

39th MEIKO REPORT

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MEIKO REPORT

(April 1, 2013 to March 31, 2014)

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Securities code: 6787

MEIKO ELECTRONICS CO., LTD.



I would like to express my sincere gratitude to all shareholders and investors for their outstanding support for our business.

And I wish to take the opportunity of giving our MEIKO REPORT for the 39th fiscal term (ended March 31, 2014) to explain the business conditions of FY2013 and our future business strategy.

President & CEO **Yuichiro Naya**

Capturing the market needs accurately, we will continue to offer the best printed circuit boards.

Please describe the business environment and operating results for the fiscal year ended March 31, 2014.

Both the domestic and overseas markets recovered, and Meiko achieved profits although its operating results fell below the target.

Looking at the business environment during the fiscal year ended March 31, 2014, the global economy was on a path leading out of a critical situation, with the U.S. economy continuing to show a gradual rebound and the European economy enjoying a moderate pickup in consumer spending. In addition, the economies in Asia recovered, underpinned by positive factors such as an increase in imports and robust domestic demand, etc. In Japan, the economy bottomed out and remained on a recovery path as indicated by rising stock prices, boosted consumer spending and an improvement in employment driven by a series of economic and financial measures implemented under the initiative of the government and Bank of Japan (BOJ).

The automobile industry, which represents one of the Meiko Group's main business partners, saw its sales growth, supported by strong global demand for automobiles and an upturn in demand for Japanese automobiles in China. In addition, demand for PCBs increased in the electronics industry as a result of manufacturers' expanding their production capacity of PCBs for smartphones marketed abroad.

Under such circumstances, the Group concentrated its management resources on expanding its production system and boosting orders received with a focus on PCBs for automobiles and smartphones, for

which demand is brisk, under the policy of selection and concentration of business. In line with losses posted in the previous fiscal year, the Group drastically reformed its management structure by means such as cutting directors' remuneration and the salaries of management-level employees, controlling the headcount properly towards productivity enhancement, and streamlining the business operation system by reviewing asset holdings including elimination and consolidation of offices. As a result, production expanded in the first half of the fiscal year under review in the Vietnam Plant and the 2nd Factory of the Wuhan Plant in China, which

Operating results for FY2013 (in 100 million yen)	Year-on-year change (in 100 million yen)	
Net sales	792.3	+185.2
Operating income	9.2	+15.2
Ordinary income	19.3	+23.1
Net income	0.2	+15.9

Highlights for the financial results for FY2013

Positive Factors (Year-on-year)	<ul style="list-style-type: none"> Steady growth in production of automotive PCBs (the Guangzhou Plant and Wuhan Plant in China) Strong orders received for PCBs for smartphones of Asian and Chinese manufacturers (The Wuhan Plant in China and Vietnam Plant)
Negative Factors (Year-on-year)	<ul style="list-style-type: none"> Impact of the fire accident in the Vietnam Plant Slowdown in orders received from some of the customers of PCBs for smartphones in Q4. Falls in product prices

mainly produce PCBs for smartphones, the Guangzhou Plant, whose main product is automotive PCBs, and the 1st Factory of the Wuhan Plant, which newly commenced production of automotive PCBs. In addition, the Group's efforts for improving its management structure had positive effects on its operating performance and led to an increase in both sales and profits compared to the previous fiscal year. In the second half of the fiscal year, meanwhile, the Group's earnings fell below the initial forecast due to factors such as the fire at the Vietnam Plant that occurred in autumn, greater-than-expected falls in product prices and a sharp decrease in orders received from some of our customers. However, the Group successfully turned around its operations, going from the red in the previous fiscal year to posting profits in the fiscal year under review.



What is your management strategy for the future?



We will aim to capture the needs in growing markets accurately and expand production bases.

The Group's management strategy is to aim to achieve stable growth by expanding its business scale globally and strengthen its earnings power by surely capturing markets such as the automotive market, which has been growing continuously on a global basis, and the market for smartphones and related devices, which is expanding notably in China.

In those markets, we expect that competition will increase further as rivals, both domestic and international, will enter the market with strong cost competitiveness, while enhancing their technological capabilities. In response, the Group will build robust production systems in Japan and overseas and provide customers with products of the best quality and with the best delivery schedule, while pursuing the development of new technologies, to achieve stable growth of the business.

