Annual Report 2011

For the year ended March 31, 2011

Meiko Electronics Co., Ltd.

Profile

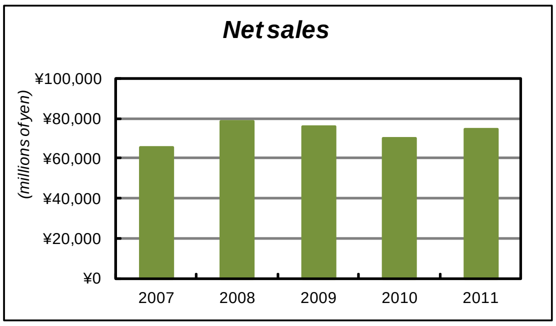
The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 15 subsidiaries (11 consolidated subsidiaries and four non-consolidated subsidiaries) (the “Group”). The Group operates in a single business segment, engaging in the design, manufacturing and sales of PWBs and associated services.

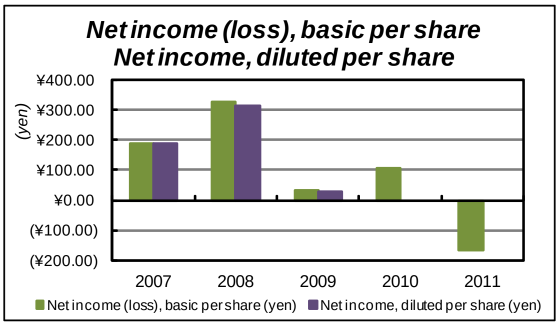
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties. Actual results may differ materially from these projections for a variety of reasons, including changes in business environments, market trends and exchange rate fluctuations relevant to the business of Meiko Electronics Co., Ltd.

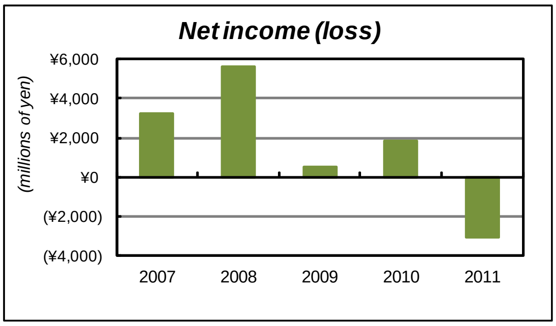
Contents

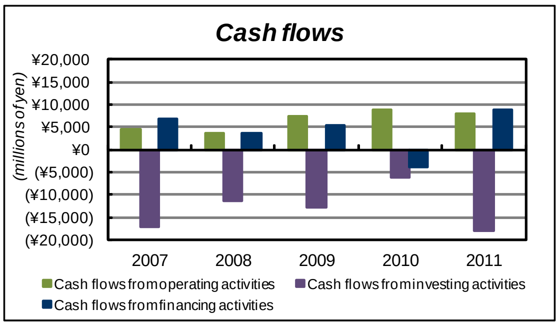
Five-year Financial Summary

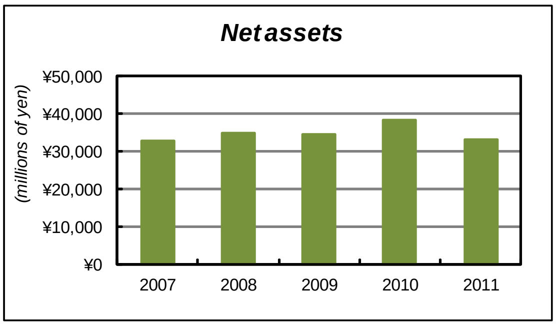
	2007	2008	2009	2010	2011
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥65,317	¥78,516	¥75,806	¥69,823	¥74,724
Ordinary income	4,713	6,836	953	2,695	2,127
Net income (loss)	3,203	5,640	522	1,828	(3,094)
Comprehensive income (loss)	—	—	—	—	(5,306)
Net assets	32,730	34,797	34,576	38,167	32,979
Total assets	79,749	82,043	85,611	84,728	89,815
Net assets per share *(yen)*	1,903.26	2,026.96	2,062.17	2,067.25	1,756.65
Net income (loss) per share *(yen)*	186.78	328.57	30.71	107.39	(166.32)
Net income per share (diluted) *(yen)*	186.69	314.69	29.38	—	—
Equity ratio	41.0%	42.4%	40.4%	45.0%	36.7%
Return on equity (ROE)	10.3%	16.7%	1.5%	5.0%	(8.7%)
Price earnings ratio (PER) *(times)*	23.5	9.8	31.2	18.5	—
Cash flows from operating activities	4,512	3,706	7,479	8,841	7,916
Cash flows from investing activities	(17,169)	(11,350)	(12,929)	(6,058)	(17,911)
Cash flows from financing activities	6,723	3,653	5,338	(3,742)	8,677
Cash and cash equivalents at the end of the period	8,202	4,578	5,146	4,008	2,508
Number of employees	6,786	8,937	7,623	10,149	13,161
[Average number of temporary staff]	[663]	[723]	[815]	[565]	[597]

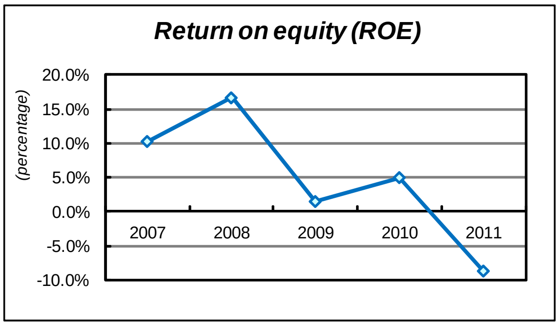

Net sales
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2007
2008
2009
2010
2011

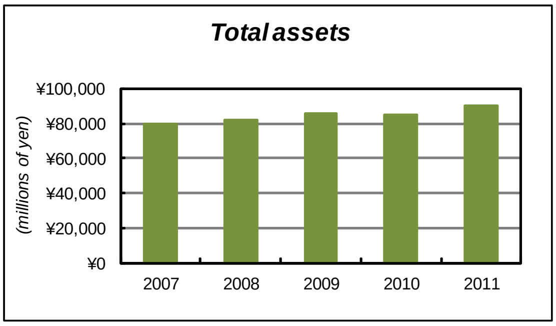

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥400.00
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
(¥200.00)
2007
2008
2009
2010
2011
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

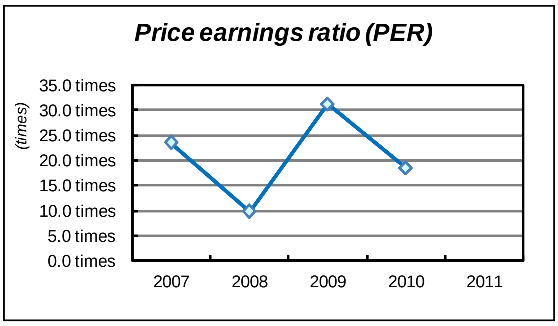

Net income (loss)
(millions of yen)
¥6,000
¥4,000
¥2,000
¥0
(¥2,000)
(¥4,000)
2007
2008
2009
2010
2011

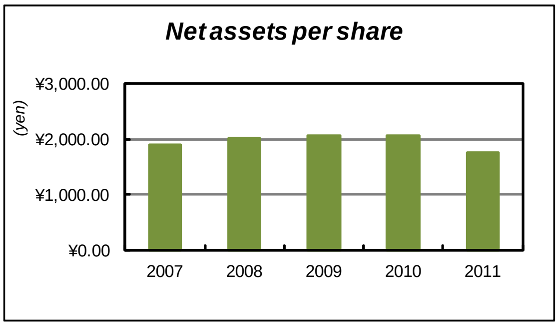

Cash flows
(millions of yen)
¥20,000
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2007
2008
2009
2010
2011
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2007
2008
2009
2010
2011


Return on equity (ROE)
(percentage)
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
2007
2008
2009
2010
2011


Total assets
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2007
2008
2009
2010
2011


Price earnings ratio (PER)
(times)
35.0 times
30.0 times
25.0 times
20.0 times
15.0 times
10.0 times
5.0 times
0.0 times
2007
2008
2009
2010
2011


Net assets per share
(yen)
¥3,000.00
¥2,000.00
¥1,000.00
¥0.00
2007
2008
2009
2010
2011

Financial Review: Management's Discussion and Analysis

(1) Analysis of the Group's financial position

The forward-looking statements in this section are based on the Group's judgment as of the end of the current consolidated fiscal year.

1) Assets

(Current assets)

The balance of current assets as of March 31, 2011, was ¥31,882 million, down ¥1,531 million from ¥33,413 million for the previous year. This decrease was mainly due to an increase of ¥2,452 million in inventories from ¥8,861 million to ¥11,314 million and a ¥2,628 million decrease in accounts receivable—other from ¥3,318 million to ¥689 million due to a decrease in factoring accounts receivable.

(Noncurrent assets)

The balance of noncurrent assets as of March 31, 2011, was ¥57,932 million, up ¥6,618 million from ¥51,314 million for the previous fiscal year. A major factor for this increase was a ¥6,214 million increase of property, plant and equipment from ¥46,120 million to ¥52,334 million due to capital investments.

2) Liabilities

(Current liabilities)

The balance of current liabilities as of March 31, 2011, was ¥29,618 million, up ¥3,549 million from ¥26,069 million for the previous fiscal year. The major factors were a ¥1,337 million increase in the current portion of long-term loans payable from ¥7,873 million to ¥9,210 million and a ¥772 million increase in the provision for loss on disaster, which was associated with the Great East Japan Earthquake.

