

MEIKO REPORT

42nd Report to Shareholders

(From April 1, 2016 to March 31, 2017)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

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President & CEO **Yuichiro Naya**

We will continue to meet provides the best value

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

I am pleased to take the opportunity of presenting our MEIKO REPORT for the 42nd fiscal term (year ended March 31, 2017) to explain the business conditions of this period and our future business strategy.

Summary of consolidated operating results for FY2016

(in 100 million yen)

	Results of FY2016	Results of FY2015	Year-on-year change
Net sales	959.1	952.9	+6.2
Operating income	57.9	33.3	+24.6
Ordinary income	29.8	(4.9)	+34.7
Net income (loss) attributable to owners of parent	17.7	(112.5)	+130.2

Key points of the financial results of FY2016

Summary	<ol style="list-style-type: none"> 1. Net sales stood at 95,910 million yen, an increase of 620 million yen from the same period of the previous fiscal year. 2. Operating income marked 5,790 million yen, an increase of 2,460 million yen from the same period of the previous fiscal year. 3. Net income attributable to owners of parent amounted to 1,770 million yen, an increase of 13,020 million yen from the same period of the previous fiscal year.
Key points for improving operating income	<ol style="list-style-type: none"> 1. An increase of 2,610 million yen in profits due attributed to sales growth 2. An increase of 990 million yen in profits resulted from improvement in yield 3. A surge of 1,140 million yen due to sales growth and exchange rate impacts

needs as the PCB manufacturer that and services.



Could you describe the business environment and operating results for the fiscal year under review ?

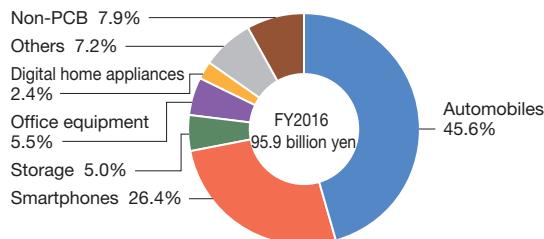
In the consolidated fiscal year under review, the global economy has been on an upward trend with a stable increase in U.S. consumption and growing exports, mainly to Asia. The economy in Europe has also been on a recovery track, due to factors such as a boost in exports and countries' financial policies. The economy in China has also shown signs of a recovery, backed by the government's economic measures. Hence, the global economy is likely to stay on a recovery course. In Japan's economy, corporate earnings are expected to continue upward against the backdrop of an increase in employment and a boost in consumer spending.

In the automobile industry, one of the Meiko Group's main business partners, the market remained firm on the back of globally strong demand for automobiles. In particular, increasing use of electronics, technologies for advanced driver assistance systems (ADAS), and automatic driving in the future are strongly expected to contribute to future market growth. In the smartphone industry, growth slowed in the global market, while markets centered on emerging countries maintained strong momentum. In China, the market is seeing signs of change in moderate growth amidst the move from manufacturing overcapacity to market domination.

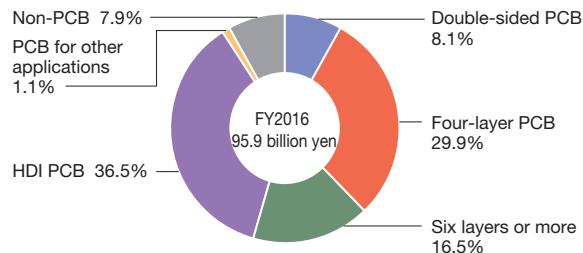
Under such a market environment, the Meiko Group seized firm demand primarily for substrates

Sales composition by PCB sales

By product application



By product specification



for automobiles, mainly due to growth in ADAS related businesses, and maintained the highest volume of orders. In international operations, in addition to a firm trend of orders for in-vehicle substrates, the Group achieved a robust increase in sales on the back of considerable growth in orders of smartphones. In the production field, the Group worked on initiatives to improve quality, cost reduction, and delivery as critical measures for FY2016, strengthening its profitability base further. Such improvement and sales growth contributed to posting operating results far greater than the plan both in sales and earnings.

Q 2 What is your forward-looking view for the next fiscal year?

