting Standards (IFRS) by considering the situation prevailing in Japan and abroad.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

| | As of March 31, 2018 | As of March 31, 2019 |
|---|-------------------------|-------------------------|
| | millions of yen | millions of yen |
| Assets | | |
| Current assets | | |
| Cash and time deposits | 9,506 | 12,687 |
| Notes and accounts receivable-trade | 87,323 | 87,453 |
| Electronically recorded monetary claims-operating | 6,887 | 6,507 |
| Merchandise and finished goods | 4,389 | 4,478 |
| Work in process | 32,047 | 32,694 |
| Raw materials and supplies | 5,288 | 5,476 |
| Other current assets | 4,207 | 4,556 |
| Allowance for doubtful accounts | (195) | (123) |
| Total current assets | 149,455 | 153,731 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 86,493 | 87,890 |
| Accumulated depreciation | (48,942) | (51,012) |
| Buildings and structures, net | 37,550 | 36,878 |
| Machinery, equipment and vehicles | 50,332 | 51,395 |
| Accumulated depreciation | (39,232) | (41,005) |
| Machinery, equipment and vehicles, net | 11,100 | 10,389 |
| Land | 12,590 | 12,601 |
| Construction in progress | 1,628 | 1,188 |
| Other property, plant and equipment | 21,168 | 21,429 |
| Accumulated depreciation | (19,037) | (19,157) |
| Other property, plant and equipment, net | 2,130 | 2,272 |
| Total property, plant and equipment | 64,999 | 63,330 |
| Intangible assets | | |
| Software | 5,568 | 5,433 |
| Goodwill | 5,738 | 4,645 |
| Other | 1,348 | 1,129 |
| Total intangible assets | 12,655 | 11,208 |
| Investments and other assets | | |
| Investment securities | 21,719 | 20,149 |
| Long-term loans receivable | 32 | 30 |
| Deferred tax assets | 14,087 | 15,129 |
| Other assets | 1,544 | 2,044 |
| Allowance for doubtful accounts | (38) | (38) |
| Total investments and other assets | 37,346 | 37,315 |
| Total fixed assets | 115,001 | 111,854 |
| Total assets | 264,457 | 265,586 |

| | As of March 31, 2018 | As of March 31, 2019 |
|--|-------------------------|-------------------------|
| | millions of yen | millions of yen |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 36,840 | 33,685 |
| Electronically recorded obligations-operating | 2,659 | 5,046 |
| Short-term borrowings | 8,196 | 9,928 |
| Commercial paper | 6,000 | - |
| Accounts payable-other | 14,296 | 13,490 |
| Accrued income taxes | 3,240 | 1,838 |
| Advances received from customers | 13,962 | 14,473 |
| Accrued bonuses for employees | 7,231 | 7,124 |
| Provision for product warranties | 1,157 | 1,422 |
| Provision for loss on orders | 970 | 1,106 |
| Other current liabilities | 15,940 | 16,664 |
| Total current liabilities | 110,495 | 104,779 |
| Long-term liabilities | | |
| Bonds payable | 5,000 | 5,000 |
| Long-term debt | 20,907 | 24,593 |
| Net defined benefit liability | 43,060 | 43,145 |
| Provision for environmental measures | 654 | 426 |
| Other long-term liabilities | 3,110 | 3,143 |
| Total long-term liabilities | 72,732 | 76,308 |
| Total liabilities | 183,228 | 181,088 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 17,070 | 17,070 |
| Capital surplus | 12,435 | 11,923 |
| Retained earnings | 44,103 | 49,665 |
| Treasury stock | (182) | (186) |
| Total shareholders' equity | 73,426 | 78,472 |
| Accumulated other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 8,258 | 6,973 |
| Deferred gains or losses on hedging derivatives, net of taxes | 5 | 6 |
| Foreign currency translation adjustment | 1,723 | 1,085 |
| Remeasurements of defined benefit plans | (3,179) | (2,817) |
| Total accumulated other comprehensive income | 6,807 | 5,247 |
| Non-controlling interests | 995 | 777 |
| Total net assets | 81,229 | 84,497 |
| Total liabilities and net assets | 264,457 | 265,586 |