(Noncurrent liabilities)

The balance of noncurrent liabilities as of March 31, 2011, was ¥27,217 million, up ¥6,726 million from ¥20,491 million for the previous fiscal year. A major factor for this increase was an increase of ¥6,237 million in long-term loans payable from ¥17,706 million to ¥23,943 million.

3) Net assets

(Net assets)

The balance of net assets as of March 31, 2011, was ¥32,979 million, down ¥5,188 million from ¥38,167 million for the previous year. Major factors for this decrease were an increase in capital surplus of ¥331 million due to the disposal of treasury stock for the allotment of shares to third parties, a ¥3,500 million decrease in retained earnings and a decrease of ¥1,984 million in foreign currency translation adjustments.

(2) Analysis of business results

1) Net sales

The volume of orders the Group received during the fiscal year under review steadily expanded as a result of our efforts for two years to extend sales to overseas companies and focus on products with high growth potential. As a result, net sales were ¥74,724 million, up ¥4,901 million, or 7.0%, from the previous fiscal year.

2) Cost of sales and Gross profit

Cost of sales increased ¥4,302 million, or 7.3%, from the previous fiscal year to ¥63,219 million due to the significant effects of the recent surge of raw material prices, the appreciation of the yuan and the yen and a surge in labor costs in China. Gross profit increased ¥598 million, or 5.5%, from the previous fiscal year to ¥11,505 million, and the gross margin declined 0.2 percentage point from the previous fiscal year to 15.4%.

3) Operating income

Operating income decreased ¥495 million, or 13.1%, from the previous fiscal year to ¥3,297 million.

4) Non-operating income (expenses) and Ordinary income

Non-operating income decreased ¥83 million from the previous fiscal year to ¥285 million mainly due to a decrease of ¥167 million in the gain on valuation of derivatives and an increase of ¥86 million in subsidy income.

Non-operating expenses decreased ¥11 million from the previous fiscal year to ¥1,455 million. The major factors for this decline were a decrease of ¥141 million in compensation expenses and an increase of ¥226 million in foreign exchange loss from the previous fiscal year.

As a result, ordinary income decreased ¥567 million, or 21.1%, from the previous fiscal year to ¥2,127 million.

5) Extraordinary income (loss)

Extraordinary income was ¥9 million mainly due to a gain on sales of noncurrent assets.

The extraordinary loss was ¥5,546 million mainly due to a loss on disaster of ¥4,942 million caused by the Great East Japan Earthquake which caused damage to the Miyagi Plant and the Fukushima Plant, and business structure improvement expenses of ¥483 million.

6) Net income

As a result of the above, a net loss of ¥3,094 million was recorded for the fiscal year under review compared with net income of ¥1,828 million for the previous fiscal year.

(3) Liquidity and source of funds

1) Cash flow analysis

Cash and cash equivalents (hereafter “net cash”) as of March 31, 2011, decreased ¥1,500 million from the previous fiscal year, to ¥2,508 million.

Net cash provided by operating activities for the fiscal year under review was ¥7,916 million, down ¥924 million from the previous fiscal year. Increases were mainly from depreciation and amortization of ¥6,533 million and loss on disaster of ¥4,942 million. The major decrease was an increase in inventories of ¥3,832 million.

Net cash used in investing activities was ¥17,911 million, up ¥11,852 million. The major outflows were ¥16,104 million for the payments for purchases of property, plant and equipment and ¥1,256 million for payments for purchases of investment securities.

Net cash provided by financing activities was ¥8,677 million, compared with net cash used in financing activities of ¥3,742 million for the previous fiscal year. Inflow was mainly from proceeds from long-term loans payable of ¥15,895 million. The major outflows were ¥6,816 million for the repayment of long-term loans payable.

2) Financial policy

The Group currently procures funds for its operations from internal reserves or borrowings. The Group has a policy of procuring funds for investment and loans and funds for equipment to acquire manufacturing equipment inside and outside Japan via long-term loans payable. With regard to when to procure such funds and the conditions for such procurement, the Group strives to select the most favorable timing and conditions.

3) Trends in cash flow indicators

The trends in cash flow indicators are shown below.

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio *(%)*	40.4	45.0	36.7
Market value equity ratio *(%)*	18.8	43.3	18.5
Cash flows/interest-bearing debt ratio	4.6	3.6	4.8
Interest coverage ratio *(times)*	7.7	10.9	11.0

Equity ratio = Equity capital/Total assets

Market value equity ratio = Stock market capitalization/Total assets

Cash flow versus interest-bearing debt ratio = Interest-bearing debt/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest payment

Notes:

* Each indicator is calculated based on consolidated financial values.
* The stock market capitalization is calculated as follows: term-end closing stock price x term-end number of shares issued (after deducting shares of treasury stock).
* The operating cash flow represents the cash flow provided by (used in) operating activities as indicated in the consolidated statements of cash flows. Of the liabilities posted on the consolidated balance sheets, the interest-bearing debt covers all the liabilities for which interest was paid. The interest payment represents the payment of interest indicated in the consolidated statements of cash flow.

Business Risks

Major risks involved in the businesses conducted by the Company and the Group are as follows.

(1) The Group's major customers' businesses performance

The Group's major customers are brand manufacturers of digital household appliances, personal computers, communications equipment and devices, and automobile electronic control equipment, among others. The Group's major businesses are the manufacture and sales of PWBs, which are positioned as parts that constitute a core function of finished products. Should natural disaster such as Great East Japan Earthquake and the global economy, in turmoil, influence the trend of the economy and consumer spending, and adversely impact the markets of the industries in which the Group's major customers operate, or lead to sluggish sales of their finished products, such factors could influence the order volume received by the Group and affect the Group's business performance.

(2) Risks related to the timing of capital investments

The Group conducts appropriate capital investments to enhance productivity and maintain product competitiveness. Although overseas and domestic capital investments are carefully determined considering brand manufacturers' business performance and market trends, should brand manufacturers change strategies or the Group's capital investments become excessive due to the downturn of the economy, or the operation of new facilities be delayed, such factors as the burden of depreciation costs would adversely affect the Group's business results and financial position.

(3) Possibility of product defects

PWBs are mounted with electronic components and then embedded in finished products by brand manufacturers. The Group manufactures PWBs in compliance with the world's accepted quality control standards. In addition, brand manufacturers conduct inspections upon receipt and inspect the finished products to prevent the occurrence of product defects. However, should a large-scale recall or a product liability lawsuit occur, such an incident would incur significant costs and harm our corporate reliability and could adversely affect the Group's performance.

(4) Technological development and price competition

Although the Group believes in the long-term expansion of demand for PWBs due to the worldwide dissemination of digital household appliances and the further advancement of electronic automobile components, to address the intensifying global competition due to downward pressure from Southeast Asia, Japanese manufacturers need to differentiate their products by adding higher value. To this end, the Group is developing various technologies such as element technologies to make wires thinner and minimize hole diameters, as well as cost-reduction technologies. However, should such technologies diverge from market needs and not be accepted, we might get embroiled in a price competition, which could affect the Group's business performance.

(5) Natural disaster

The Group's major manufacturing bases are the Yamagata Plant (Yamagata Meiko Electronics Co., Ltd.), the Fukushima Plant and the Miyagi Plant, which are all located in the Tohoku area. Although our careful preemptive measures to address the occurrence of an earthquake and other natural disasters are in place for these facilities to minimize damage, the recent Great East Japan Earthquake and tsunami, which were beyond our capability to predict, seriously affected the Group's business performance. Should a disaster of that scale occur in the future, it might adversely affect the Company's business performance again.

(6) Potential risks inherent in plant operations in China

To expand productivity and reduce production costs, the Group has established local corporations in Hong Kong, Guangzhou and Wuhan in China, conducting manufacturing and sales activities.

The following difficulties might occur in China.

1: Hygiene-related issues such as infectious diseases
2: Change or introduction of legal restrictions and the tax system
3: Failure of infrastructure such as electricity, water and transportation
4: Political uncertainty and public security-related issues
5: Anti-Japanese demonstrations and/or labor disputes

Should unexpected events such as changes in the political or legal environment or the economic situation in China occur, issues might arise in the management of production facilities and equipment and in the execution of other businesses. These factors could adversely affect the Group's business performance and financial position.

(7) Foreign currency exchange rate fluctuation risk

To operate plants in China, we need to hold U.S. dollars and other foreign currency-denominated assets. Therefore, the Group is exposed to yen-to-yuan and yen-to-U.S. dollar exchange rate fluctuations. These fluctuations could result in losses.

(8) Raw materials market fluctuation risk

The Group purchases the raw materials necessary for manufacturing from external materials manufacturers and trading companies. The surge of materials prices of crude oil, copper, gold, etc., in recent years could influence the prices of the raw materials the Group purchases and adversely affect the Group's business performance and financial position.

(9) Financial risks

The Group has aggressively conducted capital investments at an amount higher than the funds it has acquired from operating activities to prepare for the anticipated medium- and long-term demand increase for digital household appliances and automobiles, as well as demand for new products in line with technological innovation.

As a result, the ratio of borrowings to total assets as of March 31, 2011, was 41.5%. In case we conduct further aggressive capital investment required by our business strategies, an increase in borrowings and/or interest rates could affect the Group's business performance and financial position.

