

ESG

ESG at the Meiden Group

ESG initiatives are the foundation of sustained growth at the Meiden Group and the very embodiment of the Meiden Group Corporate Philosophy.

The Meiden Group's Approach to Strengthening ESG

The Meiden Group Corporate Philosophy is as follows: "We seek to delight customers by offering high quality products and services to help solve their problems. Through these business activities, we aim to fulfill our corporate social responsibility (CSR) by proactively solving global environmental problems and other social issues and helping achieve a more affluent future. We must continually tackle these challenges."

The President's CSR Policy Statement sets out three key issues for the Meiden Group to address: environment, society, and human assets (resources). By taking on these three key issues, with initiatives built on the fundamental management

elements of "compliance," "corporate governance," and "risk management," we ensure our sustained growth and offer value to society through our business.

By carrying out the President's CSR Policy Statement, we help solve social issues and achieve a more prosperous future.

Reasons Why ESG Initiatives Increase Corporate Value

Increased corporate value leads to sustained growth and is a positive thing for all stakeholders. Employees are treated better and thus more satisfied, while other outcomes are good relations with business partners, greater customer satisfaction, and returns to our shareholders and investors.









- Increase in sales and profits / Reduction in costs
- Creation of business opportunities
- Business risk avoidance and reduction
- Strengthening trust in stakeholder relationships / brand image improvement
- Increase employee loyalty / Build up technology, experience and expertise

Relevance of Meiden Group Business Activities to the SDGs

At the UN Sustainable Development Summit in 2015, the world adopted common goals known as the Sustainable Development Goals (SDGs). The SDGs are challenges the international community is addressing over the 15 years from 2016 to 2030.

The targets of the SDGs are very compatible with the President's CSR Policy Statement and business activities of the Meiden Group. They include many areas where we can contribute to a solution with technologies and expertise we have cultivated over the years. Thus, to really learn and take advantage of the opportunities and challenges presented by the SDGs, we laid out the effects that our business activities have on the environment and society. This process considered the entire value chain and issues specific to the countries where we do business. It even included any negative impacts of our business activities.

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

Goal	Relevance	Major business activities contributing to solution
	★	<ul style="list-style-type: none"> Transformer business and railway system business in Southeast Asia (Thailand, Indonesia, etc.): Through these businesses, we contribute to the development of the rail and transformer industries, increase access to railroads for the impoverished, and help build resilience
	★★★★	<ul style="list-style-type: none"> Workplace safety and health: We actively work to prevent workplace accidents and harm to health, for example by offering hands-on safety experience training (to increase sensitivity to hazards) using VR technology within and beyond the Group Electric power/energy: We contribute to electric power supply stability with, for example, cogeneration systems for medical facilities
	★★	<ul style="list-style-type: none"> By donating school facilities (Thailand) and endowing courses (Thailand and India), we help create educational opportunities for young people We hold "manufacturing workshops" and science teaching sessions and support education with internships for university and technical college students
	★★★★	<ul style="list-style-type: none"> We create positive working environments by considering human rights and labor (including practicing fair employment, honoring diversity, and giving training on human rights and diversity)
	★★★★	<ul style="list-style-type: none"> We contribute to safe water supplies by providing one-stop service for water supply and wastewater infrastructure, from equipment manufacturing to maintenance, inspection, maintenance management, and operation Specific examples include the substation equipment and monitoring and control systems essential to water supply and wastewater infrastructure, cloud services to support operation management, and flat-sheet ceramic membranes with outstanding filtering performance
	★★★★	<ul style="list-style-type: none"> We help build a carbon-free society by manufacturing, selling, and supplying power generation systems for renewable energy sources like solar power and small-to-medium size hydro power We contribute to the electrification of automobiles by manufacturing and selling motors and inverters for electric forklifts, PHEVs, and EVs
	★★★★	<ul style="list-style-type: none"> We practice work style reform and make work more efficient by implementing RPA*
	★★	<ul style="list-style-type: none"> We help achieve leading-edge technology and contribute to the development of a prosperous society through technological innovation in semiconductor and FPD manufacturing equipment components (vacuum capacitors, industrial controllers, pulse power supplies, etc.) We contribute to technological innovation in the automobile industry with our industry-academic-government partnerships, by developing and selling test devices for automobile research institutes, universities, and manufacturers of automobiles and auto components

Goal	Relevance	Major business activities contributing to solution
	★★★	<ul style="list-style-type: none"> We appoint local staff to management positions at overseas affiliates
	★★★★	<ul style="list-style-type: none"> We prevent equipment breakdown by diagnosing the early signs of irregularities in large motors, generators, transformers, and switchgears and make optimal equipment upgrades We help make communities resilient to disaster with mobile power supply cars, building power generators, and other emergency power generation equipment
	★★★★	<ul style="list-style-type: none"> We promote eco-friendly design by making products smaller and more efficient, controlling chemical content, practicing life cycle assessment (LCA), etc. We provide 24-hour support of customer equipment operation (troubleshooting, responding to inquiries, remote monitoring service)
	★★★	<ul style="list-style-type: none"> We provide eco-friendly products and services and contribute to reducing GHG emissions We help build disaster prevention platforms for local governments and support disaster prevention through our urban flooding monitoring service (flash flood countermeasures using manhole antennas)
	★★	<ul style="list-style-type: none"> Water treatment systems: We provide clean water with our water treatment plants and prevent water pollution with our wastewater treatment plants
	★	<ul style="list-style-type: none"> We reduce the use of printing paper and ink by implementing managed print services (e.g., increasing the number of multi-function printers)
	★★	<ul style="list-style-type: none"> We communicate the principles of CSR (including prohibitions on child labor, corruption, bribery, and other acts) and the Meiden Group's CSR approach to our business partners and conduct supplier evaluations
	★★	<ul style="list-style-type: none"> We promote partnerships with local businesses in Southeast Asia (transformer business, switchgear business, etc.) We provide sustained water supply service that is both good and inexpensive through public-private partnerships

* RPA (robotic process automation): The use of robots to make work more efficient. Programming robots to do white color work and other tasks that humans have always done helps to automate typical, repetitive tasks. By teaching robots a set of rules, it is possible for them to do work that includes decision-making based on certain standards. Software robots are being used to automate typical PC operation without changing existing systems.