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

| | Year ended March 31, 2018 millions of yen | Year ended March 31, 2019 millions of yen |
|--|---|---|
| Net sales | 241,832 | 245,033 |
| Cost of sales | 181,429 | 185,027 |
| Gross profit | 60,403 | 60,006 |
| Selling, general and administrative expenses | | |
| Freightage and packing expenses | 746 | 874 |
| Sales commission | 905 | 863 |
| Employees' salaries and allowances | 14,272 | 14,373 |
| Bonuses and accrued bonuses for employees | 5,791 | 5,745 |
| Provision for employees' severance and retirement benefits | 1,759 | 1,726 |
| Depreciation and amortization | 3,012 | 2,893 |
| Rent expenses | 1,783 | 1,793 |
| Correspondence and transportation expenses | 2,448 | 2,517 |
| Research expenses | 4,439 | 4,270 |
| Other | 13,862 | 14,610 |
| Total selling, general and administrative expenses | 49,022 | 49,669 |
| Operating income (loss) | 11,381 | 10,336 |
| Non-operating income | | |
| Interest and dividend income | 556 | 611 |
| Rent income | 110 | 105 |
| Equity in earnings of affiliates | - | 151 |
| Foreign exchange gains | - | 8 |
| Gain on sale of raw materials | 209 | 232 |
| Other | 458 | 571 |
| Total non-operating income | 1,333 | 1,681 |
| Non-operating expenses | | |
| Interest expenses | 478 | 624 |
| Equity in losses of affiliates | 901 | - |
| Loss on foreign exchange | 109 | - |
| Seconded employee expenses | 263 | 178 |
| Litigation expenses | 400 | 484 |
| Other | 568 | 601 |
| Total non-operating expenses | 2,722 | 1,889 |
| Ordinary income (loss) | 9,992 | 10,128 |
| Extraordinary income | | |
| Gain on sales of fixed assets | - | 231 |
| Gain on sales of investment securities | 480 | 200 |
| Other | 1 | 0 |
| Total extraordinary income | 482 | 432 |
| Extraordinary loss | | |
| Impairment loss | - | 5 |
| Compensation for damage | 200 | 282 |
| Other | 2 | 0 |
| Total extraordinary loss | 202 | 288 |
| Income (loss) before income taxes | 10,272 | 10,272 |

| | | |
|---|---------|-------|
| Income taxes | | |
| Current | 4,351 | 3,504 |
| Deferred | (1,142) | (679) |
| Total income taxes | 3,208 | 2,824 |
| Net income (loss) | 7,064 | 7,448 |
| Net income (loss) attributable to the non-controlling interests | 7 | (205) |
| Net income (loss) attributable to owners of the parent | 7,056 | 7,653 |

Consolidated Statements of Comprehensive Income

| | Year ended March 31, 2018 millions of yen | Year ended March 31, 2019 millions of yen |
|---|---|---|
| Net income (loss) | 7,064 | 7,448 |
| Other comprehensive income | | |
| Unrealized gains (losses) on available-for-sale securities | 826 | (1,284) |
| Deferred gains or losses on hedging derivatives, net of taxes | 22 | 0 |
| Foreign currency translation adjustment | 360 | (627) |
| Remeasurements of defined benefit plans | 1,275 | 361 |
| Share of other comprehensive income of affiliates accounted for using the equity method | 59 | - |
| Total other comprehensive income | 2,545 | (1,549) |
| Comprehensive income | 9,609 | 5,899 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 9,578 | 6,094 |
| Non-controlling interest | 30 | (195) |