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Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2011**	2010	**2011**
Current Assets:			
Cash and cash equivalents (Note 11)	¥ **2,509**	¥ 4,009	$ **30,169**
Receivables －			
Trade notes and accounts receivable (Note 11)	**14,634**	15,081	**175,996**
Other receivables	**690**	3,318	**8,297**
Less: Allowance for doubtful accounts	**(13)**	(14)	**(152)**
Inventories －			
Merchandise and finished goods	**4,380**	3,063	**52,671**
Work in process	**2,364**	2,117	**28,426**
Raw materials and supplies	**4,571**	3,682	**54,977**
Deferred tax assets (Note 10)	**967**	394	**11,627**
Other	**1,781**	1,764	**21,426**
Total current assets	**31,883**	33,414	**383,437**
Property, Plant and Equipment, at Cost (Note 4):			
Land	**1,944**	1,944	**23,383**
Buildings and structures	**22,985**	23,467	**276,423**
Machinery and vehicles	**45,760**	49,188	**550,329**
Construction in progress	**10,969**	3,495	**131,922**
Other	**2,328**	2,400	**27,994**
	83,986	80,494	**1,010,051**
Less: Accumulated depreciation	**(31,651)**	(34,374)	**(380,651)**
Net property, plant and equipment	**52,335**	46,120	**629,400**
Intangible Assets	**608**	553	**7,319**
Investments and Other Assets:			
Investment securities (Notes 3 and 11)	**1,723**	1,316	**20,718**
Long-term loans receivable	**43**	313	**513**
Deferred tax assets (Note 10)	**987**	1,076	**11,865**
Other	**2,415**	2,124	**29,058**
Less: Allowance for doubtful accounts	**(109)**	(103)	**(1,314)**
Allowance for investment loss	**(69)**	(85)	**(830)**
Total investments and other assets	**4,990**	4,641	**60,010**
Total	¥ **89,816**	¥ 84,728	$ **1,080,166**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current Liabilities:			
Trade notes and accounts payable (Note 11)	¥ **8,591**	¥ 8,229	$ **103,322**
Short-term borrowings (Notes 5 and 11)	**4,149**	4,206	**49,898**
Current portion of long-term borrowings (Notes 5 and 11)	**9,211**	7,873	**110,772**
Income taxes payable (Note 10)	**79**	179	**950**
Accrued bonuses	**435**	565	**5,235**
Accrued bonuses to directors and corporate auditors	**-**	24	**-**
Provision for loss on disaster (Note 13)	**773**	-	**9,291**
Other	**6,381**	4,993	**76,738**
Total current liabilities	**29,619**	26,069	**356,206**
Long-term Liabilities:			
Long-term borrowings (Notes 5 and 11)	**23,944**	17,706	**287,957**
Provision for employees' retirement benefits (Note 6)	**1,200**	1,090	**14,429**
Long-term other payable	**1,578**	1,164	**18,982**
Provision for directors' retirement benefits	**269**	269	**3,240**
Other	**226**	262	**2,725**
Total long-term liabilities	**27,217**	20,491	**327,333**
Commitments and Contingent Liabilities (Note 4) :			
Net Assets (Note 7):			
Shareholders' Equity:			
Common stock, authorized - 63,200,000 shares issued - 19,403,320 shares in 2011 and 2010	**10,546**	10,546	**126,827**
Capital surplus	**12,467**	12,135	**149,935**
Retained earnings	**14,359**	17,860	**172,686**
Less: Treasury stock, at cost; Common stock, 629,170 shares in 2011 and 942,700 in 2010	**(396)**	(594)	**(4,766)**
Total shareholders' equity	**36,976**	39,947	**444,682**
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	**(106)**	15	**(1,269)**
Deferred gains (losses) on hedges	**(204)**	(98)	**(2,455)**
Foreign currency translation adjustments	**(3,686)**	(1,701)	**(44,331)**
Total accumulated other comprehensive income	**(3,996)**	(1,784)	**(48,055)**
Minority interests	**-**	5	**-**
Total net assets	**32,980**	38,168	**396,627**
Total	¥ **89,816**	¥ 84,728	$ **1,080,166**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net Sales	¥ **74,724**	¥ 69,823	¥ 75,807	$ **898,670**
Cost of Sales (Note 8)	**63,219**	58,917	66,890	**760,304**
Gross profit	**11,505**	10,906	8,917	**138,366**
Selling, General and Administrative Expenses (Note 8)	**8,207**	7,113	7,156	**98,704**
Operating income	**3,298**	3,793	1,761	**39,662**
Other Income (Expenses):				
Interest expense,net	**(737)**	(761)	(953)	**(8,858)**
Dividend income	**2**	1	2	**19**
Compensation expenses	**(33)**	(175)	-	**(400)**
Foreign exchange gain (loss)	**(252)**	(25)	386	**(3,026)**
Gain on valuation of derivatives	**-**	168	-	**-**
Subsidy income	**87**	-	112	**1,046**
Net loss on sales and disposal of property, plant and equipment (Note 9)	**(110)**	(140)	(149)	**(1,328)**
Reversal of allowance for doubtful accounts	**-**	0	23	**-**
Gain on redemption of bonds	**-**	95	120	**-**
Loss on valuation of investment securities	**-**	(274)	(219)	**-**
Provision on allowance for investment loss	**-**	(69)	-	**-**
Gain on investment of securities	**33**	21	-	**402**
Loss on disaster (Note 13)	**(4,943)**	-	-	**(59,447)**
Expenses for business structure improvement	**(483)**	-	-	**(5,811)**
Other, net	**(271)**	(334)	(437)	**(3,254)**
Total	**(6,707)**	(1,493)	(1,115)	**(80,657)**
Income (Loss) before Income Taxes and Minority Interests	**(3,409)**	2,300	646	**(40,995)**
Income Taxes (Note 10):				
Current	**212**	394	280	**2,546**
Deferred	**(526)**	78	(158)	**(6,321)**
Total income taxes	**(314)**	472	122	**(3,775)**
Income (Loss) before Minority Interests	**(3,095)**	1,828	524	**(37,220)**
Minority Interests	**0**	0	2	**0**
Net Income (Loss)	¥ **(3,095)**	¥ 1,828	¥ 522	$ **(37,220)**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Basic net income (loss)	¥ **(166.32)**	¥ 107.39	¥ 30.71	$ **(2.00)**
Diluted net income	**-**	-	29.38	**-**
Cash dividends applicable to the year	**12.00**	20.00	30.00	**0.14**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Year ended March 31, 2011