E NVIRONMENT

Environment

Initiatives to Enhance Corporate Value

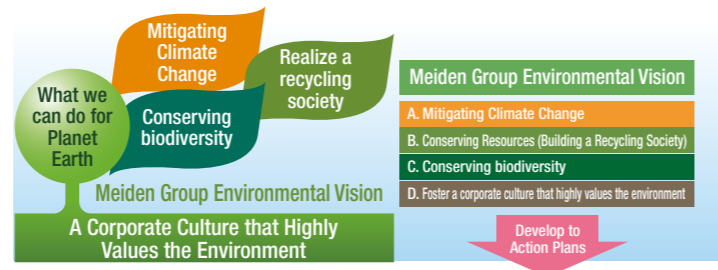
Major aspects of corporate value enhanced	Increase in sales and profits / Reduction in costs	Creation of business opportunities	Business risk avoidance and reduction	Strengthening trust in stakeholder relationships / brand image improvement	Increase employee loyalty / Build up technology, experience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

Environmental Vision

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

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

Deployment of Action Plans



Medium-term Management Plan 2020, an Action Plan for Fiscal 2018–Fiscal 2020

Strategic Targets	Actions	Corresponding "Environmental Vision"
1. Contribute to environment through products and services	1) Expand businesses that contribute to the environment	
	2) Promote environmentally conscious design	
	3) Manage chemicals in products	
2. Reduce the environmental impact of business operations	1) Reduce greenhouse gas emissions	A. Mitigating Climate Change
	2) Manage chemicals properly	
	3) Promote the 3Rs (reduce, reuse, recycle)	B. Realize a recycling society
	4) Maintain water resources	C. Conserve biodiversity
	5) Maintain biodiversity	
3. Promote environmental communication	1) Disclose information, conduct PR	
	2) Contribute to sustainable society	
4. Improve employees' environmental awareness	1) Strengthen management of Meiden Group companies	
	2) Strengthen value chain management	
5. Reform environmental awareness	1) Develop environmental management personnel	D. Foster a corporate culture that highly values the environment
	2) Conduct environmental training and awareness raising	

Targets that Express Our Environmental Vision

A. Mitigating Climate Change

- Contribute to the reduction of CO₂ emissions through the sale of energy-related products and systems (i.e., products for renewable energy resources, etc.)
- Promote environmentally conscious product design and reduce CO₂ emissions in the product life cycle.
- Reduce CO₂ emissions in our production activities.

B. Conserving Resources (Building a Recycling Society)

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

C. Conserving biodiversity

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

D. Foster a corporate culture that highly values the environment

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

Strategic Environmental Management

Fiscal 2018 Environmental Targets (Japan)

Strategic Targets	Actions	Fiscal 2018 Environmental Targets (Japan)
Contribute to environment through products and services	Promote environmentally conscious design	Contribute a 800,000 t/year reduction in CO ₂ emissions by ECBS Increase percentage of Green Products (as measured by Meidensha's standards)
	Reduce greenhouse gas emissions	Total emissions (Scope 1+2): -1% (compared to FY2017)
Reduce the environmental impact of business operations	Manage chemicals properly	VOC emissions: 80 tons or less
	Promote the 3Rs	Total wastes: -1% (compared to FY2017) Zero emissions*1 at 9 sites*2
	Maintain water resources	Measure and analyze water data: 4 main manufacturing sites*3
	Maintain biodiversity	Survey of ecosystems (plants, etc.): 4 main manufacturing sites*3
Promote environmental management	Strengthen value chain management	Green procurement rate (as measured by Meidensha's standards): 80% or greater

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

*2 Scope of zero emissions initiatives: manufacturing sites in Japan (Numazu Works, Ohta Works, Nagoya Works, Kofu Meidensha Electric Mfg. Co., Ltd., Meiden Chemical Co., Ltd. (Sagami Works), Hokuto Denko Corporation (Atsugi Works)), Engineering Service Business Units and Construction Service Business Units

*3 Main four manufacturing sites: Numazu Works, Ohta Works, Nagoya Works, and Kofu Meidensha Electric Mfg. Co., Ltd.

Risk Management

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

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

Responding to Environmental Risks and Opportunities

Phenomena (issues) related to environment	Risks	Opportunities	Carrying out initiatives	
Government (political) Laws and Regulations	<ul style="list-style-type: none"> Revision of Feed-in Tariff Scheme for Renewable Energy Deregulation of electric power industry, revision of power supply structure Flow of processes to implement carbon pricing Energy conservation regulations & standards (business operations, products) Stronger regulations on hazardous chemical substances 	<ul style="list-style-type: none"> Short-term cost increases <ul style="list-style-type: none"> Rising cost of energy increases our costs (procurement, shipping, manufacturing, scrapping, etc.) directly and indirectly. Decline of product competitiveness <ul style="list-style-type: none"> It will get harder to sell products that do not meet environmental regulations and standards. We will lose share if we cannot meet the needs of a market looking for environmentally conscious products. 	<ul style="list-style-type: none"> Growth of new markets <ul style="list-style-type: none"> Markets for products and services related to renewable energy and energy conservation are growing. Differentiation with environmentally conscious products <ul style="list-style-type: none"> Being among the first to bring products that meet regulations, etc., to market and offering low-environmental impact products and services make us more competitive. 	<ul style="list-style-type: none"> Expand products' contribution to the environment <ul style="list-style-type: none"> Expand sales of products related to renewable energy and energy conservation (wind, hydroelectric, and solar power equipment, EV/PHEV electric equipment, transformers, motors, inverters, etc.) Develop environmentally conscious products, implement new technologies (which are more compact, lightweight, efficient, energy-conserving, etc.) Reduce the environmental impact of business operations <ul style="list-style-type: none"> Promote energy conservation (capital investment, visualization, etc.) Promote the 3Rs, eliminate harmful chemicals Maintain water resources, consider biodiversity Promote environmental management <ul style="list-style-type: none"> Promote business risk management Strengthen value chain management Practice environmental communication (information disclosure, etc.) Deploy infrastructure-support products during disaster <ul style="list-style-type: none"> (emergency power supply equipment, mobile power supply cars, UPSs, remote monitoring systems, etc.)
	Economy	<ul style="list-style-type: none"> Expanded ESG investment Price competition (low cost, premium pricing) 	<ul style="list-style-type: none"> Better business performance through environmental management <ul style="list-style-type: none"> By running businesses that help solve environmental issues, we can enhance our corporate value and business performance. Responding to natural disasters <ul style="list-style-type: none"> Demand for flood control and disaster prevention and response (e.g., securing the power supply) is rising. 	
Society	<ul style="list-style-type: none"> Spread of responsibility to entire value chain (upstream and downstream) Improvement of employment / labor conditions 	<ul style="list-style-type: none"> Decline of corporate value <ul style="list-style-type: none"> Our image, evaluations (credit ratings, etc.), and share prices will decline if our business is not seen as environmentally conscious. Increase of local disasters <ul style="list-style-type: none"> Flooding and other disasters can stop operations and cut the supply chain. 		
Technology	<ul style="list-style-type: none"> Enhanced efficiency of electric power conversion Advancement of ICT, IoT technology Development of new energy / alternative energy technology 			
Reputation / Needs	<ul style="list-style-type: none"> Demand for information disclosure (accountability) Lifestyle changes (ecology-oriented) 			
Natural Environment	<ul style="list-style-type: none"> Changes of temperature and precipitation volume Increase of local disasters (sudden downpours, tornadoes, etc.) Ecosystem irregularities (increase of organisms that carry infectious disease) 			