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of term | 17,070 | 13,197 | 38,861 | (177) | 68,951 |
| Changes during term | | | | | |
| Cash dividends | | | (1,815) | | (1,815) |
| Net income (loss) attributable to owners of the parent | | | 7,056 | | 7,056 |
| Purchase of treasury stock | | | | (4) | (4) |
| Sale of treasury stock | | | | | - |
| Change due to merger | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (762) | | | (762) |
| Net changes in other than shareholders' equity | | | | | |
| Total changes during term | - | (762) | 5,241 | (4) | 4,474 |
| Balance at end of term | 17,070 | 12,435 | 44,103 | (182) | 73,426 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|--|---------------------------|------------------|
| | Unrealized gains on available-for-sale securities | Deferred gains or losses on hedging derivatives | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of term | 7,431 | (16) | 1,326 | (4,455) | 4,285 | 1,075 | 74,312 |
| Changes during term | | | | | | | |
| Cash dividends | | | | | | | (1,815) |
| Net income (loss) attributable to owners of the parent | | | | | | | 7,056 |
| Purchase of treasury stock | | | | | | | (4) |
| Sale of treasury stock | | | | | | | - |
| Change due to merger | | | | | | | - |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (762) |
| Net changes in other than shareholders' equity | 826 | 22 | 396 | 1,275 | 2,521 | (80) | 2,441 |
| Total changes during term | 826 | 22 | 396 | 1,275 | 2,521 | (80) | 6,916 |
| Balance at end of term | 8,258 | 5 | 1,723 | (3,179) | 6,807 | 995 | 81,229 |

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of term | 17,070 | 12,435 | 44,103 | (182) | 73,426 |
| Changes during term | | | | | |
| Cash dividends | | | (2,041) | | (2,041) |
| Net income (loss) attributable to owners of the parent | | | 7,653 | | 7,653 |
| Purchase of treasury stock | | | | (5) | (5) |
| Sale of treasury stock | | 0 | | 0 | 1 |
| Change due to merger | | | (49) | | (49) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (511) | | | (511) |
| Net changes in other than shareholders' equity | | | | | |
| Total changes during term | - | (511) | 5,562 | (4) | 5,045 |
| Balance at end of term | 17,070 | 11,923 | 49,665 | (186) | 78,472 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|--|---------------------------|------------------|
| | Unrealized gains on available-for-sale securities | Deferred gains or losses on hedging derivatives | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of term | 8,258 | 5 | 1,723 | (3,179) | 6,807 | 995 | 81,229 |
| Changes during term | | | | | | | |
| Cash dividends | | | | | | | (2,041) |
| Net income (loss) attributable to owners of the parent | | | | | | | 7,653 |
| Purchase of treasury stock | | | | | | | (5) |
| Sale of treasury stock | | | | | | | 1 |
| Change due to merger | | | | | | | (49) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (511) |
| Net changes in other than shareholders' equity | (1,284) | 0 | (637) | 361 | (1,559) | (218) | (1,777) |
| Total changes during term | (1,284) | 0 | (637) | 361 | (1,559) | (218) | 3,268 |
| Balance at end of term | 6,973 | 6 | 1,085 | (2,817) | 5,247 | 777 | 84,497 |