		Millions of yen		Thousands of U.S. dollars (Note 1)
		2011		**2011**
Loss before Minority Interests	¥	**(3,095)**	$	**(37,220)**
Other Comprehensive Income (Note 14):				
Unrealized losses on available-for-sale securities		**(121)**		**(1,452)**
Deferred losses on hedges		**(106)**		**(1,271)**
Foreign currency translation adjustments		**(1,985)**		**(23,871)**
Total other comprehensive income		**(2,212)**		**(26,594)**
Comprehensive Income (Note 14)		**(5,307)**		**(63,814)**
Comprehensive Income Attributable to (Note 14):				
Owners of the Company	¥	**(5,307)**	$	**(63,814)**
Minority interests		**0**		**0**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Shareholders' Equity:				
Common Stock (Note 7):				
Beginning balance	**¥ 10,546**	¥ 8,861	¥ 8,861	**$ 126,827**
Capital increase upon issuance of 1,696,000 shares of common stock	**-**	1,685	-	**-**
Ending balance	**¥ 10,546**	¥ 10,546	¥ 8,861	**$ 126,827**
Capital Surplus (Note 7):				
Beginning balance	**¥ 12,135**	¥ 10,450	¥ 10,450	**$ 145,945**
Capital increase upon issuance of 1,696,000 shares of common stock	**-**	1,685	-	**-**
Gain on disposal of treasury stock	**332**	-	-	**3,990**
Ending balance	**¥ 12,467**	¥ 12,135	¥ 10,450	**$ 149,935**
Retained Earnings (Note 7):				
Beginning balance	**¥ 17,860**	¥ 16,367	¥ 16,128	**$ 214,791**
Increase due to application of ASBJ PITF No. 18	**-**	-	403	**-**
Net income	**(3,095)**	1,828	522	**(37,220)**
Cash dividends paid	**(406)**	(335)	(686)	**(4,885)**
Ending balance	**¥ 14,359**	¥ 17,860	¥ 16,367	**$ 172,686**
Treasury Stock, at cost; Common Stock:				
Beginning balance	**¥ (594)**	¥ (594)	¥ (197)	**$ (7,140)**
Purchase of treasury stock	**(0)**	-	(397)	**(2)**
Disposal of treasury stock	**198**	-	-	**2,376**
Ending balance	**¥ (396)**	¥ (594)	¥ (594)	**$ (4,766)**
Total shareholders' equity	**¥ 36,976**	¥ 39,947	¥ 35,084	**$ 444,682**
Accumulated Other Comprehensive Income:				
Unrealized Gains (Losses) on Available-for-sale Securities:				
Beginning balance	**¥ 15**	¥ 13	¥ (6)	**$ 183**
Net increase (decrease)	**(121)**	2	19	**(1,452)**
Ending balance	**¥ (106)**	¥ 15	¥ 13	**$ (1,269)**
Deferred Gains (Losses) on Hedges:				
Beginning balance	**¥ (98)**	¥ (195)	¥ (45)	**$ (1,184)**
Net increase (decrease)	**(106)**	97	(150)	**(1,271)**
Ending balance	**¥ (204)**	¥ (98)	¥ (195)	**$ (2,455)**
Foreign Currency Translation Adjustments:				
Beginning balance	**¥ (1,701)**	¥ (331)	¥ (396)	**$ (20,460)**
Net increase (decrease)	**(1,985)**	(1,370)	65	**(23,871)**
Ending balance	**¥ (3,686)**	¥ (1,701)	¥ (331)	**$ (44,331)**
Total accumulated other comprehensive income	**¥ (3,996)**	¥ (1,784)	¥ (513)	**$ (48,055)**
Minority Interests:				
Beginning balance	**¥ 5**	¥ 5	¥ 3	**$ 60**
Net increase (decrease)	**(5)**	0	2	**(60)**
Ending balance	**¥ -**	¥ 5	¥ 5	**$ -**
Total Net Assets	**¥ 32,980**	¥ 38,168	¥ 34,576	**$ 396,627**
	Number of Shares			
Number of outstanding shares:				
Beginning balance	**19,403,320**	17,707,320	17,707,320	
Issuance of common stock	**-**	1,696,000	-	
Repurchase of treasury stock	**(629,170)**	(942,700)	(942,700)	
Ending balance	**18,774,150**	18,460,620	16,764,620	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Operating Activities:				
Income (loss) before income taxes and minority interests	**¥ (3,409)**	¥ 2,300	¥ 646	**$ (40,995)**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,533**	6,794	7,098	**78,573**
Increase (decrease) in allowance for doubtful accounts	**5**	(3)	(13)	**65**
Increase (decrease) in allowance for investment loss	**(16)**	69	16	**(192)**
Increase in provision for employees' retirement benefits	**110**	146	76	**1,321**
Increase (decrease) in accrued bonuses	**(130)**	7	(75)	**(1,558)**
Increase (decrease) in accrued bonuses to directors and corporate auditors	**(24)**	12	(26)	**(289)**
Interest income and dividend income	**(20)**	(26)	(64)	**(240)**
Interest expenses	**755**	786	1,015	**9,079**
Foreign exchange gain	**(707)**	(703)	(354)	**(8,500)**
Net loss on sales and disposal of property, plant and equipment	**110**	139	149	**1,328**
Loss on valuation of investment securities	**-**	274	228	**-**
Loss on sale of investment securities	**-**	7	-	**-**
Gain on redemption of bonds	**-**	(95)	(120)	**-**
Loss on disaster (Note 13)	**4,943**	-	-	**59,447**
Business structure improvement expenses	**483**	-	-	**5,811**
Decrease (increase) in trade notes and accounts receivable	**2,694**	(2,058)	3,094	**32,396**
Decrease (increase) in inventories	**(3,832)**	(549)	1,356	**(46,091)**
Increase (decrease) in trade notes and accounts payable	**713**	2,809	(4,082)	**8,581**
Increase in other assets	**(181)**	(498)	(252)	**(2,192)**
Increase in other liabilities	**878**	533	88	**10,558**
Subtotal	**8,905**	9,944	8,780	**107,102**
Interest and dividend received	**20**	26	68	**241**
Interest paid	**(717)**	(811)	(976)	**(8,621)**
Payments for loss on disaster	**(6)**	-	-	**(75)**
Income taxes refund	**-**	115	284	**-**
Income taxes paid	**(286)**	(433)	(677)	**(3,440)**
Net cash provided by operating activities	**7,916**	8,841	7,479	**95,207**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(16,104)**	(6,367)	(10,976)	**(193,677)**
Proceeds from sales of property, plant and equipment	**23**	23	12	**271**
Proceeds from share of profits on investment in partnership	**-**	-	2	**-**
Payments for purchases of intangible assets	**(228)**	(63)	(128)	**(2,745)**
Payments for purchases of investment securities	**(1,256)**	(278)	(1,302)	**(15,106)**
Increase in time deposits	**-**	249	137	**-**
Payments for loans receivable	**-**	-	(275)	**-**
Payments for transfer of business	**-**	-	(170)	**-**
Payments for insurance policies	**(59)**	(56)	(11)	**(712)**
Other, net	**(287)**	433	(218)	**(3,448)**
Net cash used in investing activities	**(17,911)**	(6,059)	(12,929)	**(215,417)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**112**	(3,821)	4,908	**1,351**
Proceeds from long-term borrowings	**15,896**	8,597	9,906	**191,168**
Payments for long-term borrowings	**(6,817)**	(6,324)	(6,777)	**(81,981)**
Payments for redemption of bonds	**-**	(4,405)	(880)	**-**
Proceeds from issuance of common stock	**-**	3,370	-	**-**
Payments for installment liabilities	**(637)**	(820)	(736)	**(7,664)**
Payments for purchase of treasury stock	**(0)**	-	(396)	**(2)**
Proceeds from disposal of treasury stock	**529**	-	-	**6,366**
Cash dividends paid	**(406)**	(339)	(687)	**(4,879)**
Net cash provided by (used in) financing activities	**8,677**	(3,742)	5,338	**104,359**
Effect of exchange rate changes on Cash and Cash Equivalents	**(182)**	(177)	(69)	**(2,191)**
Net Decrease in Cash and Cash Equivalents	**(1,500)**	(1,137)	(181)	**(18,042)**
Cash and Cash Equivalents at Beginning of Year	**4,009**	5,146	4,579	**48,211**
Net Increase in Cash and Cash Equivalents due to Change in Scope of Consolidation	**-**	-	748	**-**
Cash and Cash Equivalents at End of Year	**¥ 2,509**	¥ 4,009	¥ 5,146	**$ 30,169**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2011, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.
Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25, issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010). As a result of the adoption of the standard, the Company prepared the consolidated statement of comprehensive income for the year ended March 31, 2011.
Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14 as required.
Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. Effective from the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, except for certain items which are required to be adjusted in the consolidation process as explained in Note 2 (x).
In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is more familiar to readers outside Japan.
In addition, the notes to the consolidated financial statements include information which is not required under Japanese GAAP, but is presented herein as additional information.
The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Company, and its consolidated subsidiaries in the preparation of the consolidated financial statements.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant 11 (13 in 2010 and 15 in 2009) subsidiaries (together, the "Group").
The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries ("goodwill" or "negative goodwill") and in companies accounted for by the equity method is amortized over a period of five years. All significant inter-company accounts and transactions have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

(b) Equity Method

Investments in certain unconsolidated subsidiary and affiliated company are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.
There are no companies accounted for by the equity method.

(c) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, and commercial paper, all of which mature or become due within three months of the date of acquisition.

(d) Translation of Foreign Currency Accounts

Current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in earnings.
Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate at the balance sheet date, except that shareholders' equity accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.
Foreign currency translation adjustments resulting from translation of foreign currency financial statements are presented in net assets in the consolidated balance sheets.

(e) Inventories

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006), which requires that inventories be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expense. The replacement cost may be used in place of net selling value, if appropriate. Prior to April 2008, inventories were stated at cost, determined by the first-in, first-out method. Consequently, compared to the amounts that would have been reported under the previous accounting method, the gross profit, the operating profit, and the income before income taxes decreased by ¥383 million for the year ended March 31, 2009.

(f) Depreciation and Amortization

Due to the reform of Japanese Corporate Tax Law issued on March 30, 2007, (Partial Amendment of the Income Tax Law, Law No.06 and Partial Amendment of Corporate Tax Law Enforcement Orders, Law Enforcement Order No.83), depreciation of property, plant and equipment for the Company and its domestic subsidiaries is computed on the following method over their estimated useful lives:
For buildings:
- acquired before March 31, 1998 : declining balance method under pre-2007 tax reform
- acquired between April 1, 1998 and March 31, 2007 : straight-line method under pre-2007 tax reform
- acquired after April 1, 2007 : new straight-line method

For assets other than buildings:
- acquired before March 31, 2007 : declining balance method under pre-2007 tax reform
- acquired after March 31, 2007 : new declining balance method

For assets acquired before March 31, 2007 that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition costs. Depreciation of property, plant and equipment for foreign consolidated subsidiaries is computed on the straight-line method over their estimated useful lives.
Software for company use is carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives (five years).

(g) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(h) Allowance for Investment Loss

The Company provides for investment loss principally at an amount computed based on the evaluation of individual financial and other conditions of subsidiaries and affiliates.

(i) Accrued Bonuses

Accrued bonuses to employees are provided for the estimated amounts, which the Company and its consolidated subsidiaries are obligated to pay employees after the fiscal year-end, based on services rendered during the current year.

(j) Provision for loss on disaster
The provision for loss on disaster is provided for the estimated amounts principally for recovery of assets damaged by the Great East Japan Earthquake that occurred on March 11, 2011.

(k) Impairment Losses on Fixed Assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is higher of asset's or cash-generating unit's fair value less costs to sell and its value in use.

(l) Investment Securities
The Company has classified all the equity securities as available-for-sale securities based on management’s intention. Available-for-sale securities other than non-marketable are reported at fair value with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets.
Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.
For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(m) Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(n) Leases
In March 2007, the ASBJ issued ASBJ Statement No.13, “Accounting Standard for Lease Transactions”, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.
The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.
Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized.
However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized ” information is disclosed in the note to the lessee’s financial statements.
The Company applied the revised accounting standard effective April 1, 2008.
There is no effect of the change on net income.