In the forecast of the Group's operating performance for the next fiscal year, in addition to the expectation for an increase in sales volume of

Consolidated financial prospect for FY2017

(in 100 million yen)

	Full-year prospect	Results for FY2016
Net sales	1,030.0	959.1
Operating income	62.0	57.9
Ordinary income	46.0	29.8
Net income (loss) attributable to owners of parent	36.0	17.7

automobiles, we anticipate firm growth in sales, in particular, in the supply of substrates which are currently developed to respond to the need for highly reliable high-speed communication products tailored for ADAS. In the smartphones market, we also anticipate a boost in sales by seizing more market share. In terms of earnings, although there is some uncertainty related to risks such as a decline in unit prices of finished goods, fluctuations of exchange rates, and a surge of resource prices, the Group expects growth in profitability, attributable to the effects of the structural reform which has been continuously undertaken as a corporate task, as well as the productivity reform which was implemented as the most critical initiative. Given the aforementioned, we will focus on building an even stronger management base as a critical policy for the next fiscal term by expanding operations at the factories in Vietnam as well as reinforcing the EMS and FPC businesses.

Key business initiatives planned for FY2017

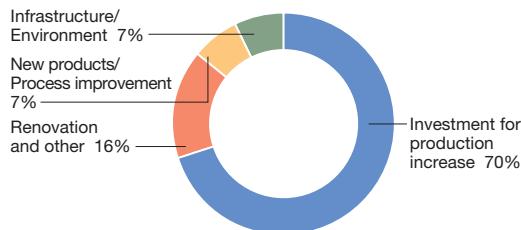
- 1 Improve production capacity of existing plants
- 2 Make capital investment to boost manufacturing volume of products targeting the automobile and smartphone industries
- 3 Bolster the EMS and FPC businesses

Based on the above prospect, the Group forecasts to post net sales of 103,000 million yen (or a 7.4% increase year on year), operating income of 6,200 million yen (or a 7.1% increase year on year), ordinary income of 4,600 million yen (or a 54.4% increase year on year) and net income attributable to owners of parent of 3,600 million yen (or a 103.4% increase year on year) for the fiscal year ending March 31, 2018.

Q 3 What is your investment plan?

For investments in FY2017, in the smartphone business, the Group will make new capital investment in next generation smartphones as well as investment to boost manufacturing capacity at factories overseas. In the automobile business, we also plan investments for raising manufacturing volume and substrates targeting ADAS. The Group

Breakdown of FY2017 Investments



will also invest 6,900 million yen (an increase of 3,800 million yen from the previous year) for automation and replacement of aged equipment in the factories at home and abroad, and other purposes.

Q 4 Please give a message to the shareholders.

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.

Regarding the distribution of surplus for the fiscal year under review, with comprehensive viewpoints on operating results on a consolidated basis, future prospects, etc., the Group decided to pay year-end dividends of 10 yen per share. In response to the support and expectations from shareholders and all other stakeholders, the Meiko Group is committed to doing its utmost to carry out measures to improve corporate value and attain sustainable growth.

We look forward to your continued support and encouragement in the future.

Introduction of Plants in Vietnam

The Socialist Republic of Vietnam is a nation composed of 54 ethnic groups with a land area of 329,241 km² equivalent to 87% of the size of Japan. The country has a population of 93,450,000 (as of 2015) with an average age of 28 (compared with 45 in Japan), driven by young people.

The Meiko Group made an advance into Hanoi, Vietnam in 2006. It launched operations at EMS Factory in 2008, which was followed by the start of operations at PCB Factory in 2010. Having acquired the substrate business from Panasonic Corporation in 2014, the Group commenced manufacturing at Thang Long Factory.