Fiscal 2017 Initiatives

Following is a summary of how well we achieved our targets for fiscal 2017, the final year under the V120 Medium-term Management Plan.

We are examining further measures based on our target achievement status and will incorporate this information into future plans.

Fiscal 2017 Environmental Target Achievement Status (Japan)

Legend: ○ Achieved △ Not achieved (better than previous year) × Not achieved

Strategic Targets	Actions	V120 Targets (Fiscal 2017 Targets)	Fiscal 2017 Results	Achievement
Contribute to environment through products and services	Expand products and businesses that contribute to the environment	Contribute a 800,000 t/year reduction in CO ₂ emissions by ECBs	733,000 t/year	×
		Disclose LCA data in each product category	Conduct LCA evaluation	○
Reduce the environmental impact of business operations	Reduce greenhouse gas emissions	Energy consumption per unit of production (against that of fiscal 2014): reduce by 3%	2.0% worse	△
		Total energy consumption (against that of previous fiscal year): reduce by 1%	5.1% reduction	○
		SF ₆ emissions (against purchased volume): less than 3%	3.6%	×
	Promote reduction of waste discharge by the 3Rs (Reduce, Reuse, and Recycle)	Zero emissions**1 at 9 sites**2	Achieved at all 9 sites	○
Eliminate hazardous chemical substances in products	Respond to water risks (drought, flooding, pollution, etc.)	Waste emissions per unit of production**3 (against that of fiscal 2014): reduce by 8%	Reduced 0.2%	×
		VOC emissions: 80 tons or less	91.8 tons	×
Promote environmental management	Promote value chain management	Conduct water conservation initiatives: four main manufacturing sites**4	Conducted at all 4 sites	○
		Support our suppliers to acquire EMS certifications: an accumulated total of 70 companies have acquired certifications	74 suppliers certified cumulatively	○
		Promote maintenance of biodiversity and management of green zones	Manage green zones giving due consideration to biodiversity: at the 4 main manufacturing sites**4	Conducted at all sites

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

*2 Scope of zero emissions initiatives: manufacturing sites in Japan (Numazu Works, Ohta Works, Nagoya Works, Kofu Meidensha Electric Mfg. Co., Ltd., Meiden Chemical Co., Ltd. (Sagami Works), Hokuto Denko Corporation (Atsugi Works)), Engineering Service Business Units and Construction Service Business Units

*3 Waste emissions per unit of production is the amount of waste disposed (t) divided by a unit value of production (million yen)

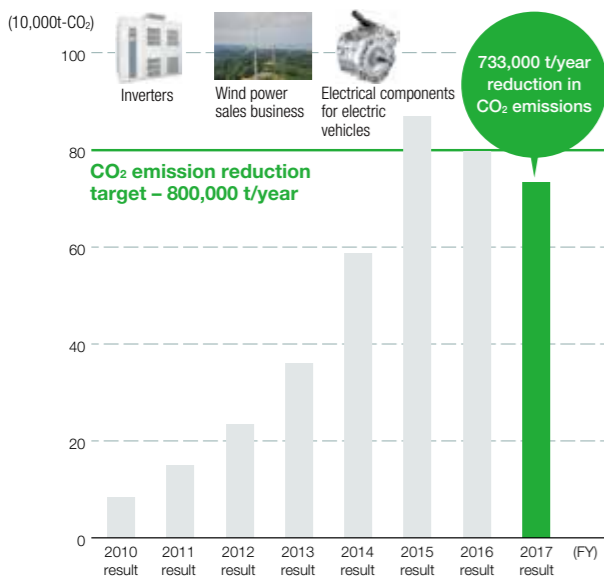
*4 Main four manufacturing sites: Numazu Works, Ohta Works, Nagoya Works, and Kofu Meidensha Electric Mfg. Co., Ltd.

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

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

In fiscal 2017, we aimed to provide environmental contribution (the expected curbing effect of CO₂ emissions from products sold) of about 800,000 t/year. However, emissions were reduced by 733,000 t/year of CO₂, in part because shipments of products like solar power conditioners and hydroelectric power equipment were not as great as planned.

Reducing CO₂ Emissions Caused by Products



Development of Environmentally Conscious Products

Any time we develop a new product, we evaluate it for energy and resource conservation, recyclability, environmental safety, and more as based on our Product Environmental Assessment Standard. If a product meets those standards, we certify it as a Meiden Green Product.