(o) Derivative Financial Instruments
The Group uses foreign currency forward contracts, interest rate swaps and copper price swaps as a means of hedging exposure to foreign currencies, interest risks and market fluctuation. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
However, if the foreign currency forward contracts qualify for hedge accounting, hedged items such as foreign currency receivables and payables are translated at the contracted rates.
Also, if interest rate swap contracts are used as hedge and meet certain criteria, the net amount to be paid or received under the swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(p) Goodwill
Goodwill on purchases of specific businesses and consolidation goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

(q) Provision for Employees' Retirement Benefits
The Company and its domestic consolidated subsidiaries have a funded defined benefit pension plan covering substantially all employees.
The Company and its domestic consolidated subsidiaries account for the provision for retirement benefits based on projected benefit obligations and fair value of plan assets at the balance sheet date.
Actuarial gain or loss is amortized mainly using the straight-line method over 13 years, which is less than the average remaining years of service of the employees, and the amortization will be started in the following year in which the gain or loss is recognized.

(Change in accounting policies)
Effective from the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration for fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on operating income and income before income taxes and minority interests for the year ended March 31, 2010.

(r) Provision for Directors' Retirement Benefits
The Company and its domestic consolidated subsidiaries account for the provision for directors' retirement benefits at balance sheet date in accordance with internal regulations.

(s) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon shareholders' approval.

(t) Per Share Information

Dividends per share shown in the Consolidated Statements of Operations have been presented on an accrual basis and include, in each fiscal period, dividends approved after each balance sheet date, but applicable to the fiscal period then ended.

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if diluted securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the out-standing share subscription rights at the beginning of the year.

(u) Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008). The effect of this adoption to net income (loss) was immaterial.

(v) Business Combination

Effective from the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, issued on December 26, 2008), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

(w) Income before Minority Interests

Effective from the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted the "Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24, 2009), based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008). The account of "Income (Loss) before Minority Interests" was separately presented due to the adoption.

(x) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

The Company applied the "Practical Solution on Unification of Accounting Policies Applies to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18, issued on May 17, 2006), and made necessary adjustments on the consolidation process.

Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating profit and the income before income taxes decreased by ¥128 million and the net income decreased by ¥22 million for the year ended March 31, 2009.

Also, due to the increase in beginning retained earnings by ¥403 million, the retained earnings increased by the same amount at March 31, 2009.

The effect of the change on the segment information is described in Note 15.

(y) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2011.

3. Investment Securities

All the equity securities, classified as available-for-sale securities, are included in non-current investment securities.
The carrying amounts and aggregate fair values of the available-for-sale securities as of March 31, 2011 and 2010 were as follows:

	2011					
	Millions of yen			**Thousands of U.S. dollars**		
	Fair Value	**Acquisition Cost**	**Unrealized Gains (Losses)**	**Fair Value**	**Acquisition Cost**	**Unrealized Gains (Losses)**
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 147**	**¥ 127**	**¥ 20**	**$ 1,769**	**$ 1,523**	**$ 246**
Securities whose carrying value doesn't exceed carrying value:						
Equity securities	**431**	**550**	**(119)**	**5,179**	**6,619**	**(1,440)**
Other	**46**	**53**	**(7)**	**557**	**632**	**(75)**
Total	**¥ 624**	**¥ 730**	**¥ (106)**	**$ 7,505**	**$ 8,774**	**$ (1,269)**

	2010		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 55	¥ 26	¥ 29
Securities whose carrying value doesn't exceed carrying value:			
Equity securities	4	4	(0)
Other	61	64	(3)
Total	¥ 120	¥ 94	¥ 26

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2011 and 2010 are described in Note 11.

The following table summarizes available-for-sale securities sold in the year ended March 31, 2010.

	Millions of Yen
	2010
Sales value	¥ 34
Gain on sale	–
Loss on sale	7

There were no available-for-sale securities sold in the years ended March 31, 2011 and 2009.

Note: The Company recognized impairment losses, ￥274 million and ￥219 million on available-for-sale securities during the years ended March 31, 2010 and 2009, respectively. The Company did not recognized impairment loss on available-for-sale securities for the year ended March 31, 2011.

4. Leases

The Group leases certain machinery, computer equipment, software and other assets.

As discussed in Note 2 (n), lease assets under finance leases that do not transfer ownership to lessees are capitalized and amortized to residual value of zero using the straight line method with useful life defined by the terms of the contract effective from the fiscal year beginning April 1, 2008. Pro forma information on leased property, such as acquisition costs, accumulated depreciation and net book value for property held under finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Acquisition Cost	**Accumulated Depreciation**	**Net leased Property**	Acquisition Cost	Accumulated Depreciation	Net leased Property
Machinery and vehicles	¥ **330**	¥ **284**	¥ **46**	¥ 392	¥ 279	¥ 113
Software	**-**	**-**	**-**	21	20	1
Total	¥ **330**	¥ **284**	¥ **46**	¥ 413	¥ 299	¥ 114

	Thousands of U.S. dollars		
	2011		
	Acquisition Cost	**Accumulated Depreciation**	**Net leased Property**
Machinery and vehicles	$ **3,969**	$ **3,420**	$ **549**
Total	$ **3,969**	$ **3,420**	$ **549**

Obligations under finance leases:	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	¥ **53**	¥ 71	$ **632**
Due after one year	**-**	53	**-**
Total	¥ **53**	¥ 124	$ **632**

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, computed by straight-line method and the interest method are as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Lease payments	¥ **74**	¥ 155	¥ 239	$ **887**
Depreciation expense	¥ **68**	¥ 145	¥ 218	$ **822**
Interest expense	¥ **3**	¥ 6	¥ 13	$ **31**

5. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Short-term borrowings with average interest rate of 2.63% for 2011 and 1.77% for 2010	¥ **4,149**	¥ 4,206	$ **49,898**
Current portion of long-term borrowings with average interest rate of 1.92% for 2011 and 1.71% for 2010	**9,211**	7,873	**110,772**
Current portion of other liabilities with average interest rate of 1.81% for 2011 and 1.87% for 2010	**225**	625	**2,706**
Total short-term	**13,585**	12,704	**163,376**
Long-term borrowings with average interest rate of 1.54% for 2011 and 1.6% for 2010, less current portion	**23,944**	17,706	**287,957**
Long-term other payable, less current portion	**367**	593	**4,426**
Total long-term	**24,311**	18,299	**292,383**
Total	¥ **37,896**	¥ 31,003	$ **455,759**

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances at March 31, 2011 and 2010. Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances at April 1, 2010 and March 31, 2011.

The aggregate annual maturities of long-term debt as of March 31, 2011 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ **9,436**	$ **113,478**
2013	**8,571**	**103,076**
2014	**8,267**	**99,429**
2015	**4,621**	**55,577**
2016 and thereafter	**2,852**	**34,301**
Total	¥ **33,747**	$ **405,861**

6. Provision for Employees' Retirement Benefits

The Company and certain domestic consolidated subsidiaries have a funded defined benefit pension plan, such as qualified pension plan and lump-sum retirement plan. Although the Company and certain domestic consolidated subsidiaries also contributes to a jointly sponsored employee pension fund, related benefit obligation, plan assets and benefit costs are excluded from the following calculation because it is difficult to assess the plan assets reasonably.

The provision for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ (1,763)**	¥ 1,551	**$ (21,201)**
Fair value of plan assets	**512**	(396)	**6,158**
Unrecognized actuarial gain (loss)	**51**	(65)	**614**
Net liability	**¥ (1,200)**	¥ 1,090	**$ (14,429)**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 163**	¥ 180	**$ 1,955**
Interest cost	**23**	22	**280**
Expected return on plan assets	**(3)**	(3)	**(33)**
Recognized actuarial loss	**11**	19	**127**
Net periodic retirement benefit costs	**¥ 194**	¥ 218	**$ 2,329**

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**1.0%**	1.0%
Recognition period of actuarial gain/loss	**13 years**	13 years

Descriptions of the multi-employer pension plan to which contributions are recognized as expense are as follows:

(1) Funded status (as of March 31, 2010)	Millions of yen	Thousands of U.S. dollars
Fair value of plan assets	**¥ 49,353**	**$ 593,537**
Benefit obligation on the basis of pension financing	**44,430**	**534,327**
Funded status	**¥ 4,923**	**$ 59,210**

(2) Contribution share ratio of the Company and certain domestic consolidated subsidiaries to total pension plan (from April 1, 2009 to March 31, 2010)	Millions of yen	Thousands of U.S. dollars
Gross pay (of total pension plan)	**¥ 60,493**	**$ 727,521**
Gross pay (of the Company)	**4,043**	**48,623**
Ratio	**6.68%**	**6.68%**

(3) Supplement remarks

The funded status described in above (1) was calculated as follows:	Millions of yen	Thousands of U.S. dollars
General reserve	**¥ 12,422**	**$ 149,395**
Less:		
Balance of unrecognized prior service costs	**2,215**	**26,634**
Carried over shortage	**5,284**	**63,551**
Funded status	**¥ 4,923**	**$ 59,210**

Balance of unrecognized prior service costs are recognized by equal payment method over 13 years, and the remaining period is 6 years as of March 31, 2011.

7. Net assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.
In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

8. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs were ¥1,215 million ($14,612 thousand), ¥1,437 million and ¥1,193 million for the years ended March 31, 2011 and 2010 and 2009, respectively.