	Vietnam Factory	Thang Long Factory
Company name	Meiko Electronics Vietnam Co.,Ltd	Meiko Electronics ThangLong Co.,Ltd
Established/ Business commenced	Dec. 2006 / Dec. 2008- (EMS)	Aug. 2014 / Aug. 2014-
Capital	90,000,000 USD	15,000,000 USD
Address	Lot LD4, Thach That -Quoc Oai IZ, Phung Xa Commune, Thach That Dist Hanoi, Vietnam	Lot J1-J2, Thang Long Industrial Park, Vong La Commune, Dong Anh district, Hanoi, Vietnam
Areas	170,000m ² (Factory:75,000m ²)	28,590m ² (Factory:31,000m ²)

Strategy on Manufacturing Bases in Vietnam

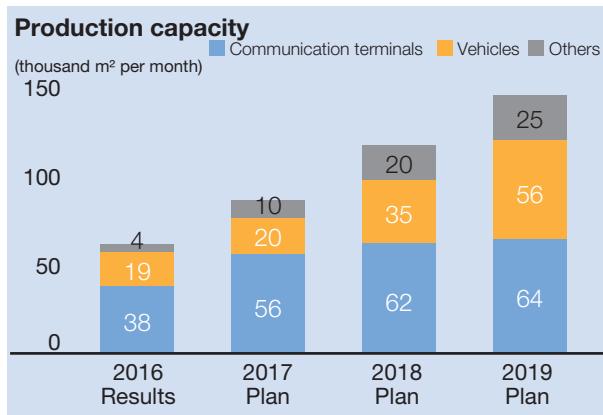
The factories in Vietnam undertake the following roles:

- ◆ Responding to orders to be increased in the coming months
- ◆ Being in charge of the BCP business for the entire Group
- ◆ Serving as manufacturing hubs to supply products to the U.S and countries in Asia and Europe.

The Vietnam Factory is operated as a strategic base for the mass manufacture of products for smartphones and automobiles.

Thang Long Factory serves as a mass-production base for high-end HDI and module substrates tailored for smartphones.

Both factories have achieved significant growth since the recovery from deficit in FY2014. In addition, the Group has operated EMS Factory and FPC Factory in a co-location, and these factories have grown with a potential to contribute to the Group's performance in the future.

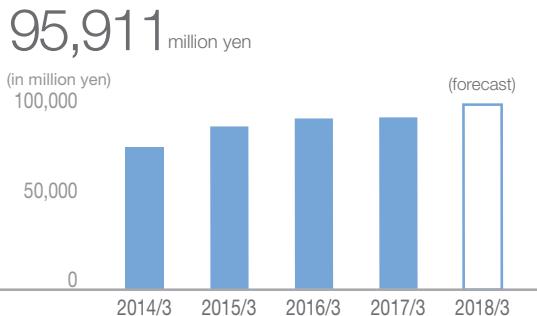


Future Strategy

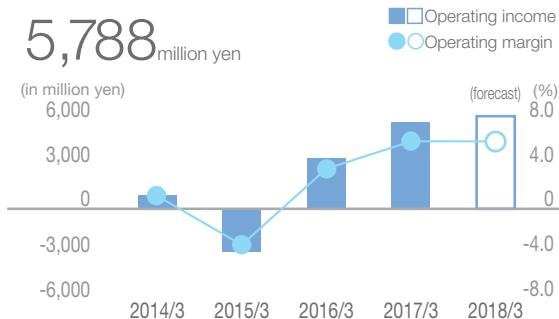
The Meiko Group has been making capital investments to boost production capacity for smartphones in the first half of FY2017, and will carry out investment in automobiles in the latter half. The Group's two main pillars, substrates for smartphones and automobiles, have been highly anticipated by customers, and the Group has been making investments to meet their expectations, but we assume that existing manufacturing bases would have no room to expand facilities further. Anticipating its future course, the Group has already secured spaces for a new factory in Vietnam and will consider construction of the second manufacturing base at the appropriate time.



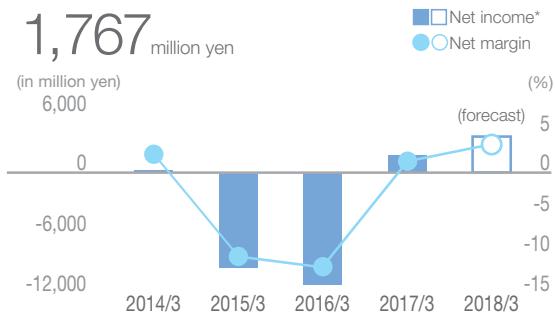
Net sales



Operating income/Operating margin



Net income*/Net margin



*Net income represents profit attributable to owners of parent.