(4) Consolidated Statements of Cash Flows

| | Year ended March 31, 2018 millions of yen | Year ended March 31, 2019 millions of yen |
|---|---|---|
| Cash flows from operating activities | | |
| Income (loss) before income taxes | 10,272 | 10,272 |
| Depreciation and amortization | 8,673 | 8,623 |
| Amortization of goodwill | 224 | 580 |
| Increase (decrease) in provisions | 1,369 | 218 |
| Increase (decrease) in net defined benefit liability | 1,175 | 600 |
| Interest and dividend income | (556) | (611) |
| Interest expenses | 478 | 624 |
| Equity in (earnings) loss of affiliates | 901 | (151) |
| Decrease (increase) in trade receivables | (12,208) | 820 |
| Decrease (increase) in inventories | (309) | (965) |
| Increase (decrease) in trade payables | 7,700 | (1,203) |
| Other | 2,600 | 446 |
| Sub total | 20,323 | 19,255 |
| Interest and dividends received | 607 | 648 |
| Interest expenses paid | (481) | (624) |
| Income taxes paid | (2,473) | (4,913) |
| Net cash provided by (used in) operating activities | 17,975 | 14,365 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment, and intangible assets | (7,082) | (7,831) |
| Proceeds from sales of investment securities | 648 | - |
| Purchase of stocks of subsidiaries and affiliates | (587) | - |
| Payments of loan receivables | (3) | (2) |
| Other | (556) | (240) |
| Net cash provided by (used in) investing activities | (7,582) | (8,074) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (1,915) | 985 |
| Increase (decrease) in commercial paper | (9,000) | (6,000) |
| Proceeds from long-term debt | - | 7,249 |
| Repayment of long-term debt | (3,438) | (2,586) |
| Proceeds from issuance of long-term loans payable | 5,000 | - |
| Cash dividends paid | (1,814) | (2,042) |
| Cash dividends paid to non-controlling interests | (17) | (8) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (272) | (531) |
| Other | 228 | (167) |
| Net cash provided by (used in) financing activities | (11,230) | (3,101) |
| Effect of exchange rate on cash and cash equivalents | 25 | 5 |
| Net increase (decrease) in cash and cash equivalents | (811) | 3,195 |
| Cash and cash equivalents at beginning of term | 10,008 | 9,236 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 39 | - |
| Increase in cash and cash equivalents from merger | - | 1 |
| Cash and cash equivalents at end of term | 9,236 | 12,433 |

(5) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements)

Not applicable

(Changes in Method of Presentation)

(Change due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Meiden Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 dated February 16, 2018) from the fiscal year under review, and changed to a method classifying deferred tax assets under investments and other assets, and classifying deferred tax liabilities under long-term liabilities.

As a result, in the Consolidated Balance Sheet for the previous fiscal year, the ¥4,348 million in “deferred tax assets” under “current assets” has been included in the ¥14,087 million in “deferred tax assets” under “investments and other assets.”

(Segment and Other Information)
[Segment information]

1. Overview of reportable segment

Method of determining reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company has business divisions based on product and service categories and operates under a comprehensive strategy formulated for products and services handled. The Company's operations are, therefore, classified based on product and service categories into four reportable segments, namely "Social Infrastructure," "Industrial Systems," "Maintenance and Servicing," and "Real Estate."

| Reportable segment | Description of businesses |
|---------------------------|--|
| Social Infrastructure | This segment includes businesses that provide products and services related to social infrastructure such as power generation and transmission systems. |
| Industrial Systems | This segment includes businesses that provide products and services such as industrial components, dynamometer systems, and automatic guided vehicles to businesses in the general manufacturing industry. |
| Maintenance and Servicing | This segment includes the maintenance business. |
| Real Estate | This segment includes businesses related to the rental of real estates. |

2. Calculation method for net sales, income/loss, assets, liabilities and other items by reportable segment

Segment income (loss) is based on operating income (loss).

Inter-segment sales and transfers are based on market price.

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment
Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

| | Reportable segment | | | | | Other (note) | Total | Adjustments | Amounts on consolidated financial statements |
|--|--------------------------|-----------------------|------------------------------|-------------|-----------|-----------------|---------|-------------|---|
| | Social Infrastructure | Industrial Systems | Maintenance and Servicing | Real Estate | Sub-total | | | | |
| Net sales | | | | | | | | | |
| Sales to outside customers | 144,136 | 51,783 | 32,869 | 3,199 | 231,989 | 9,843 | 241,832 | — | 241,832 |
| Inter- segment sales and transfers | 2,913 | 4,217 | 1,093 | 263 | 8,487 | 8,484 | 16,971 | (16,971) | — |
| Total | 147,049 | 56,000 | 33,962 | 3,463 | 240,476 | 18,327 | 258,804 | (16,971) | 241,832 |
| Segment income | 4,080 | 4,384 | 3,587 | 1,337 | 13,389 | 497 | 13,886 | (2,505) | 11,381 |
| Segment assets | 126,051 | 45,163 | 25,597 | 15,696 | 212,509 | 7,632 | 220,142 | 44,315 | 264,457 |
| Other items | | | | | | | | | |
| Depreciation/ amortization | 3,331 | 1,457 | 268 | 935 | 5,992 | 163 | 6,156 | 2,516 | 8,673 |
| Amortization of goodwill | 224 | — | — | — | 224 | — | 224 | — | 224 |
| Increase in PP&E and intangible assets | 2,509 | 1,902 | 317 | 60 | 4,791 | 121 | 4,912 | 2,672 | 7,584 |