A Meiden Green Product registered in fiscal 2017

Product: **THYFREC VT350 high-function general industrial inverter**

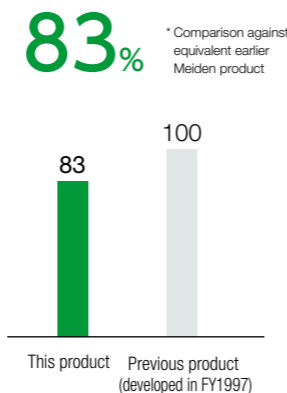
This industrial inverter is used on steel manufacturing lines and the like. It has enhanced vector control and the flexibility to work with a variety of system configurations.

Following are features of this product, with comparisons to an earlier Meiden product, the THYFREC VT310.

- Main circuit power modules and control system revised, reducing energy consumption 25% (compared at 80 kVA capacity)
- Meets RoHS Directive



Life Cycle CO₂ Emissions



Overview of Environmental Impacts by Our Business Activities (Fiscal 2017)

Our rate of use of major resources (INPUT) and our environmental impacts from our business activities (OUTPUT) are shown below.

INPUT

	Energy		Water		Chemical substances		Greenhouse gases								
	Japan	Overseas	Japan	Overseas	Japan	Overseas	Japan	Overseas							
Electricity	52,528	12,045	MWh	Tap water	57	38	1,000m ³	VOC	425	48	t	SF ₆	20,953	10,450	kg
Fuel oil	1,265	156	kL	Industrial water	78	15	1,000m ³								
Fuel gas	2,746	134	1,000m ³	Groundwater	1,068	-	1,000m ³								
Heat	3,589	-	GJ												

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OUTPUT

	Release to air		Release into public water area		Wastes		Transportation								
	Japan	Overseas	Japan	Overseas	Japan	Overseas	Japan	Overseas							
CO ₂ (energy)	34,669	8,344	t-CO ₂	Wastewater	1,914	53	1,000m ³	Amount not recycled	61	159	t	Product weight	50,003	47,321	t
CO ₂ (automobile fuel)	1,977	778	t-CO ₂	BOD	6,404	-	kg	Amount recycled	7,069	1,706	t	CO ₂ release by transportation	2,027	1,900	t-CO ₂
VOC	92	48	t					Construction sludge	65	-	t				
SF ₆	759	167	kg												
SOx	0.3	-	t												
NOx	5.8	-	t												

Climate Change Countermeasures

Medium- to Long-Term Environmental Targets at the Meiden Group

The Meiden Group seeks to reduce GHG emissions from our business activities by 30% (compared to fiscal 2017) by fiscal 2030. We are starting by aiming for a 4% reduction by fiscal 2020 under the Medium-term Management Plan 2020, and will reconsider our targets periodically going forward.

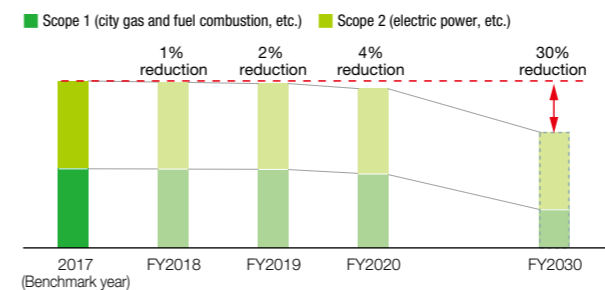
We chose this target taking account of the Paris Agreement**1 and its Science Based Targets (SBT) of 2°C.**2 We work with stakeholders in the Meiden Group's supply chain, including customers and business partners, to set common objectives for the challenges we share.

Under the Medium-term Management Plan 2020, our targets for fiscal 2018, fiscal 2019, and fiscal 2020 are reductions of 1%, 2%, and 4%, respectively (compared to emissions in Japan in fiscal 2017). These steps were decided to help us achieve our aims for 2030.

*1 Paris Agreement: A new framework for tackling global warming from 2020, adopted by the 21st Conference of the Parties (COP21) to the UN Framework Convention on Climate Change.

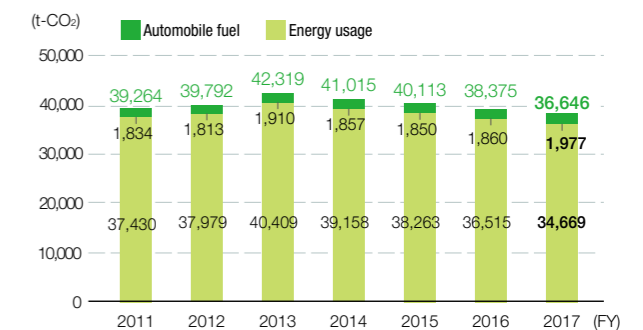
*2 2°C target: The target of keeping the increase in average temperatures to within 2°C of what they were before the Industrial Revolution.

Amount of GHG emissions from business activities



To address emissions stemming from energy consumption, we are working thoroughly to conserve energy through production streamlining, capital investments, etc., and converting to renewable energy. In addition, we are practicing strict control and making technological innovations to address direct emissions of GHGs like SF₆ gas.

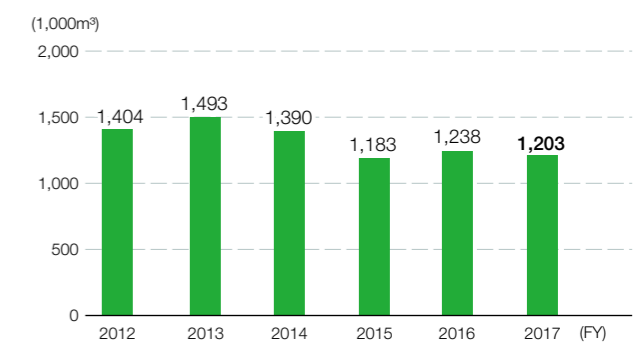
Trends in CO₂ Emissions (Japan)



* The electric power CO₂ coefficient used was the CO₂ emissions coefficient proposed by the Electric Power Council for a Low Carbon Society. For figures through fiscal 2016, we used the adjusted factor for each fiscal year; for fiscal 2017, we used the adjusted fiscal 2016 factor.

Reducing Water Consumption

We are concerned about the possibility of water leaks from buried water supply pipes and wells on factory grounds as our facilities age. We are systematically updating pipes and placing more pipes above ground for easy maintenance and inspections.