Consolidated balance sheet

(in million yen)

	End of FY2015 (As of March 31, 2016)	At the end of this period (As of March 31, 2017)
Assets		
Current assets	55,329	54,400
Noncurrent assets	54,275	49,177
Property, plant and equipment	50,733	45,755
Intangible assets	212	219
Investments and other assets	3,329	3,202
Total assets	109,605	103,578
Liabilities		
Current liabilities	41,990	45,004
Noncurrent liabilities	38,851	30,033
Total liabilities	80,841	75,038
Net assets		
Shareholders' equity	24,578	26,170
Capital	12,888	12,888
Capital surplus	19,745	11,745
Retained earnings	(7,659)	1,932
Treasury stocks	(396)	(396)
Cumulative other comprehensive income	3,925	2,112
Valuation difference on available-for-sale securities	32	85
Deferred gains or losses on hedges	(337)	58
Foreign currency translation adjustment	4,475	2,437
Remeasurements of defined benefit plans	(246)	(469)
Non-controlling interests	260	257
Total net assets	28,764	28,540
Total liabilities and net assets	109,605	103,578

Key points of the financial results

• Consolidated balance sheet

Total assets were 103,578 million yen, a decline of 6,026 million yen from the end of the previous fiscal year. The primary causes include a decline of 2,110 million yen in cash and deposits, an increase of 912 million yen in inventories, a decline of 526 million yen in accounts receivable-other in current assets, and a decline of 4,978 million yen in property, plant and equipment of noncurrent assets.

Total liabilities stood at 75,038 million yen, a decline of 5,803 million yen from the end of the previous fiscal year. The primary causes include an increase of 1,589 million yen in notes and accounts payable-trade, an increase of 577 million yen in the current portion of long-term loans payable,

Consolidated statement of income

(in million yen)

	Previous period (April 1, 2015 to March 31, 2016)	Current period (April 1, 2016 to March 31, 2017)
Net sales	95,287	95,911
Cost of sales	82,101	79,825
Gross profit	13,185	16,085
Selling, general and administrative expenses	9,860	10,297
Operating income	3,325	5,788
Non-operating income	300	376
Non-operating expenses	4,117	3,183
Ordinary income (loss)	(491)	2,981
Extraordinary income	32	—
Extraordinary losses	9,074	255
Net income (loss) before income taxes	(9,532)	2,725
Income taxes	1,717	939
Net income (loss)	(11,250)	1,785
Net income (loss) attributable to non-controlling interests	(0)	18
Net income (loss) attributable to owners of parent	(11,250)	1,767

an increase of 710 million yen in lease obligations in current liabilities, and a decline of 8,361 million yen in long-term loans payable of noncurrent liabilities.

Net assets were 28,540 million yen, a decline of 223 million yen from the end of the previous fiscal year. The major causes include a decline of 8,000 million yen in capital surplus, an increase of 9,592 million yen in retained earnings, and a decline of 2,038 million yen in foreign currency translation adjustment.

• Consolidated statement of income

Net sales amounted to 95,911 million yen, an increase of 624 million yen (or a 0.7% increase) year on year, attributable to strong sales in products for smart-phones. In profits and losses, operating income was 5,788 million yen (or a 74.1% increase year on year) and ordinary income was 2,981 million yen

Consolidated statement of cash flows

(in million yen)

	Previous period (April 1, 2015 to March 31, 2016)	Current period (April 1, 2016 to March 31, 2017)
Net cash generated from operating activities	9,932	11,612
Net cash expended in investment activities	(1,736)	(4,321)
Net cash generated from financing activities	1,966	(9,030)
The effect of changes in the exchange rate on cash and cash equivalents	(703)	(377)
Net increase (decrease) in cash and cash equivalents	9,458	(2,116)
Cash and cash equivalents at the beginning of the period	9,490	19,312
Net increase (decrease) in cash or cash equivalents due to change in scope of consolidation	363	—
Cash and cash equivalents at the end of the period	19,312	17,196