Note: "Other" comprises businesses, such as sales of other products, employees' welfare services, and provision of chemical products that are not included in the reportable segments.

Year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(Millions of yen)

| | Reportable segment | | | | | Other (note) | Total | Adjustments | Amounts on consolidated financial statements |
|--|--------------------------|-----------------------|------------------------------|-------------|-----------|-----------------|---------|-------------|---|
| | Social Infrastructure | Industrial Systems | Maintenance and Servicing | Real Estate | Sub-total | | | | |
| Net sales | | | | | | | | | |
| Sales to outside customers | 134,769 | 61,376 | 35,701 | 3,218 | 235,065 | 9,967 | 245,033 | — | 245,033 |
| Inter- segment sales and transfers | 2,763 | 3,723 | 1,273 | 263 | 8,023 | 8,633 | 16,657 | (16,657) | — |
| Total | 137,532 | 65,100 | 36,974 | 3,481 | 243,089 | 18,601 | 261,690 | (16,657) | 245,033 |
| Segment income | (107) | 5,622 | 4,343 | 1,419 | 11,278 | 797 | 12,076 | (1,739) | 10,336 |
| Segment assets | 124,353 | 43,784 | 27,311 | 15,585 | 211,035 | 8,290 | 219,326 | 46,260 | 265,586 |
| Other items | | | | | | | | | |
| Depreciation/ amortization | 3,347 | 1,472 | 283 | 937 | 6,040 | 165 | 6,206 | 2,417 | 8,623 |
| Amortization of goodwill | 580 | — | — | — | 580 | — | 580 | — | 580 |
| Increase in PP&E and intangible assets | 2,786 | 1,745 | 192 | 43 | 4,768 | 189 | 4,958 | 2,937 | 7,895 |

Note: "Other" comprises businesses, such as sales of other products, employees' welfare services, and provision of chemical products that are not included in the reportable segments.

4. Adjustments of differences between the total amounts of reportable segments and amounts on consolidated financial statements

(Millions of yen)

| Net sales | Year ended March 31, 2018 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Total reportable segments | 240,476 | 243,089 |
| Net sales under "Other" | 18,327 | 18,601 |
| Elimination of Inter-segment transactions | (16,971) | (16,657) |
| Net sales on the consolidated financial statements | 241,832 | 245,033 |

(Millions of yen)

| Income | Year ended March 31, 2018 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Total reportable segments | 13,389 | 11,278 |
| Income under "Other" | 497 | 797 |
| Elimination of Inter-segment transactions | 672 | 756 |
| Adjustments for inventories | (3) | (4) |
| Other adjustments (Note) | (3,173) | (2,492) |
| Operating income on the consolidated financial statements | 11,381 | 10,336 |

Note: Other adjustments comprise mainly expenses for research and development conducted by the research and development division and other units that are not included in the reportable segments.

(Millions of yen)

| Assets | Year ended March 31, 2018 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Total reportable segments | 212,509 | 211,035 |
| Assets under "Other" | 7,632 | 8,290 |
| Corporate assets (Note) | 76,492 | 83,162 |
| Other adjustments | (32,177) | (36,902) |
| Total assets on the consolidated financial statements | 264,457 | 265,586 |

Note: Corporate assets consist of surplus funds (cash and time deposits) held by the Company, long-term investment funds (investment securities excluding stocks of affiliated companies), and assets attributable to the research and development division, etc.