For instance, we increased the capital aiming to improve the productivity of the two factories in China and the Vietnam Plant and enhance the R&D investments and financial position. The Group will strategically use the funds to promote stable business expansion. On the sales front, the Group will strive to expand business transactions globally by acquiring leading overseas mobile device manufacturers as customers and boosting business transactions with European automobile-related customers through collaboration with Germany's Schweizer Electronic, our capital alliance partner.

As a new initiative, we announced that we will launch the photovoltaic power generation business by utilizing the idle land in the Fukushima Factory. This business will not only help give a boost to rebuilding efforts in Hirono Town of Futaba County, Fukushima Prefecture, which is on its way to reconstruction from the Great East Japan Earthquake, but also be operated under the policy of promoting the dissemination of renewable energy and contributing to the local community to fulfill our corporate social responsibility. We plan to start selling electricity in May 2015.



What plans do you have for the next fiscal year?



We will pursue business expansion and growth with a focus on PCBs for automobiles and smartphones, while continuing with efforts to strengthen our management structure.

Looking at the management environment surrounding the Group for launching new initiatives for the next fiscal year, we expect to see a solid expansion in the automobile industry, as well as growth in the market for smartphone-related devices notably in China. In response to such a market environment, we will strive to acquire new customers aggressively and expand the production scale and boost production power in the

Wuhan Plants in China and the Vietnam Plant, in order to surely capture business opportunities and increase earnings. In addition, we will further advance efforts for cost reduction and streamlining of management in order to enhance the management structure.

In Vietnam, we will establish a second manufacturing subsidiary in July 2014 in order to expand production capacity in the northern part of the country. Through this, we will accelerate the shift from production that is concentrated in China to diversified production locations in two or more sites to disperse risks. Moreover, we expect to enhance supply capacity for neighboring emerging nations more than ever.



Please give a message to the shareholders and investors



We will focus on maintaining stable dividends and increasing corporate value.

We at Meiko regard returning profits to shareholders as one of our top management priorities, and take business results and other matters comprehensively into consideration for profit sharing as we work to maintain stable dividends. In order to secure profits for shareholders in the future, we are making it a basic policy to allocate internal reserves to investments to further strengthen and improve our business base, and to use them to further expand our business.

Taking comprehensively into account the operating results for FY2013 and the future outlook, we have decided to distribute a year-end dividend of 5 yen per share, the same as the interim dividend. Although the business environment surrounding the Company remains difficult, we are committed to doing our utmost in carrying out measures to reward the support we receive from and meet the expectations of our stakeholders, and to increase corporate value and achieve sustainable growth. We look forward to your continued support and encouragement in the future.

Meiko's initiatives for FY2014

In FY2014, we expect to see an expansion of the smartphone market centered on China and Asian countries, in addition to robust growth of the automobile industry that continues from FY2013. Here are our initiatives for FY2014 aimed at accurately capturing the market needs.

Market trends in FY2014

Automobile market

The automobile market remains strong, with global car sales increasing by **4%** year on year to about **87 million** units. Demand for PCBs is forecast to grow with the progress of electrification of automobiles.

The market for smartphones/tablets

The smartphone market: A year-on-year increase of **29%** to over **1,280 million** units

The tablet market: A year-on-year increase of **20%** to over **240 million** units

Other markets

Industrial, healthcare and energy sectors are expected to grow.

Consolidated earnings forecast for FY2014

	Full-year forecast (in 100 million yen)	Amount of change from FY2013 (in 100 million yen)
Net sales	860.0	+67.7
Operating income	25.0	+15.8
Ordinary income	15.0	△4.3
Net income	7.0	+6.8

Forecast by application (in 100 million yen)



Automobiles	381	401
Smartphones	149	198
Digital consumer electronics	46	45
PCBs for other applications	162	165
Non-PCB	54	51

Forecast by product (in 100 million yen)



Double-sided PCB	73	73
Four-layer PCB	299	326
Six or more-layer PCB	125	134
HDI PCB	214	255
Other PCBs	27	21
Non-PCB	54	51

Key points for promoting business

We will aim to increase both sales and profits by expanding sales centered on PCBs for automobiles and smartphones and promoting quality improvement and cost reduction.

