

# MEIKO REPORT

## 43rd Report to Shareholders

(From April 1, 2017 to March 31, 2018)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

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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 43rd fiscal term (year ended March 31, 2018) to explain the business conditions of this period and our future business strategy

President & CEO **Yuichiro Naya**

## We will continue to meet needs that provides the best value and

### Q1 | Could you describe the business environment and Q operating results for the fiscal year under review?

Let me start with the business environment surrounding our company. Regarding our automotive PCBs, we have been making new proposals and producing prototypes in the field of driver safety – such as self-driving vehicles – and also for electric vehicles. We are also receiving steady orders for our through-hole PCBs. We are indeed sensing that smartphone PCBs are slowing down somewhat in developed countries and in the Chinese market, but we managed to stay strong as we expanded our

### Key points of the financial results of FY2017

Net sales	<ol style="list-style-type: none"><li>1. Net sales grew steadily, increasing 13.2% year on year to total 108,500 million yen.</li></ol> <ul style="list-style-type: none"><li>•Sales remained upbeat in the automobile and smartphone markets.</li><li>•Sales of HDI PCBs rose dramatically.</li></ul>
Profit	<ol style="list-style-type: none"><li>1. Operating income amounted to 7,460 million yen, up 1,670 million yen year on year.</li><li>2. Ordinary income totaled 4,800 million yen, up 1,810 million yen year on year.</li><li>3. Net income attributable to owners of parent amounted to 4,370 million yen, up 2,600 million yen year on year.</li></ol>

# As the PCB manufacturer and services.

shares among our clients.

Net sales rose 12,631 million yen year on year (+13.2%) to 108,542 million yen. A few factors helped us: among the sales by usage type, our automotive PCBs did particularly well, making 48,280 million yen, up 4,580 million yen year on year (+10.5%), while the sales of smartphone PCBs grew significantly by 7,770 million yen to 33,120 million yen (+30.7%); among the sales by product type, our HDI PCBs achieved 44,700 million yen, up 9,700 million yen year on year (+27.7%).

## Revenue from each product in FY 2017 (in 100 million yen)

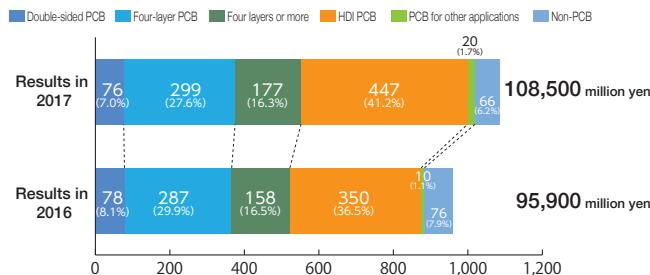
(in 100 million yen)

	FY 2016		FY 2017		Increase/decrease	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	437.0	31.0 7.1%	482.8	37.2 7.7%	45.8 10.5%	6.2 20.0%
Smartphones	253.5	19.0 7.5%	331.2	27.5 8.3%	77.7 30.7%	8.5 44.7%
Others	268.6	7.9 2.9%	271.4	9.9 3.6%	2.8 1.0%	2.0 25.3%
<b>Total</b>	<b>959.1</b>	<b>57.9 6.0%</b>	<b>1,085.4</b>	<b>74.6 6.9%</b>	<b>126.3 13.2%</b>	<b>16.7 28.8%</b>

As for profit, the rising costs of raw materials affected us negatively, costing us 1,200 million yen. Additionally, we were affected by the stronger RMB and JPY, and our operating income was 7,457 million yen, up 1,669 million yen year on year (+28.8%). Ordinary income reached 4,795 million yen, which was a 1,814 million yen increase year on year (+60.9%). Net income attributable to owners of parent was 4,373 million yen, an increase of 2,606 million yen year on year (+147.5%).