| Other items | (Millions of yen) | | | | | | | |
|--|---------------------------|--------|--------|--------|-------------|--------|--|--------|
| | Total reportable segments | | Other | | Adjustments | | Amounts on consolidated financial statements | |
| | FY2018 | FY2019 | FY2018 | FY2019 | FY2018 | FY2019 | FY2018 | FY2019 |
| Depreciation/amortization | 5,992 | 6,040 | 163 | 165 | 2,516 | 2,417 | 8,673 | 8,623 |
| Amortization of goodwill | 224 | 580 | - | - | - | - | 224 | 580 |
| Increase in PP&E and intangible assets | 4,791 | 4,768 | 121 | 189 | 2,672 | 2,937 | 7,584 | 7,895 |

Note: Adjustments for increase in PP&E and intangible assets consist mainly of capital investment in information systems for the whole company.

[Related information]

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Information by product and service

Information is omitted because the same information is provided in "Segment information."

2. Information by geographic area

(1) Net sales

| (Millions of yen) | | | |
|-------------------|--------|--------------|---------|
| Japan | Asia | Other region | Total |
| 167,678 | 55,719 | 18,434 | 241,832 |

Note: Net sales are based on the location of customers and classified into country or region.

(2) Property, plant and equipment

| (Millions of yen) | | | |
|-------------------|-------|--------------|--------|
| Japan | Asia | Other region | Total |
| 57,028 | 6,044 | 1,927 | 64,999 |

3. Information by major customer

Information is omitted as there are no outside customers whose sales account for 10% or more of total net sales reported on the consolidated statements of income.

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

1. Information by product and service

Information is omitted because the same information is provided in "Segment information."

2. Information by geographic area

(1) Net sales

| (Millions of yen) | | | |
|-------------------|--------|--------------|---------|
| Japan | Asia | Other region | Total |
| 173,307 | 44,245 | 27,480 | 245,033 |

Note: Net sales are based on the location of customers and classified into country or region.

(2) Property, plant and equipment

| | | | (Millions of yen) |
|--------|-------|--------------|-------------------|
| Japan | Asia | Other region | Total |
| 55,517 | 5,835 | 1,978 | 63,330 |

3. Information by major customer

Information is omitted as there are no outside customers whose sales account for 10% or more of total net sales reported on the consolidated statements of income.

[Impairment loss of fixed assets by reportable segment]

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Not applicable

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Social Infrastructure | Industrial Systems | Maintenance and Servicing | Real Estate | Other | Corporate/elimination | Total |
|-----------------|-----------------------|--------------------|---------------------------|-------------|-------|-----------------------|-------|
| Impairment loss | - | - | 5 | - | - | - | 5 |

[Amortization and unamortized balance of goodwill by reportable segment]

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

| | Social Infrastructure | Industrial Systems | Maintenance and Servicing | Real Estate | Other | Corporate/elimination | Total |
|---------------------|-----------------------|--------------------|---------------------------|-------------|-------|-----------------------|-------|
| Amortization | 224 | - | - | - | - | - | 224 |
| Unamortized balance | 5,738 | - | - | - | - | - | 5,738 |

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Social Infrastructure | Industrial Systems | Maintenance and Servicing | Real Estate | Other | Corporate/elimination | Total |
|---------------------|-----------------------|--------------------|---------------------------|-------------|-------|-----------------------|-------|
| Amortization | 580 | - | - | - | - | - | 580 |
| Unamortized balance | 4,645 | - | - | - | - | - | 4,645 |

[Gain on negative goodwill by reportable segment]

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Not applicable

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Not applicable

(Per Share Information)

| | Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019) |
|----------------------|--|--|
| Net assets per share | ¥1,768.27 | ¥1,845.21 |
| Net income per share | ¥155.52 | ¥168.68 |

- (Notes) 1. Diluted net income per share is not stated because there are no dilutive shares.
2. The Company conducted a reverse split of stocks on October 1, 2018 at a ratio of 1-for-5 common stocks. The amount of net assets per share and the amount of net income per share have been calculated by assuming the reverse split was conducted at the beginning of the previous fiscal year.
3. The basis for calculation of net income per share is shown below.

| | Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018) | Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019) |
|--|---|---|
| Net income (loss) attributable to owners of the parent (millions of yen) | 7,056 | 7,653 |
| Amount not attributable to common shareholders (millions of yen) | - | - |
| Net income (loss) attributable to owners of the parent attributable to common shares (millions of yen) | 7,056 | 7,653 |
| Average number of common shares during the fiscal year (thousands) | 45,375 | 45,372 |

Meidensha Corporation

<TSE : 6508 >

FY Ended March 31, 2019 Supplementary information

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Meidensha Corporation
Public & Investor Relations Division

TEL : 81-3-6420-8100

〈Financial conditions〉

(¥ million)

| | FY 2017 Results | FY 2018 Results | YoY change |
|--|--------------------|--------------------|---------------|
| Orders | 273,568 | 240,310 | 87.8% |
| Net sales | 241,832 | 245,033 | 101.3% |
| Operating income | 11,381 | 10,336 | 90.8% |
| Ordinary income | 9,992 | 10,128 | 101.4% |
| Net income attributable to owners of the parent | 7,056 | 7,653 | 108.5% |
| Net income per share(¥) | 155.52 | 168.68 | 108.5% |

※ A reverse split of stocks was conducted on October 1, 2018 at a ratio of 1-for-5 common stocks.
The amount of net income per share have been calculated by assuming the reverse split was
conducted at the beginning of the previous fiscal year.

1 . Financial Results and Forecast

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b- a) | FY 2019 Forecast |
|--|------------------|------------------|----------------------|---------------------|
| Orders | 273,568 | 240,310 | (33,258) | 260,000 |
| Net sales | 241,832 | 245,033 | 3,200 | 260,000 |
| Operating income | 11,381 | 10,336 | (1,044) | 11,000 |
| Ordinary income | 9,992 | 10,128 | 135 | 10,800 |
| Net income attributable to owners of the parent | 7,056 | 7,653 | 596 | 7,800 |
| Capex | 7,584 | 7,895 | 311 | 17,000 |
| Depreciation and amortization | 8,897 | 9,203 | 306 | 9,800 |
| R&D expenses | 9,402 | 9,458 | 55 | 10,800 |
| Number of employee | 8,995 | 9,297 | 302 | |
| Consolidated subsidiaries | 37 | 37 | — | |

2 . The results for each business segment

(Orders)

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b- a) | FY 2019 Forecast |
|-------------------------------|------------------|------------------|----------------------|---------------------|
| Social Infrastructure | 174,051 | 134,929 | (39,121) | 148,500 |
| Industrial Systems | 58,665 | 64,152 | 5,487 | 67,500 |
| Maintenance and Servicing | 35,943 | 36,540 | 597 | 38,500 |
| Real Estate | 3,529 | 3,417 | (112) | 3,500 |
| Other | 18,632 | 19,598 | 966 | 20,000 |
| Eliminations and corporate | (17,254) | (18,328) | (1,074) | (18,000) |
| Total | 273,568 | 240,310 | (33,258) | 260,000 |

(Net sales)

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b- a) | FY 2019 Forecast |
|-------------------------------|------------------|------------------|----------------------|---------------------|
| Social Infrastructure | 147,049 | 137,532 | (9,516) | 154,000 |
| Industrial Systems | 56,000 | 65,100 | 9,099 | 65,000 |
| Maintenance and Servicing | 33,962 | 36,974 | 3,011 | 37,000 |
| Real Estate | 3,463 | 3,481 | 18 | 3,500 |
| Other | 18,327 | 18,601 | 273 | 19,000 |
| Eliminations and corporate | (16,971) | (16,657) | 314 | (18,500) |
| Total | 241,832 | 245,033 | 3,200 | 260,000 |

(Social Infrastructure)