9. Net Loss on Sales and Disposal of Property, Plant and Equipment

Significant components of net loss on sales and disposal of property, plant and equipment for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Gain:				
Buildings and structures	¥ **8**	¥ -	¥ -	$ **91**
Machinery and vehicles	**2**	0	1	**28**
Others	**-**	0	-	**-**
Total gain	**10**	0	1	**119**
Loss:				
Buildings and structures	**9**	19	45	**110**
Machinery and vehicles	**104**	112	93	**1,254**
Construction in progress	**2**	0	7	**18**
Removal cost	**-**	3	-	**-**
Others	**5**	6	5	**65**
Total loss	**120**	140	150	**1,447**
Net loss	¥ **(110)**	¥ (140)	¥ (149)	$ **(1,328)**

10. Income Taxes

Income taxes applicable to the Company consist of corporate tax, inhabitant tax and enterprise tax, which in the aggregate resulted in the normal statutory tax rates of approximately 40.6% for the years ended March 31, 2011, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred Tax Assets:			
Elimination of unrealized profits	**23**	35	**281**
Accrued bonuses	**204**	276	**2,452**
Accrued bonuses to directors and corporate auditors	**-**	10	**-**
Liability for employees' retirement benefits	**487**	443	**5,859**
Provision for directors' retirement benefits	**110**	109	**1,316**
Accrued enterprise tax	**4**	58	**50**
Allowance for doubtful accounts	**274**	42	**3,297**
Tax loss carryforwards	**2,191**	1,281	**26,349**
Valuation loss of inventories	**40**	106	**486**
Difference on depreciation period	**821**	632	**9,870**
Loss on valuation of investment securities	**4**	50	**49**
Allowance for investment loss	**98**	35	**1,180**
Loss on revaluation of golf club memberships	**41**	41	**495**
Loss on disaster	**92**	-	**1,111**
Business structure improvement loss	**156**	-	**1,870**
Deferred gains (losses) on hedges	**85**	88	**1,024**
Valuation difference on available-for-sale securities	**43**	-	**516**
Other	**47**	92	**553**
Less: valuation allowance	**(2,751)**	(1,765)	**(33,081)**
Total	**¥ 1,969**	¥ 1,533	**$ 23,677**

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred Tax Liabilities:			
Unrealized gains on available-for-sale securities	**¥ -**	¥ (10)	**$ -**
Deferred gains (losses) on hedges	**(15)**	(53)	**(185)**
Total	**¥ (15)**	¥ (63)	**$ (185)**
Deferred Tax Assets, Net:	**¥ 1,954**	¥ 1,470	**$ 23,492**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for years ended March 31, 2010 and 2009 are as follows:
A reconciliation for the year ended March 31, 2011 is omitted due to net loss.

	2010	2009
Statutory tax rate	40.6%	40.6%
Expenses not deductible for tax purpose	0.4%	2.0%
Per capita inhabitant tax	0.9%	3.7%
Tax credits for research and development costs	(4.5%)	(18.2%)
Foreign tax credits	(5.5%)	(44.4%)
Tax rate difference in foreign subsidiaries	(17.5%)	(22.7%)
Valuation allowance	4.6%	56.5%
Other, net	1.5%	1.4%
Actual effective tax rate	20.5%	18.9%

11. Financial Instruments

(Additional information)
Effective from the year ended March 31,2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).
Information on financial instruments for the years ended March 31, 2011 and 2010 required pursuant to the revised accounting standards is as follows:

(a) Qualitative information on financial instruments
(1) Policies for using financial instruments
The Group finances necessary funds mainly through bank loans and bond issues according to the capital investment plan of the production and sales of printed circuit boards.
Temporary excess funds are operated by highly stable financial instruments, and the Group finances short-term operating capital by bank loans.
Derivative transactions are only utilized to hedge the risks mentioned in (2) below.

(2) Details of financial instruments used and exposures to risk and how they arise
Operating receivables such as trade notes and accounts receivable are exposed to credit risk. Some operating receivables, which are dominated in foreign currencies due to global operations, are exposed to foreign currency fluctuation risk. The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating payables dominated in the same foreign currency. Investments securities mainly consist of securities of companies in which a business relationship has been established and they are exposed to market fluctuation risk.
Operating payables such as trade notes and accounts payable are due within one year.
Some of the operating payables relating to imports of raw materials are dominated in foreign currencies and are exposed to foreign currency fluctuation risk.
The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating receivables dominated in the same foreign currency. Loans are mainly used for the purpose of financing capital investments. A part of these are variable interest loans and are exposed to interest fluctuation risk. The Group utilizes interest rate swaps to hedge the risk. Regarding derivative transactions, the Group utilizes foreign exchange forward contracts to hedge foreign currency fluctuation risk of operating receivables and payables dominated in foreign currencies and interest rate swaps to hedge interest fluctuation risk.

(3) Policies and processes for managing the risk
(i) Credit risk management (risk of default by the counterparties)
The sales management department in the Company follows sales management rules, monitors the customers' credit conditions periodically and manages the due date and balance per customer. The Company keeps track of the adverse financial conditions of its customers in the early stage to mitigate the uncollectible risk. The Company enters into derivative transactions only with the credit worthy financial institutions to mitigate the credit risk.

(ii) Market risk management (risk of foreign currency fluctuations and interests)
Regarding the trade receivables and trade payables dominated in foreign currencies, the Company utilizes foreign exchange forward contracts if necessary to hedge the foreign currency fluctuation risk, which is controlled by each currency and on a monthly basis. For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjust Company' portfolio on an ongoing basis considering the business relationship with counterparties. Derivative transactions are based on the internal rules and executed after getting the approval from the approver and managed by accounting department. Contents of the derivative transactions are reported to board of directors meeting periodically.

(iii) Liquidity risk management (risk of default at the due dates)
The Company prepares and updates the cash management plan based on the reports from each department to manage liquidity risk on a timely basis.

(4) Supplemental information on fair values
As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied. Also, for the contract amount regarding derivative transactions described in Note 12, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2011 and 2010 are as follows:

	2011					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Cash and deposits	¥ **2,728**	¥ **2,728**	¥ **-**	$ **32,803**	$ **32,803**	$ **-**
Trade notes and accounts receivable	**14,634**	**14,634**	**-**	**175,996**	**175,996**	**-**
Investment securities:						
Available-for-sale securities	**624**	**624**	**-**	**7,505**	**7,505**	**-**
Trade notes and accounts payable	¥ **8,591**	¥ **8,591**	¥ **-**	$ **103,322**	$ **103,322**	$ **-**
Short-term borrowings	**4,149**	**4,149**	**-**	**49,898**	**49,898**	**-**
Long-term borrowings	**33,155**	**33,222**	**67**	**398,729**	**399,541**	**812**
Derivative financial instruments	¥ **-**	¥ **-**	¥ **-**	$ **-**	$ **-**	$ **-**

	2010		
	Millions of yen		
	Book Value	Fair Value	Difference
Cash and deposits	¥ 4,229	¥ 4,229	¥ -
Trade notes and accounts receivable	15,081	15,081	-
Investment securities:			
Available-for-sale securities	120	120	-
Trade notes and accounts payable	¥ 8,229	¥ 8,229	¥ -
Short-term borrowings	4,206	4,206	-
Long-term borrowings	25,579	25,689	110
Derivative financial instruments	¥ -	¥ -	¥ -

The financial instruments whose fair value is extremely difficult to determine are not included above.

(1) Valuation method of the fair value of financial instruments and information of investment securities and derivative transactions

(i). Cash and cash equivalents, (ii) Notes and accounts receivable

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

(iii). Investment securities

Fair value of equity securities is based on the quoted price on stock exchange. Please refer to Note 3. regarding the information of the fair value for the investment in securities by classification.

(iv). Trade notes and accounts payable, (v) Short-term borrowings

The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

(vi). Long-term borrowings

The fair values are measured as the net present value of estimated future cash flows by discounting the principal and interest value using the loan interest rate applied to the new loans. If the variable interest rate loans meet certain criteria for the short cut method (If interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not remeasured at market price, and the amount to be received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed), the sum of principal and the interest processed as interest rate swaps are discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.

(vii). Derivative transactions

Please refer to Note 12.

(2) Unlisted securities of ¥1,099 million yen ($13,213 thousand) and ¥1,196 million yen, for which fair value is determined to be extremely difficult to determine because the securities have no market value as of March 31, 2011 and 2010 are not included in the above table.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2011 and 2010 is as follows:

	2011			
	Millions of yen			
	Due in one year or less	**Due after one year through five years**	**Due after five year through ten years**	**Due after ten years**
Cash and deposits	**¥ 2,728**	**¥ -**	**¥ -**	**¥ -**
Trade notes and accounts receivable	**14,634**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	**¥ 17,362**	**¥ -**	**¥ -**	**¥ -**

	2011			
	Thousands of U.S. dollars			
	Due in one year or less	**Due after one year through five years**	**Due after five year through ten years**	**Due after ten years**
Cash and deposits	**$ 32,803**	**$ -**	**$ -**	**$ -**
Trade notes and accounts receivable	**175,996**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	**$ 208,799**	**$ -**	**$ -**	**$ -**

	2010			
	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five year through ten years	Due after ten years
Cash and deposits	¥ 4,229	¥ -	¥ -	¥ -
Trade notes and accounts receivable	15,081	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-
Total	¥ 19,310	¥ -	¥ -	¥ -

12. Derivatives

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2011 and 2010 are as follows:

		2011					
		Millions of yen			Thousands of U.S. dollars		
	Hedged item	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Contract amount**	**Contract amount due after one year**	**Fair value**
Interest rate related:							
Benchmark Method							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 17,239**	**¥ 12,354**	**¥ (227)**	**$ 207,326**	**$ 148,571**	**$ (2,726)**
Short-cut Method							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 667**	**¥ -**	**¥ (5)**	**$ 8,018**	**$ -**	**$ (60)**
Commodity related :							
Benchmark Method							
Copper price swaps	**Raw materials**	**¥ 140**	**¥ -**	**¥ 178**	**$ 1,684**	**$ -**	**$ 2,139**

		2010		
		Millions of yen		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate related:				
Benchmark Method				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 7,220	¥ 4,946	¥ (262)
Short-cut Method				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 1,468	¥ 667	¥ (15)
Commodity related :				
Benchmark Method				
Copper price swaps	Raw materials	¥ 923	¥ -	¥ 1,051

Fair value is principally based on quoted price obtained from financial institutions signing the contract.
Above information is required under new regulation ASBJ statement No.10 “Accounting Standard for Financial Instruments” issued on March 10, 2008 and ASBJ Guidance No.19 “Guidance on Disclosures about Fair Value of Financial Instruments” issued on March 10, 2008 and therefore, disclosure of fair value of derivative transactions at March 31, 2009 is not required.