Human Resources Management

Initiatives to Enhance Corporate Value

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

Basic Approach

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

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

Promotion of Respect for Human Rights

Based on a fair and just employment system, we are creating workplaces that are conducive to work, and where each of the Meiden Group's employees showcase their abilities as much as possible.

Furthermore, we are conducting staff education in consideration of "protection of freedom of association and the right to collective bargaining," "prohibition of forced labor," "abolition of child labor," and "elimination of discrimination in respect of employment and occupation," which are among the ILO's* core labor standards.

* ILO (International Labor Organization): A UN organization that gives recommendations and guidance to national governments with regard to improving labor conditions and social welfare.

Promoting Diversity Management

Diversity vision

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

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

Basic Policy	Removing bias towards organizations and people with differences, and granting equal opportunities for personnel to challenge themselves rather than giving preferential treatment
Aims	<ol style="list-style-type: none"> ① We aim to be a company that allows contributions from diverse personnel ② We aim to be a company that evaluates people based on ability rather than personal attributes ③ We aim for a group of people that will overcome global competition

Three reasons to promote diversity

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

The second is a "declining working population." It is said that the working age population (ages 15 to 64) will drop to approximately 50% (45.95 million people) by 2055 due to the declining birth rate and aging population. We must allow

contributions from women, the elderly, and foreigners, rather than focusing on male Japanese employees as we have done in the past. In order to do this, we must create a workplace environment by introducing a new personnel system and changing the workplace culture, so that all employees can utilize their abilities.

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

Promotion of opportunities for and participation by female personnel

We have systems in place, such as "expansion of taking accumulated leave in half-day or quarter-day increments," "expansion of people eligible for childcare leave," "expansion of the infertility treatment leave system," and "establishment of the system of shortened work hours for infertility treatment" in order to achieve an environment where diverse workers such as those who require childcare, nursing care, or infertility treatment, irrespective of gender, can choose from a number of work styles according to their employment needs and life-cycle, etc.

Going forward, we will formulate an action plan in accordance with the intent of the Act on the Promotion of Women's Participation, and promote policies such as the promotion of accessing childcare leave for men and actively hiring and training female technology-related staff.

Work Style Reform

Rolling out "Smart Work V120"

- Working towards a reduction in annual total hours worked -

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

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

Basic policies of "Smart Work V120"

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

Specifically, we conducted a campaign to promote leaving work at the designated time and accessing of paid leave as an awareness raising exercise, we implemented a number of initiatives, such as a company-wide enhancement of management, with the aim of having no workers that work more than 80 hours of overtime per month as a means to manage work hours, and we established the Office for the Promotion of Work Style Reforms in fiscal 2017 to further promote reforms.

Also, in order to reward employees' successes and efforts under Smart Work V120, we used the funding to reduce overtime to provide smart work bonuses, which were added to the 2018 first half bonuses to increase employee motivation.

Under the new medium-term management plan, we will enhance initiatives aimed at production efficiency, such as increasing business efficiency through RPA (Robotic Process Automation), etc., and revising production processes, under the banner of "Smart Work 2020."

HR Development

We implement many training programs to encourage employee growth in different aspects as employees, members of society, and professionals.

In fiscal 2017, we enhanced technical education by adding upskilling training and training to develop leaders among technicians to the product foundational technology training that was already in place, in order for employees to acquire even deeper knowledge about products. Furthermore, we held voluntary training sessions, which were attended by 114 employees, with the themes of problem solving and strategy implementation. We offer a full range of training to support employee development where each employee directs their own learning. We train personnel to be able to implement and promote our business strategy.

Data concerning professional development

Item	FY2016	FY2017
Total education and training expenses*	84,108 thousand yen	92,473 thousand yen

* Excludes personnel expenses for trainers and operational expenses for training facilities.

Occupational Safety and Health

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

In fiscal 2016 we introduced "VR Hands-on Safety Experience Equipment" that allows people to experience mock workplace accidents through virtual reality (VR) with CG content, and we conduct safety experience education in locations around Japan using this and other safety experience content. In fiscal 2017 we newly developed five experiential programs for VR safety education for factory-related work, including forklift operation and work in high places, in order to raise the level of experiential training.



Hands-on safety experience education using VR



Hands-on safety experience truck

Quality Management

Initiatives to Enhance Corporate Value

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

Basic Approach

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

Initiatives to Improve Quality

In Meidensha, we have determined items to be managed from each viewpoint of "not letting in" "not creating" and "not letting out" defects, in order to improve quality and we conduct activities accordingly. We improve the quality of product development and designs through mechanisms to incorporate quality into designs, as well as multifaceted design reviews (DR).

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

DR

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

Understanding Our Customers' Needs

In order to provide products and services that satisfy our customers, we are gathering and analyzing the needs of our customers on a daily basis, including information and requests provided by customers, complaints, and market trends, and implementing activities that lead to concrete actions such as proposing solutions, developing new products, and engaging in servicing and various improvement activities.

In development, sales, engineering, manufacturing, and local construction departments that have contact with customers, we work to improve our activities through the PDCA cycle, by reviewing and evaluating tasks being conducted at each department, creating a plan for the next fiscal year in each fiscal year, and conducting self-evaluation of the results of activities.

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

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

At the technology center adjacent to Numazu Works, we conduct training programs for workmanship and technical skills maintenance engineers. We raise engineers who contribute to the stable, safe, and efficient operation of customers' equipment through practical training using real equipment. The curriculum is formulated to allow participants to touch and experience actual equipment, such as extra high-voltage and high-voltage receiving substation equipment, computers, power converter equipment, generators, and rotating machinery. Maintenance training is conducted each year for customers to whom Meidensha's products have been supplied.



Technical training (protective relays)

Supply Chain Management

Initiatives to Enhance Corporate Value

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

Basic Approach

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

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

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

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

We provide the Supply Chain CSR Promotion Guidebook to all new business partners (100%) at the time of the first transaction, and we request that it is disseminated and applied.

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

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

Promoting Communication with Business Partners and Activities to Reduce Environmental Impact in the Supply Chain

We believe that sharing awareness concerning CSR with cooperating business partners and working together with them with the aim of promoting CSR activities throughout the supply chain will lead to mutual prosperity. The Meiden Group invites its main business partners to biannual meetings held at each manufacturing site to explain our production plans, where we provide information on the plans and current statuses of our businesses on both company and departmental levels.