Principal measures

Sales	1 Strengthening the sales expansion system in the market for automotive PCBs
	2 Expanding orders received for PCBs for high-end smartphones
	3 Promoting new customer acquisition in the ASEAN region
Production	1 Upgrading and strengthening of the production system in Vietnam
	2 Aiming to become number one in terms of production capacity and product quality in the market for automotive PCBs
Technology development	1 Promoting the development and launch of new products that are one step ahead of customer needs For high-end smartphones: High multilayer AnyLayer PCBs For automobiles: HDI PCBs, High-frequency PCBs

Priority measures of each plant

Guangzhou Plant

Aiming to become the world's top automotive PCB plant

— Producing stable and high reliability PCBs

Wuhan Plant

1st Factory Boosting output of automotive PCBs

2nd Factory Narrowing down production models to PCBs for mid-range and high-end smartphones

Vietnam Plant

1. Expanding production of PCBs for high-end smartphones

2. Expanding production of HDI PCBs for customers in the ASEAN region

3. Starting up production lines for automotive PCBs under the joint venture with Schweizer Electronic in Germany

The second manufacturing subsidiary in Vietnam

Establishment of Meiko Electronics Thang Long Co., Ltd.



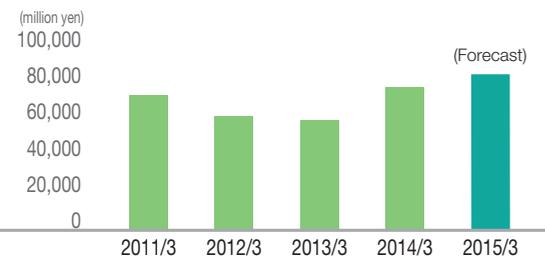
The market of PCBs is expected to expand in Southeast Asia in the future.

Accordingly, we will establish Meiko Electronics Thang Long Co., Ltd. as the Group's new sales base in July 2014.

Purposes of establishing the new company	<ol style="list-style-type: none"> 1. Decentralization of production bases from China. 2. Strengthening production of high-end HDI PCBs.
Characteristics of the new company	<ol style="list-style-type: none"> 1. Purchasing facilities of Panasonic and borrowing buildings – Utilizing developed infrastructure and high-performance manufacturing equipment to produce high-value-added products. 2. Making the company a production base for high-end HDI PCBs for automobiles and HDI module PCBs, for which demand is expected to increase. 3. Producing PCBs for high-end smartphones for the time being.

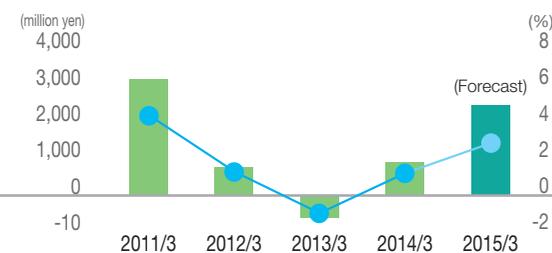
Net sales

79,231 million yen



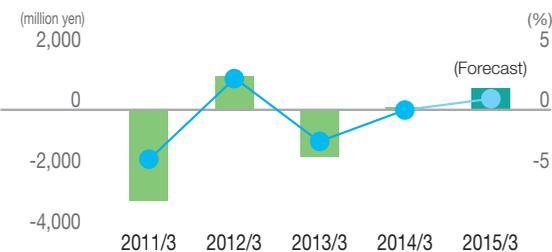
Operating income / Operating margin

922 million yen



Net income / Net margin

23 million yen



Consolidated balance sheet

(JPY in million)

	Year end of 2013 (As of March 31, 2013)	Year end of 2014 (As of March 31, 2014)
Assets		
Current assets	35,101	42,740
Noncurrent assets	66,944	72,686
Property, plant and equipment	61,772	67,578
Intangible assets	468	454
Investments and other assets	4,703	4,653
Total assets	102,045	115,426
Liabilities		
Current liabilities	40,177	36,910
Noncurrent liabilities	25,141	33,808
Total liabilities	65,318	70,719
Net assets		
Shareholders' equity	36,443	41,058
Capital	10,545	12,888
Capital surplus	12,467	14,809
Retained earnings	13,827	13,756
Treasury stocks	△ 396	△ 396
Cumulative other comprehensive income	282	3,648
Valuation difference on available-for-sale securities	△ 115	97
Deferred gains or losses on hedges	△ 205	△ 81
Foreign currency translation adjustment	603	3,765
Remeasurements of defined benefit plans	—	△ 133
Total net assets	36,726	44,707
Total liabilities and net assets	102,045	115,426