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2011 and 2010.
Derivative transactions for which hedge accounting has not been applied for the year ended March 31, 2009 are summarized as follows:

	Millions of yen
	2009
Copper price swaps:	
Contract amount	¥ 421
Fair value	446
Unrealized profit	¥ 25

13. Loss on Disaster

Loss on disaster caused by the Great East Japan Earthquake that occurred on March 11, 2011 is summarized as follows:

	2011	
	Millions of yen	Thousands of U.S. dollars
Devaluation of inventories	¥ **801**	$ **9,638**
Repairment of property, plant and equipment	**3,063**	**36,834**
Intangible assets	**1**	**9**
Provision for loss on disaster	**773**	**9,291**
Other	**305**	**3,675**
Total	¥ **4,943**	$ **59,447**

14. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized gains on available-for-sale securities	2
Deferred gains on hedges	97
Foreign currency translation adjustments	(1,370)
Total other comprehensive income	(1,271)

Total comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of yen
	2010
Comprehensive income attributable to:	
Owners of the parent	557
Minority interests	0
Total comprehensive income	557

15. Segment Information

Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

Information about reported segment sales, segment profit, segment assets and other items under the new accounting standards is not disclosed as the Group's reporable segment is solely printed circuit boards ("PCB") and the related business.

(Supplementary information)

(1) Information about products and services

Information about products and services is not disclosed since sales amount of single unit of product or service to external customers accounted for more than 90% of consolidated net sales.

(2) Information about geographical areas

(a) Net sales

	2011					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**¥ 35,253**	**¥ 30,735**	**¥ 6,000**	**¥ 2,722**	**¥ 14**	**¥ 74,724**

	2011					
	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**$ 423,968**	**$ 369,627**	**$ 72,163**	**$ 32,738**	**$ 174**	**$ 898,670**

Net sales by destination were recognized based on the location of customers and classified by country or regions.

(b) Property, plant and equipment

	2011					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Property, plant and equipment	**¥ 7,202**	**¥ 45,131**	**¥ -**	**¥ -**	**¥ 2**	**¥ 52,335**

	2011					
	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Property, plant and equipment	**$ 86,615**	**$ 542,771**	**$ -**	**$ -**	**$ 14**	**$ 629,400**

(3) Information about major customers

Information about major customers is not disclosed since there are no external sales for customers accounted for more than 10% of consolidated net sales.

A summary of business segment information for the years ended March 31, 2010 and 2009 based on the previous accounting standard is as follows:

Business segment information is not disclosed as the Group's reporable segment is solely PCB and the related business.

Segment information by geographical area for the years ended March 31, 2010 and 2009 under accounting standards previously applied were summarized as follows:

Segment infomation by geographical Area:

	Millions of yen					
	Japan	Asia	North America	Total	Corporate Assets and Eliminations	Consolidated
2010						
Net Sales:						
Sales to customers	¥ 41,638	¥ 26,857	¥ 1,328	¥ 69,823	¥ -	¥ 69,823
Intersegment sales and transfers	2,600	20,468	85	23,153	(23,153)	-
Total	¥ 44,238	¥ 47,325	¥ 1,413	¥ 92,976	¥ (23,153)	¥ 69,823
Operating expenses	¥ 43,212	¥ 44,631	¥ 1,389	¥ 89,232	¥ (23,202)	¥ 66,030
Operating income	¥ 1,026	¥ 2,694	¥ 24	¥ 3,744	¥ 49	¥ 3,793
Identifiable assets	¥ 54,100	¥ 52,752	¥ 427	¥ 107,279	¥ (22,551)	¥ 84,728
2009						
Net Sales:						
Sales to customers	¥ 42,180	¥ 31,904	¥ 1,723	¥ 75,807	¥ -	¥ 75,807
Intersegment sales	3,001	15,614	111	18,726	(18,726)	-
Total	¥ 45,181	¥ 47,518	¥ 1,834	¥ 94,533	¥ (18,726)	¥ 75,807
Operating expenses	¥ 45,088	¥ 46,138	¥ 1,843	¥ 93,069	¥ (19,023)	¥ 74,046
Operating income	¥ 93	¥ 1,380	¥ (9)	¥ 1,464	¥ 297	¥ 1,761
Identifiable assets	¥ 59,323	¥ 50,872	¥ 333	¥ 110,528	¥ (24,917)	¥ 85,611

The geographical areas consist primarily of the following countries and regions:
Asia....................................... China, Hong Kong, Philippines and Vietnam
North America........................ United States

Change of the accounting method
a) As discussed in Note 2 (e), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006). Consequently, compared to the amounts that would have been reported under the previous accounting method, operating expenses of Japan and Asia for the year ended March 31, 2009 increased by ¥201 million and ¥183 million, respectively.
b) As discussed in Note 2 (x), effective from the year ended March 31, 2009, the Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18, issued on May 17, 2006), and made necessary adjustments on the consolidation process. Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating expenses of Asia for the year ended March 31, 2009 increased by ¥128 million and no effect on the other areas.

Overseas Sales:

	Millions of yen				
	Asia	North America	Europe	Other	Total
2010					
Overseas sales	¥ 30,571	¥ 3,035	¥ 857	¥ 7	¥ 34,470
Consolidated net sales					¥ 69,823
Ratios of overseas sales	43.8%	4.3%	1.2%	0.0%	49.4%
2009					
	Asia	North America	Europe	Total	
Overseas sales	¥ 33,677	¥ 3,025	¥ 123	¥ 36,825	
Consolidated net sales				¥ 75,807	
Ratios of overseas sales	44.4%	4.0%	0.2%	48.6%	

The geographical areas consist primarily of the following countries and regions:

Asia....................................... China, Hong Kong, Philippines and Singapore
North America....................... United States
Europe................................... Germany and France

Geographical areas were previously classified to three segments as "Asia", "North America" and "Europe". From the year ended March 31, 2010, geographical segments have been changed to four segments as "Asia", "North America", "Europe" and "Other", because sales were recognized in a new geographical area.

16. Business Combination

On October 1, 2010, the Company merged with its wholly-owned consolidated subsidiaries, Miyagi Meiko Electronics co., Ltd. ("Miyagi Meiko") and Togoshi Co., Ltd. ("Togoshi") based on the resolution of the Board of Directors' meeting held on May 31, 2010.

1.Outline of merger

(a) Names and description of the business of the companies involved:

Acquiring company:

Company name	Meiko Electronics Co., Ltd
Description of the business	Designing, manufacturing and sales of PCB

Acquired companies:

Company name	Miyagi Meiko Electronics Co., Ltd	Togoshi Co.,Ltd
Description of the business	Manufacturing and sales of PCB	Manufacturing and sales of PCB

(b) Legal form of the business combination

Merger to make the Company a surviving company and Miyagi Meiko and Togoshi dissolved companies.

(c) Name of company after business combination

Meiko Electronics Co., Ltd

(d) Purpose of merger

Miyagi Meiko and Togoshi's business purpose within the Group is manufacturing of PCB.

The merger is conducted as the Company determined that by integrating their businesses into the Company, the Group makes effective use of the managerial resources, and conducts businesses efficiently and swiftly.