In fiscal 2017, the Eco-Action 21 environmental management system study group (greening program) for small and medium-sized enterprises without environmental management systems, which is endorsed by the Ministry of the Environment, has been held in the Meiden Group's five regions, and we promoted and supported certification and registration. As a result, 26 participating trading partners received certification, and we held a ceremony to confer certification and registration certificates at each production location.

Continuing from last year, we conducted an education program for the 49 companies that had received certification up to 2016, and created opportunities for exchange of opinions and sharing of information that include educators. We will continue providing support for our business partners in relation to Eco-Action 21 certification and registration activities, and aim to spread environmental management systems and environmental improvements throughout the entire value chain.



Certification ceremony in the Numazu district

Enhancing Group Procurement Systems

We conducted educational programs for internal procurement divisions at all sites to ensure compliance and risk management, following the implementation of the revised basic purchasing agreement in fiscal 2014. We hold periodic Meiden Group Procurement Meetings as a forum to share information, including actual cases of assessment purchasing and centralized purchasing by Meidensha, and affiliates' CSR initiatives, thus forging cooperation among different sites to achieve global and domestic expansion and enhance compliance.

G OVERNANCE

Corporate Governance

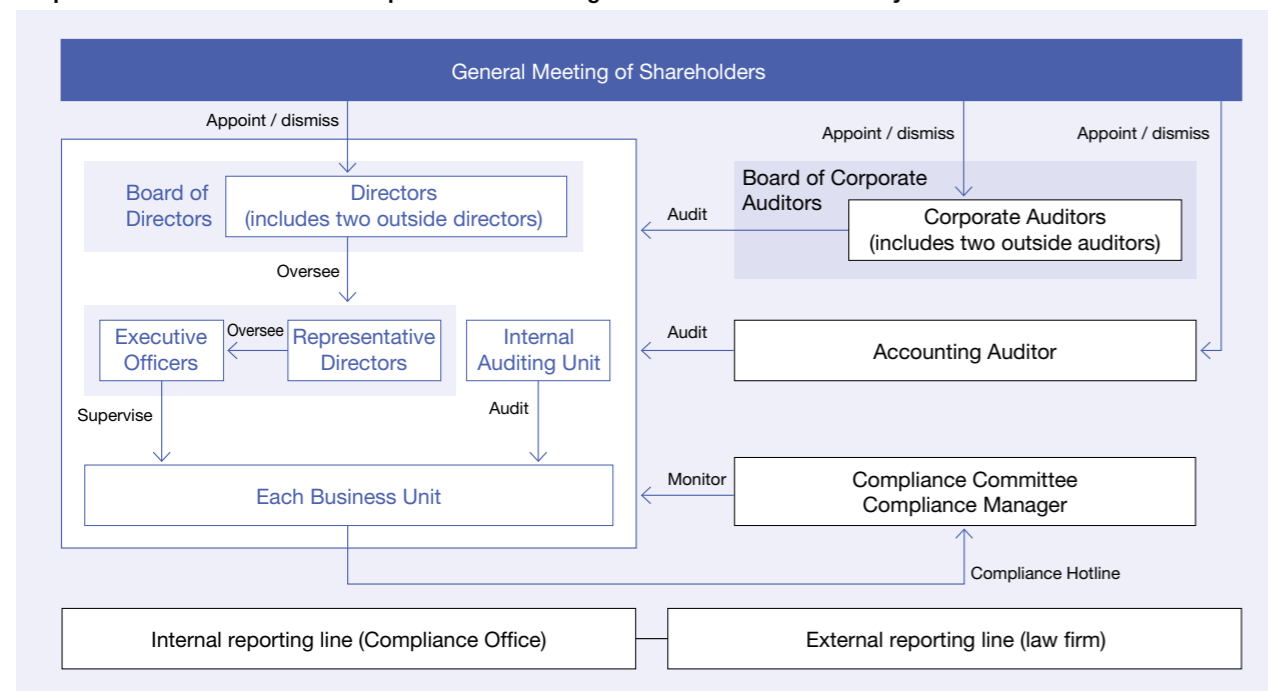
Basic Approach

Under our corporate mission of “illuminating a more affluent tomorrow” and our corporate philosophy of providing the value “for customer peace of mind and satisfaction,” our group of companies takes the basic stance that we maintain fair and steady business activities with respect for people and the global environment, operate businesses focusing on profit while constantly pursuing new technology and high quality, and endeavor to contribute to prosperity of society. In order to

implement this basic stance, we formulated the “Basic Policy to Improve the Governance to Secure Fair Business Practices” at the regular Board of Directors meeting held in May 2006 (this basic policy was later amended at the regular Board of Directors meeting held in May, 2015, to reflect the revision of the Companies Act).

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

Corporate Governance Structure: Supervision and Management and Internal Control System



Corporate Governance Structure and Initiatives

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

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

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

Outline of Corporate Governance Structure

Form of organization	Company with corporate auditors
Directors	Number of directors (outside directors): 10 (2)
Corporate auditors	Number of corporate auditors (outside corporate auditors): 4 (2)
Number of independent officers	4 (2 outside directors and 2 outside corporate auditors)

1 Features of Institutional Design

① Executive Officer System

Meidensha introduced an executive officer system in June 2003 in order to streamline the Board of Directors so as to “speed up corporate decision-making and enhance its supervisory function.” At the same time, we strengthened the functions

of the Board of Directors and separated the “decision-making and supervisory functions” and the “executive functions” that the Board of Directors used to have. The former functions were assigned to the Board of Directors and the latter to the representative directors and executive officers to whom the duties were delegated by the representative directors.

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

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

② Composition of Directors

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

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

Meidensha’s outside directors satisfy the requirements of independent directors as stipulated in the rules of the Tokyo Stock Exchange.