Consolidated statement of income

(JPY in million)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Net sales	60,709	79,231
Cost of sales	53,155	69,023
Gross profit	7,553	10,208
Selling, general and administrative expenses	8,159	9,285
Operating income/losses (△)	△ 605	922
Non-operating income	2,628	2,342
Non-operating expenses	2,409	1,333
Ordinary income/losses (△)	△ 386	1,931
Extraordinary income	1,212	700
Extraordinary losses	1,272	384
Income (losses) before income taxes (△)	△ 446	2,247
Income taxes	1,121	2,224
Income (losses) before minority interests (△)	△ 1,567	23
Net income/losses (△)	△ 1,567	23

Consolidated statement of cash flows

(JPY in million)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Net cash generated from operating activities	3,594	2,426
Net cash expended in investment activities	△ 5,075	△ 4,020
Net cash generated from financing activities	5,357	1,186
The effect of changes in the exchange rate on cash and cash equivalents	469	378
Net increase (decrease) in cash and cash equivalents (△)	4,346	△ 29
Cash and cash equivalents at the beginning of the period	3,751	8,788
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	690	—
Cash and cash equivalents at the end of the period	8,788	8,759

Meiko's production and sales systems that meet global customer needs

■ Production base ◆ R&D base ● Sales Bases ▲ Affiliated Companies



Corporate Profile

Name	Meiko Electronics Co., Ltd.
Established	November 25, 1975
Headquarters	5-14-15, Ogami, Ayase, Kanagawa
Capital	12,888 million yen
No. of Employees	11,858 (consolidated) (Japan: 802) (Overseas: 11,056)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives (As of March 31, 2014)

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Seiichi Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director and Managing Executive Officer	Tetsuro Suzuki
Director	Haruyuki Naya
Director	Kunihiko Sato
Senior Corporate Auditor	Hitoshi Iyomoto
Audit & Supervisory Board Member	Hiroshi Tsukii
Audit & Supervisory Board Member	Yasunobu Koshimura

Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Manufacturing of PCBs
M.D. Systems Co., Ltd.	Design of PCBs
Meiko Tech Co., Ltd.	Sales of PCBs
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Electronics (Wuhan) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Elec. Hong Kong. Co., Ltd.	Sales of PCBs
Meiko Electronics Vietnam Co., Ltd.	Manufacturing and sales of PCBs
MDS Circuit Technology, Inc.	Design of PCBs
Meiko Electronics America, Inc.	Sales of PCBs
Meiko Electronics Europe GmbH	Sales of PCBs

Stock Information

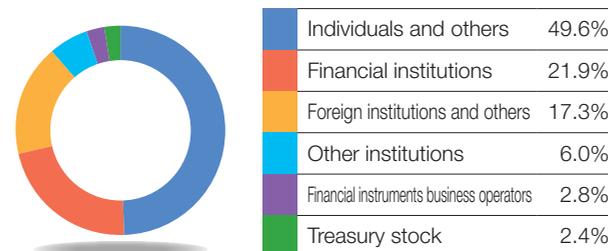
Number of Shares Authorized	63,200,000 Shares
Number of Shares Issued	26,174,076 Shares (excluding 629,244 Shares of treasury stock)
Number of Shareholders	6,638

Principal Shareholders

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,697	17.9
The Master Trust Bank of Japan (Trust Account)	1,440	5.5
Japan Trustee Services Bank, Ltd. (trust account)	1,354	5.2
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	675	2.6
PLEASANT VALLEY	631	2.4
Meiko Kosan Co., Ltd.	608	2.3
BNYML—NON TREATY ACCOUNT	561	2.1
Yuho, Ltd.	521	2.0
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE—AC)	507	1.9
Haruyuki Naya	488	1.9

*The Company owns 629,244 shares of treasury stock, which is excluded from the above list of principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock.

Distribution of Ownership among Shareholders



Shareholders' Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	June
Record date	End-of-year dividends: 3/31 Interim dividends: 9/30

Method of public notice Electronic public notice. In the event of accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei. Official page: <http://www.meiko-elec.com/ir/pa.shtml>

Stock exchange JASDAQ (Standard), Tokyo Stock Exchange

Administrator of shareholders register and special account management institution 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited

Handling office of Administrator of shareholders register 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

(Mailing Address) 2-8-4, Izumi, Suginami-ku, Tokyo, Japan Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

(Inquiries by telephone) ☎ 0120-782-031

(URL) <http://www.smtb.jp/personal/agency/index.html>

[Inquiries about notices such as a change of address concerning shareholdings]

Shareholders who have accounts with securities companies are advised to contact the securities company with regard to notices, such as a change of address.