2. Overview of accounting procedures implemented

This merger was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

KPMG

Independent Auditors' Report

To the Board of Directors of Meiko Electronics Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Meiko Electronics Co., Ltd. and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statement of operations and comprehensive income for the year ended March 31, 2011, consolidated statements of operations for the years ended March 31, 2010 and 2009, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Meiko Electronics Co., Ltd. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC
Tokyo, Japan
June 28, 2011

Principal Subsidiaries and Affiliates

Name or Trade Name	Address	Paid-in Capital (Millions of yen)	Principal business	Investment Ratio (%)
Multitech Co., Ltd.	Ayase City, Kanagawa Prefecture	20	PWBs in the Electronics business	100.0
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PWBs in the Electronics business	100.0
MEIKO FINE Co., Ltd.	Yamato City, Kanagawa Prefecture	91	Electronic equipment in the Electronics business	100.0
M.D. SYSTEMS Co., Ltd.	Atsugi City, Kanagawa Prefecture	15	PWBs in the Electronics business	100.0
MEIKO ELEC. HONG KONG CO., LTD.	Hong Kong	US$72,669 thousand	PWBs in the Electronics business	100.0
MEIKO ELECTRONICS (GUANGZHOU NANSHA) CO., LTD.	Guangzhou, Guangdong Province, P.R.China	US$120,800 thousand	PWBs in the Electronics business	100.0 (66.3)
MEIKO ELECTRONICS (WUHAN) CO., LTD.	Wuhan, Hubei Province, P.R.China	US$85,800 thousand	PWBs in the Electronics business	100.0 (53.8)
MDS CIRCUIT TECHNOLOGY, INC.	Manila, Philippine	12 PH peso million	PWBs in the Electronics business	100.0 (100.0)
MEIKO ELECTRONICS AMERICA, INC.	CA, U.S.A.	US$1,500 thousand	PWBs in the Electronics business	100.0
GUANGZHOU MEIKO PCB CO., LTD	Guangzhou, Guangdong Province, P.R. China	US$10,000 thousand	PWBs in the Electronics business	100.0 (100.0)
MEIKO ELECTRONICS VIETNAM CO., LTD	Hanoi, Vietnam	US$77,000 thousand	Electronic equipment in the Electronics business	100.0 (100.0)

Principal Shareholders

As of March 31, 2011

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (%)
Yuichiro Naya	4,695	24.20
Japan Trustee Services Bank, Ltd. (trust account)	1,042	5.37
Meiko Kosan Co., Ltd.	608	3.14
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Settlement and Clearing Services Division)	530	2.73
Yuho, Ltd.	521	2.69
Haruyuki Naya	487	2.51
The Master Trust Bank of Japan, Ltd. (trust account)	444	2.29
Seiichi Naya	438	2.26
Sumitomo Mitsui Banking Corporation	377	1.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	375	1.94
Total	9,520	49.07

Note: In addition to the shareholders mentioned above, the Company holds 629 thousand shares of treasury stock (3.24%).

Corporate History

November 1975	Established Meiko Denshi Kogyo Co., Ltd. to manufacture and sell PWBs. Started selling double-sided PWBs.
April 1978	Established the System Development Department (currently Industrial Machinery Department/Image Equipment Department) to develop electronics application products.
October 1978	Developed in-house use PWB Testers for the PWB final inspection process.
September 1980	Constructed a new headquarters building and plant, establishing an integrated production system for the entire process from design to finished products.
December 1980	Introduced a multi-layer press machine and started manufacturing multi-layer PWBs.
December 1981	Developed the world's first multi-video processor.
March 1982	Established Multitech Co., Ltd. to manufacture single-sided PWBs (currently a consolidated subsidiary of the Company).
September 1982	Established Yamagata Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PWBs.
August 1984	Completed construction to expand the headquarters plant in Ayase, Kanagawa, and started operation.
June 1986	Established MEIKO FINE Co., Ltd. (currently a consolidated subsidiary of the Company) to mount components on PWBs.
July 1988	Established M.D.SYSTEMS Co., Ltd. to design PWBs (currently a consolidated subsidiary of the Company).
June 1990	Constructed the Fukushima Plant.
April 1991	Changed company name to Meiko Electronics Co., Ltd.
November 1997	Constructed a new manufacturing building inside the premises of the Yamagata Plant (Yamagata Meiko Electronics Co., Ltd.) to manufacture PWBs using the new PWB Build-Up technology.
August 1998	Established MEIKO ELEC. HONG KONG CO., LTD. in Hong Kong, China (currently a consolidated subsidiary of the Company), mainly to expand transactions with overseas manufacturers and purchase materials locally.
December 1998	Established MEIKO ELECTRONICS (PANYU NANSHA) CO., LTD. in Guangzhou, Guangdong, China [currently MEIKO ELECTRONICS (GUANGZHOU NANSHA) CO., LTD., a consolidated subsidiary of the Company], to manufacture PWBs.
June 1999	Changed the name of the PWB manufacturing department of the headquarters to the Kanagawa Plant.
December 2000	Stock listed on the Japan Securities Dealers Association.
January 2001	Started operation at the Guangzhou Plant [MEIKO ELECTRONICS (GUANGZHOU NANSHA) CO., LTD.].
June 2001	Established MDS CIRCUIT TECHNOLOGY, INC. (currently a consolidated subsidiary of the Company) in Manila, the Philippines, to design PWBs.

February 2004	Established Togoshi Co., Ltd. (currently a consolidated subsidiary of the Company) to design, manufacture and sell PWBs.
December 2004	Stock listed on the Jasdaq Securities Exchange, Inc.*
January 2005	Established Miyagi Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PWBs.
July 2005	Established MEIKO ELECTRONICS (WUHAN) CO., LTD. in Wuhan, Hubei, China (currently a consolidated subsidiary of the Company) to manufacture PWBs.
November 2005	Constructed a new plant building at the Miyagi Plant (Miyagi Meiko Electronics Co., Ltd.).
April 2006	Established MEIKO ELECTRONICS AMERICA, INC. in the United States (currently a consolidated subsidiary of the Company) to sell PWBs.
July 2006	Started operation at the WUHAN Plant [MEIKO ELECTRONICS (WUHAN) CO., LTD.].
January 2007	Established MEIKO ELECTRONICS VIETNAM CO., LTD. (currently a consolidated subsidiary of the Company), in a suburb of Hanoi, Vietnam, to manufacture PWBs.
April 2007	Established the Nagano R&D Center for PWB development at Shinshu University, Faculty of Engineering.
November 2007	Constructed a new headquarters building inside the premises of the Kanagawa Plant.
March 2008	Purchased the Circuit Business from Victor Company of Japan, Limited.
April 2009	Started operation of the EMS Plant in Vietnam.
May 2009	Established the Meiko R&D Center.
September 2009	Started operation of Second pant in WUHAN.
April 2010	Associated with the merger of Jasdaq Securities Exchange, Inc. and Osaka Securities Exchange Co., Ltd., the Company's stock is listed on the Osaka Securities Exchange, JASDAQ market.
October 2010	Merged Miyagi Meiko Electronics Co., Ltd., and Togoshi Co., Ltd.
October 2010	Subsequent to the integration of the Hercules, JASDAQ and NEO markets of the Osaka Securities Exchange, Meiko Electronics Co., Ltd., had its stock listed on the JASDAQ Standard market of the exchange.

Corporate Data (As of March 31, 2011)

Corporate Name:
Meiko Electronics Co., Ltd.

Date of Establishment:
November 25, 1975

Paid-in Capital:
¥10,545 million

Fiscal Year:
April 1 to March 31

Number of Shares Authorized:
63,200,000

Number of Shares Issued:
19,403,320

Number of Shareholders:
6,501

Securities Code:
6787

Stock Exchange Listing:
Osaka Securities Exchange, JASDAQ standard market

Number of Employees:
13,161 (Consolidated)

Number of Subsidiaries:
15

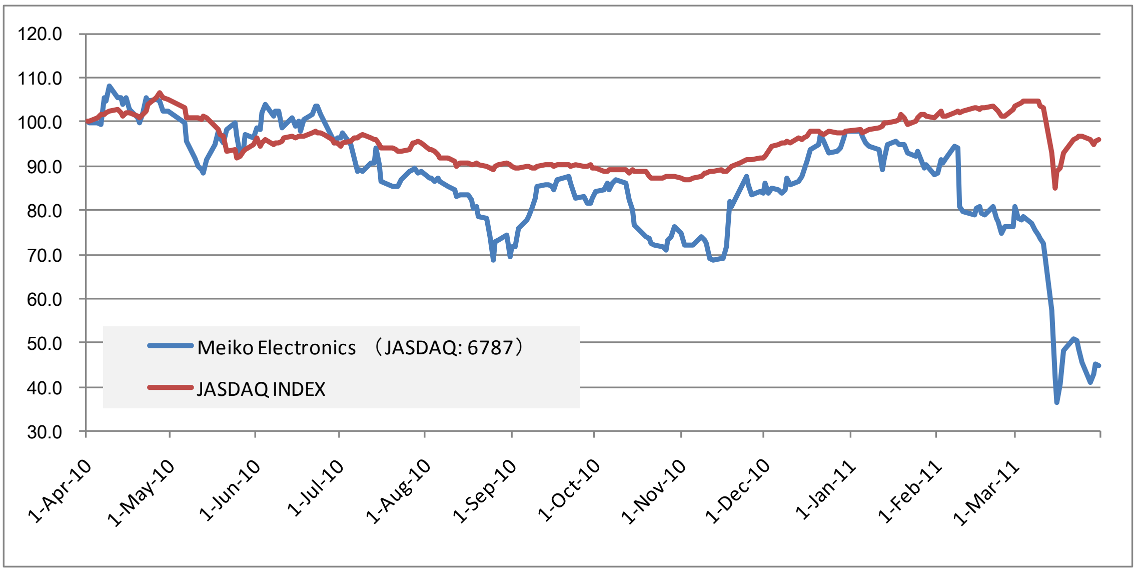
Transfer Agent:
The Sumitomo Trust and Banking Company, Limited

Accounting Auditor:
KPMG AZSA LLC

Headquarters:
5-14-15, Ogami, Ayase City, Kanagawa Prefecture, Japan 252-1104

Investor Relations Contact:
- Tel: +81-(0)467-76-6001
- E-mail: Meiko_Eng@meiko-elec.com
- URL: http://www.meiko-elec.com/

Meiko Share Performance in FY2011 Compared with Indices



Financial year 2011 ended March 31, 2011

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In %