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b - a) | FY 2019 Forecast |
|----------------------------------|------------------|------------------|-----------------------|---------------------|
| Orders | 174,051 | 134,929 | (39,121) | 148,500 |
| Net sales | 147,049 | 137,532 | (9,516) | 154,000 |
| Operating income | 4,080 | (107) | (4,187) | 3,500 |
| Capex | 2,509 | 2,786 | 277 | 3,200 |
| Depreciation and amortization | 3,555 | 3,927 | 371 | 3,800 |
| R&D expenses | 3,185 | 3,024 | (161) | 3,100 |
| Number of employees | 4,456 | 4,604 | 148 | |
| Consolidated subsidiaries | 24 | 24 | — | |

(Industrial Systems)

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b - a) | FY 2019 Forecast |
|----------------------------------|------------------|------------------|-----------------------|---------------------|
| Orders | 58,665 | 64,152 | 5,487 | 67,500 |
| Net sales | 56,000 | 65,100 | 9,099 | 65,000 |
| Operating income | 4,384 | 5,622 | 1,238 | 3,000 |
| Capex | 1,902 | 1,745 | (157) | 9,100 |
| Depreciation and amortization | 1,457 | 1,472 | 15 | 2,000 |
| R&D expenses | 2,671 | 3,577 | 906 | 4,400 |
| Number of employees | 995 | 1,071 | 76 | |
| Consolidated subsidiaries | 4 | 4 | — | |

(Maintenance and Servicing)

(¥ million)

| | FY 2017 (a) | FY 2018 (b) | Increase (b - a) | FY 2019 Forecast |
|----------------------------------|------------------|------------------|-----------------------|---------------------|
| Orders | 35,943 | 36,540 | 597 | 38,500 |
| Net sales | 33,962 | 36,974 | 3,011 | 37,000 |
| Operating income | 3,587 | 4,343 | 755 | 4,300 |
| Capex | 317 | 192 | (124) | 650 |
| Depreciation and amortization | 268 | 283 | 15 | 350 |
| R&D expenses | 336 | 328 | (8) | 500 |
| Number of employees | 1,668 | 1,692 | 24 | |
| Consolidated subsidiaries | 5 | 5 | — | |

(Real Estate)

| | FY 2017 (a) | FY 2018 (b) | Increase (b- a) | (¥ million) FY 2019 Forecast |
|----------------------------------|------------------|------------------|----------------------|--------------------------------------|
| Orders | 3,529 | 3,417 | (112) | 3,500 |
| Net sales | 3,463 | 3,481 | 18 | 3,500 |
| Operating income | 1,337 | 1,419 | 82 | 1,400 |
| Capex | 60 | 43 | (16) | 50 |
| Depreciation and amortization | 935 | 937 | 1 | 1,000 |
| R&D expenses | — | — | — | — |
| Number of employees | — | — | — | |
| Consolidated subsidiaries | — | — | — | |

(Other)

| | FY 2017 (a) | FY 2018 (b) | Increase (b- a) | (¥ million) FY 2019 Forecast |
|----------------------------------|------------------|------------------|----------------------|--------------------------------------|
| Orders | 18,632 | 19,598 | 966 | 20,000 |
| Net sales | 18,327 | 18,601 | 273 | 19,000 |
| Operating income | 497 | 797 | 300 | 900 |
| Capex | 121 | 189 | 68 | 400 |
| Depreciation and amortization | 163 | 165 | 1 | 250 |
| R&D expenses | 35 | 36 | 0 | 100 |
| Number of employees | 942 | 972 | 30 | |
| Consolidated subsidiaries | 4 | 4 | — | |

3 . Overseas ratio of orders

| | FY 2016 (a) | | FY 2017 (b) | | (¥ million) Increase (b-a) | |
|--------------|------------------|-------|------------------|-------|--------------------------------------|--------|
| | Net sales | (%) | Net sales | (%) | Net sales | (%) |
| Asia | 55,719 | 23.0% | 44,245 | 18.1% | (11,473) | (5.0)% |
| Other region | 18,434 | 7.6% | 27,480 | 11.2% | 9,045 | 3.6% |
| Total | 74,154 | 30.7% | 71,725 | 29.3% | (2,428) | (1.4)% |