Shareholders who do not hold accounts with a securities company are advised to contact the above telephone number for inquiries.

Introduction of Meiko Website



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CSR Report

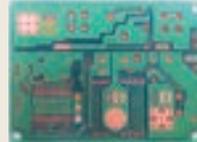
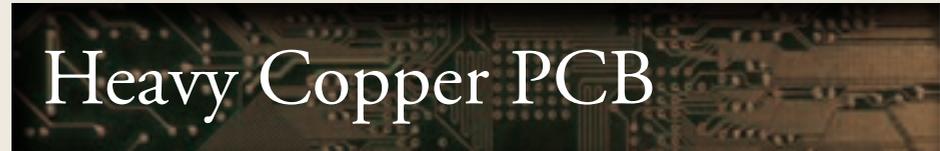


Introduction of our products
(A Lot of MEIKO around You)

For our latest IR news releases and other information, including details on our products and CSR activities, please visit the Company website. You can visit the Company website to find other useful information as well.

<http://www.meiko-elec.com/>

Introducing our new technology ①



The newly developed PCB was given the name "Heavy Copper PCB" because the conductor is thicker and more electric current can flow through it than the conventional models.

When developing the new PCB, MEIKO Research and Development Center has made an effort to reduce environmental impact with its unprecedented method by reviewing the entire production process of PCBs and raw materials, having "environmentally friendly" as the key concept.

Features of MEIKO's Heavy Copper PCB

1 Not waste copper

The conductor of PCB are generally made by subtracting the unnecessary copper areas, but our new technology adopts the "additive method" — making and adding the necessary parts, not dissolving the unnecessary parts. With the new method, we can now decrease a copper waste to zero, which is used to be about 50% of the raw material, reducing the effects on the environment successfully.

2 Making copper evenly and fast

The conventional additive method not only takes time to make thick copper but also often causes an uneven thickness depending on the layout design of conductors, and thus is not appropriate for heavy copper PCBs. By developing a manufacturing device specially designed for heavy copper PCBs, we have achieved a production time that is 10 times shorter and a plating thickness accuracy of $\pm 15\%$.

3 Flat surface

Surface of heavy copper PCBs has micro asperities with the size of several 100 μm s depending on the thickness of conductor, which may result in losing customers' reliability in continuity and insulation that are crucial part of processing for customers. With the pattern-transfer method applied to multiple-layer PCBs production by embedding conductors in the insulation resin, we can provide flat-surface PCBs with less unevenness.

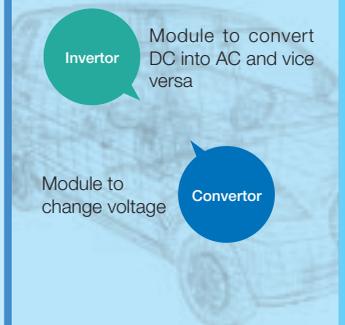
4 Combine Fine circuits and heavy copper

Conventional heavy copper PCBs cannot house thin signal circuits in the layer where a high electric current flows because the copper thickness in the layer is same. Due to this, each PCB is necessary for high electric current and for control respectively. MEIKO's heavy copper PCB, on the other hand, in which a single layer corresponds both to thick and thin copper thickness, makes it possible to design for high electric current and control on a single PCB.

As for heavy copper PCB carrying a high electric current, method of dissipating the heat that is greatly generated through elements, or circuit design specifications to current have not been well known surprisingly. MEIKO strives to materialize customers' request through conducting the research and development of heavy copper PCBs based on customers' needs.

Examples of use

MEIKO's heavy copper PCB is used in invertors and convertors for hybrid and electric automobiles.



Invertor

Module to convert DC into AC and vice versa

Module to change voltage

Convertor

Notes on Forecasts

The information in this report contains future forecasts, such as the plans and business results of the Company. These forecasts are based on information available at the time when these forecasts were made and certain preconditions that the Company believes to be reasonable. Please note that actual business results may differ from the forecasts herein due to a variety of factors.