## Sales composition by PCB sales

By product specification (in 100 million yen)



## Q2 | What is your plans for the coming term?

As for the coming term, net sales are estimated to be 118 billion yen, up 9,458 million yen year on year (+8.7%). Among the sales by usage type, automotive PCBs should make 51,100 million yen, up 2,860 million yen from this term (+5.9%), while the sales of smartphone PCBs are expected to reach 35,700 million yen, up 3,300 million yen year on year (+10.3%). The PCBs for other usages should make 31,160 million yen, up 3,280 million yen year on year (+11.8%). 8,200 million yen is forecasted for operating income, up 700 million yen year on year (+10.0%). Ordinary income is forecasted at 6,800 million yen, up 2,000 million yen year on year (+41.8%) and the net income attributable to owners of parent should be 6,000 million yen, up 1,600 million yen year on year (+37.2%).

### Future outlook

Overall	<ul style="list-style-type: none"> <li>•Sales to remain strong in both automobile and smartphone markets.</li> <li>•We will upgrade HDI PCBs in the new field.</li> <li>•We will improve flexible PCBs and module implementation.</li> </ul>
Investments	<ul style="list-style-type: none"> <li>•To build the third factory in Vietnam.</li> <li>•To increase domestic investment.</li> <li>•To conduct investment for saving labor.</li> </ul>

## Q3 | What is your investment plan?

During the next fiscal year, we are planning to invest 3,500 million yen into the domestic factories and 8,500 million yen into the overseas factories. Our main investments include the construction of our third factory in Vietnam, a larger investment into our Japanese factories, and the manpower saving at our overseas factories. Through these investments, we are going to achieve various objectives such as revamping our factories to cope with cutting-edge automotive technologies, mass-production for high-end smartphones, and the new technologies, to boost the production capacity of our domestic factories by replacing old equipment and to improve quality. We invested heavily in Japan this term. We have already mentioned in the interim MEIKO REPORT for the 43rd fiscal term our investment into the

### Earnings forecast for FY 2018

(in 100 million yen)

	Results for FY 2017	Forecast for FY 2018	Year on year	
			Increase/decrease	Increase/decrease rate
Net sales	1,085.4	1,180	94.6	8.7%
Operating income (operating margin)	74.6 6.9%	82 6.9%	7.4	10.0%
Ordinary income (ordinary income rate)	48.0 4.4%	68 5.8%	20.0	41.8%
Net income (net margin)	43.7 4.0%	60 5.1%	16.3	37.2%
exchange rate during term [yen/US dollar]	110.66	106		

cutting-edge automotive PCBs at Yamagata Factory and Ishinomaki Branch Factory, and on top of that, we have recently decided to build the second factory in Fukushima. The factory there has started to feel somewhat small with increasing orders in the industrial equipment, FA, and robotics fields, so with this 1 billion yen investment, we are going to add a new building and install parts of the assembly lines to cope with the expected increase in demand.

## Q4 | Please give a message to shareholders.

At Meiko, we make returning profits to shareholders one of our top management priorities and work to maintain stable dividends, while taking a comprehensive view of our financial performance and other factors when distributing profits. To secure profits for

shareholders in the future, we make it a basic policy to use internal reserves for investments needed to further strengthen and improve our operating base and to use them for further business expansion.

Regarding distribution of the surplus for the fiscal year under review, we decided to pay a year-end dividend of 10 yen per share and an annual dividend of 20 yen per share in the light of our consolidated financial results, future prospects, etc.

In response to the support and expectations of shareholders and all other stakeholders, the Meiko Group will continue to do its utmost to carry out measures needed to enhance corporate value and attain excellent performance. We look forward to your continued support and encouragement in the future.