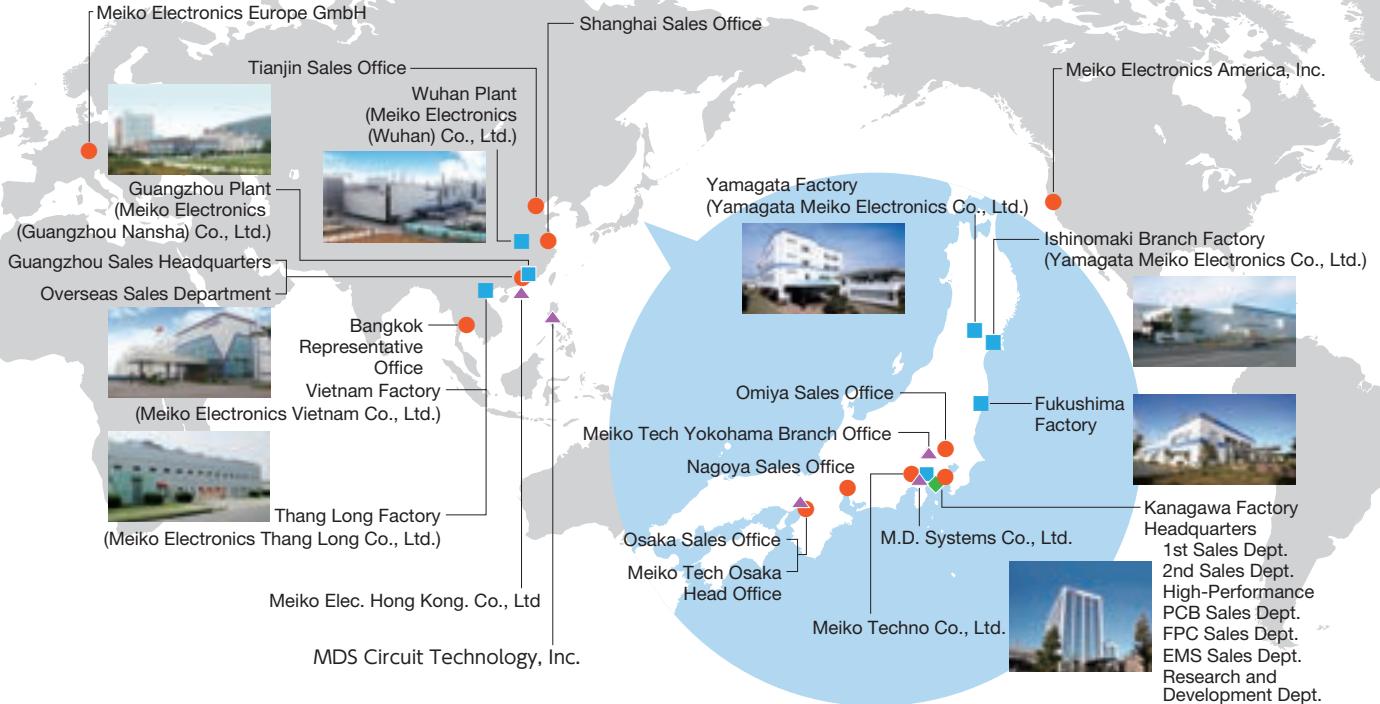
(ordinary loss of 491 million yen in the same period of the previous fiscal year), mainly attributed to improvement in production capacity.

• Consolidated statement of cash flows

Net cash generated from operating activities was 11,612 million yen, an increase of 1,680 million yen from the previous fiscal year. Net cash expended in investment activities was 4,321 million yen. This was mainly due to the acquisition of property, plant and equipment. Net cash used in financing activities was 9,030 million yen (compared to net cash received of 1,966 million yen in the previous fiscal year). The major causes include the outflow due to the repayment of 11,567 million yen in long-term loans payable, and the inflow brought by long-term loans payable of 3,723 million yen.

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

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



MANAGEMENT VOICE

VOL. 2

Director and Senior Managing Executive Officer

Masakuni Shinozaki

The Meiko Group established a new Sales Headquarters in 2014, and has steered the business activities of "Development, Technology, Manufacture, and Sales" in an integrated fashion. The Group has marked sales over 90 billion yen for the past three consecutive years, achieving a slight upward trend.