2 Effectiveness Evaluation of the Board of Directors

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

With regard to the activities of the Board of Directors in fiscal 2017, all the directors and auditors, including the outside directors and outside corporate auditors, conducted an effectiveness evaluation of the Board of Directors and a self-evaluation, and the following discussions took place at the meeting of the Board of Directors in May 2018.

i. Items Evaluated

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

ii. Outline of Analysis and Evaluation Results

The results of the evaluation of each director and corporate auditor were collected, and after deliberation by the Board of Directors, it was determined that the quality of operation and deliberation is sufficient, sufficient opinions and advice have been received from outside directors and outside corporate auditors, and the effectiveness of the Board of Directors is currently secure.

There were people of the opinion that they would like to have more of an opportunity to exchange opinions apart from meetings of the Board of Directors, and we are giving

consideration to holding a meeting to exchange opinions as described below and further expanding the content of introductory sessions, etc.

Training of Directors and Corporate Auditors

Legal training is conducted for officers on an annual basis, for the purpose of improving the effectiveness of the Board of Directors and internal control. In fiscal 2017, we promoted risk management at each department and conducted training relating to monitoring for our officers as part of internal control activities conducted at all companies. The Meiden Group conducted training on the Companies Act for new officers of Meidensha and affiliated companies.

3 Initiatives to Utilize Outside Directors

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

① Initiatives at the Board of Directors

i. Circulation of Board of Directors Meeting Materials in Advance

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

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

ii. Timely and Appropriate Sharing of Information

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

② Initiatives Outside of the Board of Directors

i. Introductory Sessions

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

The officers or general managers in charge of each business explain their business and Meidensha’s governance system to the outside officers, answer their questions and exchange opinions with them. In fiscal 2017, we organized five introductory business sessions and one factory tour.

ii. Meeting for Exchange of Opinions

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

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

4 Corporate Auditors and the Board of Corporate Auditors

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

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

5 Internal Auditing System

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

In fiscal 2017, we instituted CSA (control self-assessment) and promoted initiatives to maximize and enhance auditing functions, with the aim of achieving group-wide risk management.

Officers' Remuneration

Policy for Determining Remuneration

In fiscal 2017, we established a voluntary Remuneration Committee comprising two outside directors (independent officers) and two inside directors, chaired by an outside director, in order to increase the transparency of the content of officers' remuneration and decision-making processes.

In fiscal 2018, we are revising the remuneration system (annual wages) in order to further clarify the management responsibilities of directors. Directors' remuneration comprises basic remuneration and incentives. Of these types of remuneration, incentives comprise remuneration that is linked to business performance as a short-term incentive and stock as a medium to long-term incentive.

The Remuneration Committee confirms and considers the content of the remuneration system and the amount of remuneration from an objective perspective (remuneration is calculated in accordance with the standards of the new remuneration system, and it is within the total limit determined by the General Meeting of Shareholders) prior to determination by the Board of Directors.

Amount of Remuneration for Directors and Corporate Auditors in Fiscal 2017

Position	Number	Remuneration (million yen)
Directors (outside directors)	10 (2)	375 (12)
Corporate auditors (outside corporate auditors)	5 (2)	52 (8)

Notes 1. The amount of the above remuneration, etc., includes directors' bonuses of 65 million yen.
2. The amount of remuneration paid to directors that concurrently serve as employees does not include the amount of remuneration paid to them as employees.

Composition of the Remuneration Committee

Name	Position	Chairman
Yuji Hamasaki	Representative Director, Chairman	
Takeshi Miida	Representative Director, President	
Hiroyuki Takenaka	Director (Outside/Independent Officer)	○
Junji Yasui	Board Director (Outside/Independent Officer)	

Dialogues with Shareholders and Investors

Basic Approach and IR System

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

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

Results Briefings

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

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

Main IR Activities in Fiscal 2017

Individual sessions	Number
Japanese investors	49
Foreign investors	45
Total	94

The materials for the results briefings and business briefings are available for viewing. Please visit "Fact Sheet for Account Settlement Briefing Session" under "Investors" on the Corporate website.
http://www.meidensha.com/ir/ir_04/ir_04_03/index.html

Board of Directors & Executive Officers as of July, 2018

Representative Directors



Yuji Hamasaki

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



Takeshi Miida

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



Koza Masaki

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



Tadayoshi Machimura

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



Masamichi Kuramoto

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

Director and Senior Managing Executive Officers



Nobutoshi Ohashi

(Newly appointed in June of 2018)



Norio Takekawa

(Newly appointed in June of 2018)



Nobuaki Tamaki

(Newly appointed in June of 2018)



Hiroyuki Takenaka

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



Junji Yasui

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

Outside Director

Senior Corporate Auditors



Taketora Ito

[Record of Attendance]
Board of Directors' Meetings:
100% (11 out of 11)
Audit & Supervisory Board Meetings:
100% (11 out of 11)



Seiji Kato

(Newly appointed in June of 2018)



Yoshiaki Shin

[Record of Attendance]
Board of Directors' Meetings:
92.9% (13 out of 14)
Audit & Supervisory Board Meetings:
83% (5 out of 6)



Mitsuru Nawata

[Record of Attendance]
Board of Directors' Meetings:
85.7% (12 out of 14)
Audit & Supervisory Board Meetings:
100% (6 out of 6)

Outside Corporate Auditors

Managing Executive Officers

Kazumi Ikarashi Satoru Kameyama
Michihiko Kato Masayuki Iwao
Tomoyasu Hachiro Tatsuki Mochizuki

Executive Officer

Kazuhiro Furukawa Hiroshi Toke Kuniake Yasukawa
Teruhisa Abo Masahiko Suzuki Norio Mizutani
Noritaka Matsushita Minoru Kaneda Hideki Miyazawa
Isamu Suto Hisahiro Murashima Akio Ikemori
Akio Inoue Satoshi Momenya

Compliance

Compliance Policy and System

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

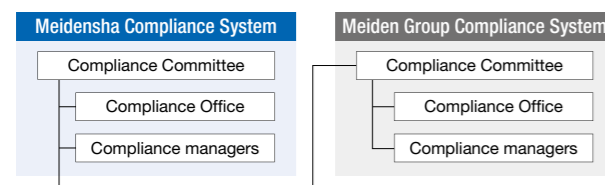
Under this policy, the Meiden Group aims to sincerely engage in activities to live up to the trust of customers and society. Directors, executive officers, and general managers of Meidensha and each Group company, play a central role in promoting compliance in each of their workplaces, in accordance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

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

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

In fiscal 2017, we created a system in accordance with the revisions to the Consumer Affairs Agency's Guidelines for Whistleblower Systems, drafted and revised regulations and manuals, and conducted awareness activities using the Group's internal media as group-wide compliance initiatives. Also, in order to enhance overseas compliance, we are continuing to promote the implementation of internal control systems at overseas group companies through the leadership of our controlling companies in China and the ASEAN region.