### Revenue from each product in FY 2018

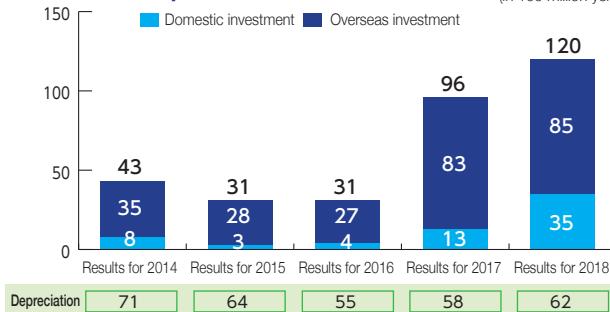
(in 100 million yen)

	FY 2017		FY 2018		Increase/decrease	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	482.8	37.0 7.7%	511.4	38.9 7.6%	28.6 5.9%	1.9 5.1%
Smartphones*	323.8	27.0 8.3%	357.0	32.1 9.0%	33.2 10.3%	5.1 18.9%
Others*	278.8	10.6 3.8%	311.6	11.0 3.5%	32.8 11.8%	0.4 3.8%
<b>Total</b>	<b>1,085.4</b>	<b>74.6 6.9%</b>	<b>1,180</b>	<b>82.0 6.9%</b>	<b>94.6 8.7%</b>	<b>7.4 10.0%</b>

\*Because of the change in categories, the figures are different from those in the table titled "Revenue from each product in FY 2017."

### Variation in capital investment

(in 100 million yen)



# The construction of the third factory in Vietnam commenced.

On Saturday, April 14, 2018, we held the groundbreaking ceremony at the construction site for the third factory in Vietnam. The ceremony was attended by the mayor of Funsu Village, the Communist Party Leader, and the staff of the Management Bureau of Hanoi Industrial Park and a joint venture established by Taisei Corporation and Cotecons Corporation. It will take about 1 year to complete the third factory.

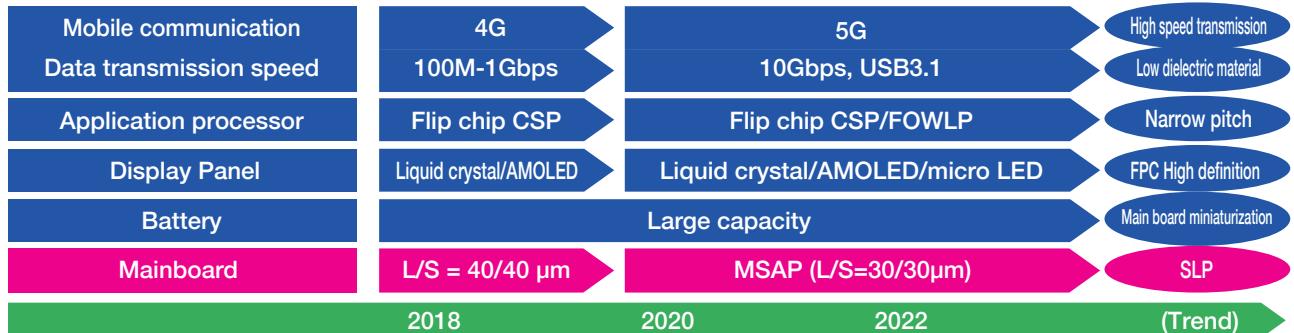


At the third factory in Vietnam, we will mass-produce high-end PCBs for automobiles and smartphones. We plan to start manufacturing on the 1st floor of the factory in the 2nd quarter of fiscal year 2019, and on the 2nd floor in the 3rd quarter.

## Trend of the smartphone technology

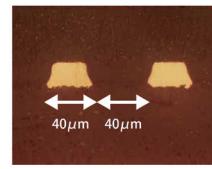
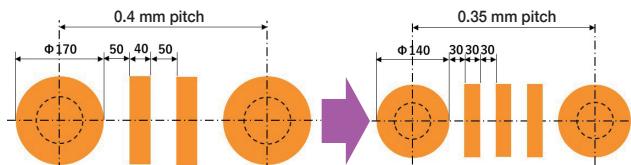
L/S is 40  $\mu$ m to 50  $\mu$ m for smartphone PCBs, which are being manufactured, while it is 30  $\mu$ m for high-end smartphones. Accordingly, we will adopt a manufacturing method for an L/S of 30  $\mu$ m at the new factory in Vietnam.