In the automobile-related business which accounts for half of the Group sales, we have driven technology proposal-based sales activities to respond to rapid needs for the application of technologies for digitalization and automation, which has contributed to delivering expected operating results since the latter half of 2017. The Group's other pillar, the smartphone business, has been operated with stable orders received through transactions targeting leading manufacturers worldwide. The aforementioned day-to-day business activities made it possible for the Group to draw up the FY2017 sales plan with a goal of over 100 billion yen, a first since the foundation of the Group.

The Group will continue its sales activities while anticipating market needs. We appreciate your continuous support.



Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	10,677 (consolidated) (Japan: 790) (overseas: 9,887)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives

President & CEO	Yuichiro Naya
Director	Seiichi Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director	Maren Schweizer
Director	Yoon Ho, Shin
Director	Hajime Nakano
Senior Corporate Auditor	Hitoshi Iyomoto
Audit & Supervisory Board Member	Arifumi Sunada
Audit & Supervisory Board Member	Takashi Harada

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 Techno Co., Ltd.	Auxiliary electronics business
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
Meiko Electronics Thang Long Co., Ltd.	Manufacturing 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	(Ordinary share)	70,000,000 shares
	(Class-A preferred share)	50 shares
Number of Shares Issued	(Ordinary share)	26,174,076 shares
	(excluding treasury stock of 629,244 shares)	
	(Class-A preferred share)	50 shares
Number of Shareholders	(Ordinary share)	5,765
	(Class-A preferred share)	1

Principal Shareholders

(Ordinary shares)

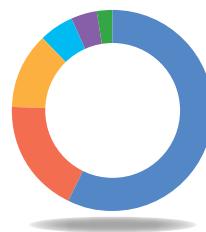
Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,702	18.0
Japan Trustee Service Bank, Ltd. (Trust Account)	1,848	7.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	757	2.9
GOLDMAN SACHS INTERNATIONAL	628	2.4
Meiko Kosan Co., Ltd.	608	2.3
Yuho, Ltd.	521	2.0
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	514	2.0
Haruyuki Naya	468	1.8
SBI Securities Co., Ltd.	446	1.7
Seiichi Naya	445	1.7

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

(Class-A preferred shares)

Name of Shareholder	持株数(株)	% of shares held
Chiiki Chukakukigyo Kasseika Fund	50	100.0

Distribution of Ownership among Shareholders (Ordinary shares)



Individuals and others	57.4%
Financial institutions	18.3%
Foreign institutions and others	12.2%
Other institutions	5.6%
Financial instruments business operators	4.2%
Treasury stock	2.3%

Shareholders' Information

Fiscal Year	April 1 to March 31 of the following year	Stock exchange	JASDAQ (Standard), Tokyo Stock Exchange
Annual Shareholders' Meeting	June	Method of public notice	Electronic public notice in our official page Official Page: http://www.meiko-elec.com/ir/pa.shtml In the event of an accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei.
Record date	Year-end dividends: March 31 Interim dividends: September 30		
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)	168-0063 2-8-4, Izumi, Suginami-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited		
(Inquiries by telephone)	 0120-782-031		

Enquiries concerning shareholdings:

- Shareholders who need to update information on shareholdings, including change of address and method of receiving dividends, are advised to contact the securities companies where securities accounts are held.
- Shareholders who do not have accounts with securities companies and need to process payments of dividends are advised to contact Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited, as stated to the left.

The Company's website has been redesigned.



TOP page



For our latest IR information, 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.

Meiko

検索

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

Procedures Required on Individual Number System

The national identification number, Individual Number, which was notified by municipal authorities, is required for tax reporting on stock. Accordingly, shareholders are requested to submit their Individual Numbers to their securities companies.

[Individual Number Required for Stock-related Operations]

The Company will submit payment records with the description of a shareholder's Individual Number to a tax office in accordance with laws and ordinances.

Major Payment Records

- Payment records of dividends
- Payment records of transactions on the transfer of stock such as the Company's purchases of fractional shares based on shareholders' requests

Contacts on submission of Individual Number

- Shareholders whose shares are held with securities companies are advised to contact their securities companies.
- Shareholders who do not have accounts with securities companies are advised to contact the Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited.

 **MEIKO ELECTRONICS CO., LTD.**

Headquarters 5-14-15, Ogami, Ayase, Kanagawa, 252-1104, Japan
Tel: 0467 (76) 6001 (switchboard)

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

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.