Meiden Group Compliance System



Anti-Corruption Policy

The Board of Directors has passed a resolution that forbids providing unfair advantage and business activities in contravention of the Anti-Monopoly Act as three strictly prohibited matters. From now on, the Compliance Committee will receive reports concerning the status of activities to ensure compliance.

Whistleblower System on Compliance

Meidensha has a whistleblower system on compliance. This is to prevent illegal actions or misconduct and to solve problems as early as possible if such illegal action or misconduct occurs. For this whistleblower system, there are two routes: an internal hotline system for compliance violations (Internal Hotline System) and a whistleblower hotline for public interests (Public Whistleblower System). The Internal Hotline System is an internal measure to receive anonymous whistleblower reports from employees, through a dedicated phone line, letters, or emails to a dedicated address. The Public Whistleblower System handles external communications at a law firm as well as internal communications, and may be used by employees of the Meiden Group (including retirees), temporary staff and subcontractors, and suppliers.

The Compliance Committee studies information that is brought to the above points of contact, and, if necessary, consults with a lawyer before resolving issues. We are working to increase the dependability of management of information, such as the names of whistleblowers, of and the whistleblower system as a whole, in accordance with national guidelines, to ensure that whistleblowers are not disadvantaged by using the system. In fiscal 2017, the Meiden Group received 66 reports and consultations, of which we thoroughly confirmed which cases required a response and dealt with them accordingly. The system undergoes internal audits by the Auditing Unit. Furthermore, in fiscal 2017, a local whistleblower hotline was established in China by an external party as overseas compliance was in the process of being tightened.

Compliance Education

The Compliance Committee conducts compliance training at our business locations throughout Japan, in order to maintain and improve awareness of compliance and internal control systems while collecting opinions from workplaces. Compliance training aimed at employees, including Compliance Managers at each company in the Meiden Group, provides updated information and education on compliance activities, and an opportunity to exchange opinions with the Compliance Committee. In fiscal 2017, we conducted compliance training at locations around Japan, with 1,342 participants. The Committee made reports concerning the status of compliance activities at the company as a whole, and the Legal Affairs Department gave further training using case-studies aiming at sales and manufacturing activities in compliance with the Anti-Monopoly Act, and the Subcontracting Act. In addition, in fiscal 2017, the Sales Department conducted education concerning compliance with the Construction Business Act and the HR Department conducted education concerning harassment, and we are working to increase awareness of a broad range of compliance issues. Also, we are conducting group-work education for executive officers and managers in order to enhance internal control at the divisional levels. During such educational sessions, the Committee received opinions, requests, and many questions from participants concerning the state of their workplaces, which we will reflect on during the Committee's activities in this fiscal year to make further improvements to our compliance activities.

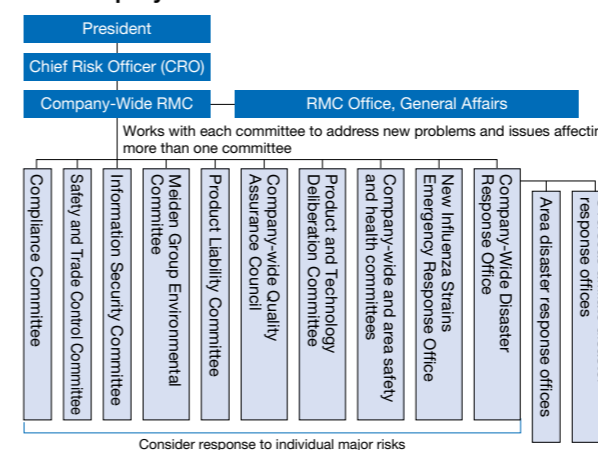
Risk Management

Operation of the Company-Wide Risk Management Committee

The Meiden Group has a system in place to control risk management. The Chief Risk Officer (CRO) 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. 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 the crises that are actually happening

The Company-Wide RMC



Priority Initiatives in Fiscal 2018

1. Formulation of Business Continuity Plans (BCPs) for All Group Companies:

We aim to complete BCPs for all Group companies under Medium-term Management Plan 2020, based on the formulation and analysis of the BCP for a model business, which was conducted as part of the Group-wide Risk Management Committee's activities, and our knowhow for consideration of social infrastructure BCPs. In developing BCPs, we are focusing on ensuring effectiveness, conducting training for implementation, and incorporating mechanisms for evaluation and improvement.

As the main activity for fiscal 2018, we will establish the BCM committee as a body to promote BCPs, and we aim to establish specific systems for emergencies.

2. Increasing Effectiveness of BCPs:

We are working to improve the effectiveness of measures to be taken in the event of disasters with the aim of increasing the resilience of all Group employees.

In fiscal 2018, we will work to ensure that we are able to respond to disasters as they occur by rewriting internal regulations and manuals relating to response to disasters such

as wind, flood, snow, or fire damage, distributing disaster cards, etc., and conducting education through e-learning, etc.

Strengthening Information Security Management

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

In fiscal 2018, we are continuing to implement initiatives to reinforce information security for the entire Meiden Group.

1 Analysis of Incidents and Countermeasures for Each Cause

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

2 Sustainable Information Security Measures

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

With regard to "detection," in fiscal 2017, we introduced the SOC (Security Operation Center), and instituted a system to constantly monitor networks and devices 24 hours a day, 365 days a year and detect and analyze cyber-attacks.

Furthermore, we are continuing to strengthen hardware and software measures, such as computer encryption, limiting USB device connections, thin client implementation, IT resource management, and continuing to conduct human measures, such as information security education and suspicious email drills. We are rolling out both proactive and reactive measures on a group-wide basis for information security.

Group Corporate Code of Conduct Aimed at Globalization

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

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

These standards and policies can be viewed on the Group's portal.