L stands for "line" and means the pattern width of a PCB, while S stands for "space" and means the gap between patterns.

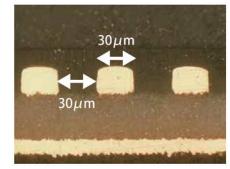


■ MainIC Mounting part wiring rule

■ MSAP Wiring formation



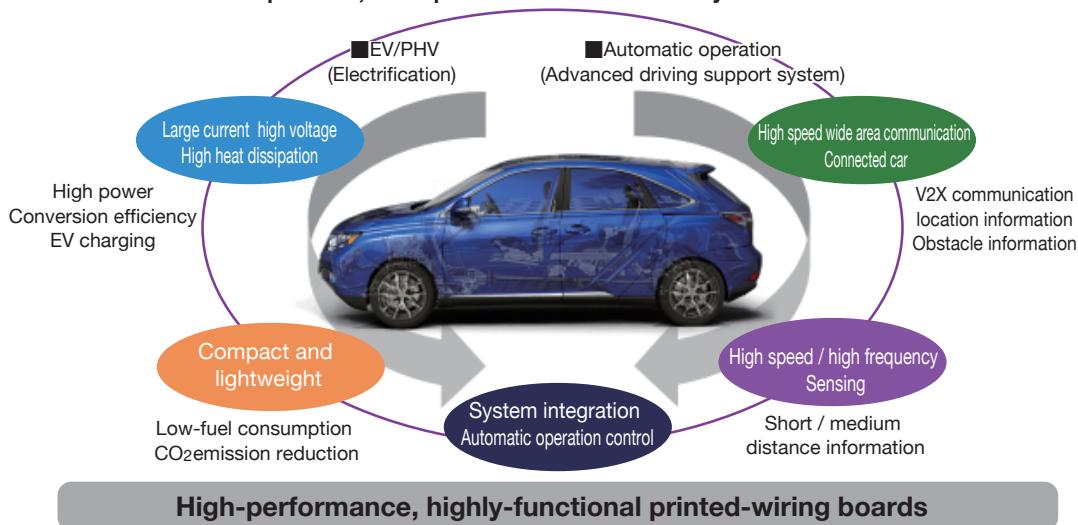
L/S = 40  $\mu$ m / 40  $\mu$ m



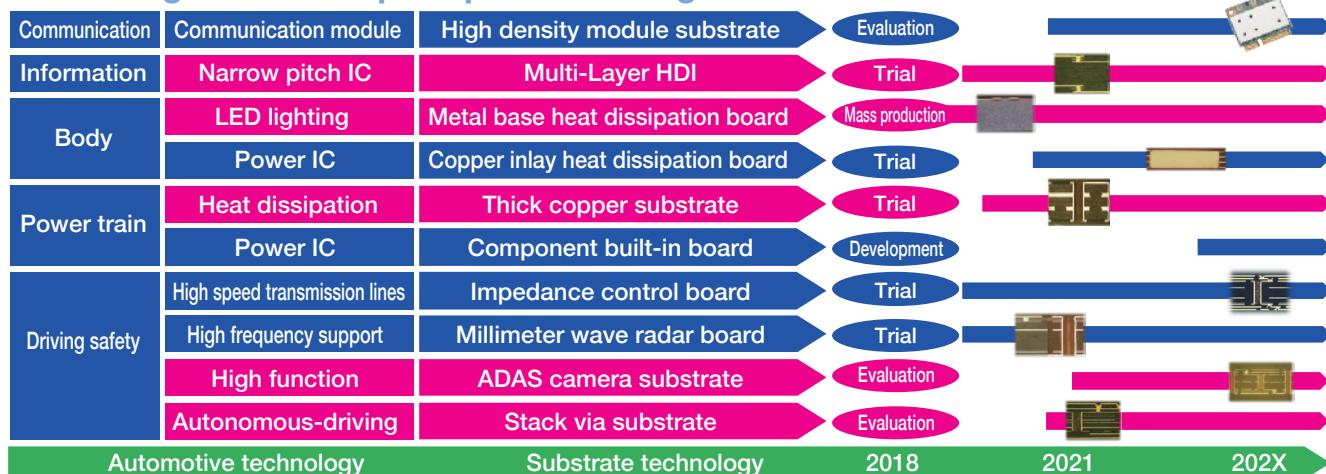
L/S = 30  $\mu$ m / 30  $\mu$ m (MSAP)

# Efforts to produce cutting-edge automotive PCBs

There are two kinds of cutting-edge automotive PCBs. One is the electric technology represented by EV/PHV, as shown in the diagram below. The other is the drive assist function represented by self-driving. Our company will make the utmost effort to produce cutting-edge automotive PCBs. We ship evaluation boards and produce prototypes, in addition to the collaborative development with clients. For some products, mass-production has been already started.

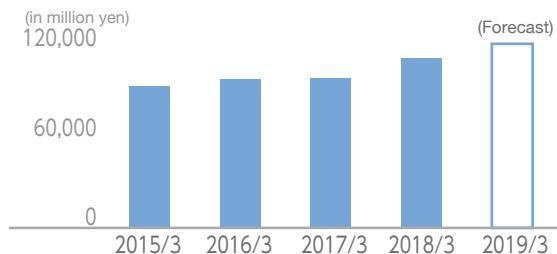


## Technological roadmap for printed-wiring boards for automobiles



## Net sales

108,542 million yen



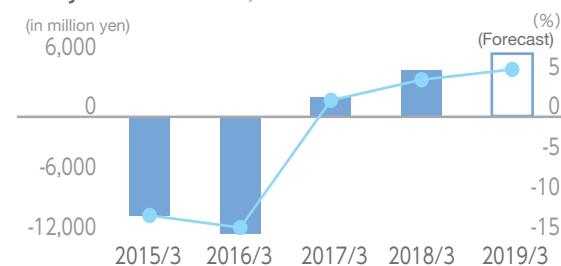
## Operating income/Operating margin

7,457 million yen



## Net income\*/Net margin

4,373 million yen



\*Net income represents net income attributable to owners of parent.

## Consolidated balance sheet

(in million yen)

	End of FY2016 (As of March 31, 2017)	At the end of this period (As of March 31, 2018)
<b>Assets</b>		
Current assets	54,400	56,790
Noncurrent assets	49,177	53,794
Property, plant and equipment	45,755	49,732
Intangible assets	219	210
Investments and other assets	3,202	3,851
<b>Total assets</b>	<b>103,578</b>	<b>110,584</b>
<b>Liabilities</b>		
Current liabilities	45,004	48,924
Noncurrent liabilities	30,033	28,617
<b>Total liabilities</b>	<b>75,038</b>	<b>77,542</b>
<b>Net assets</b>		
Shareholders' equity	26,170	29,638
Capital	12,888	12,888
Capital surplus	11,745	11,745
Retained earnings	1,932	5,400
Treasury stocks	△396	△396
Cumulative other comprehensive income	2,112	3,403
Valuation difference on available-for-sale securities	85	21
Deferred gains or losses on hedges	58	298
Foreign currency translation adjustment	2,437	3,512
Remeasurements of defined benefit plans	△469	△428
Non-controlling interests	257	—
<b>Total net assets</b>	<b>28,540</b>	<b>33,042</b>
<b>Total liabilities and net assets</b>	<b>103,578</b>	<b>110,584</b>

### Key points of the financial results

#### ●Consolidated balance sheet

Total assets stood at 110,584 million yen, an increase of 7,006 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to a decrease of 1,999 million yen in cash and deposits, an increase of 2,876 million yen in notes and accounts receivable-trade, and an increase of 1,769 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 3,977 million yen in property, plant and equipment, which was recorded under noncurrent assets.

Total liabilities amounted to 77,542 million yen, up 2,504 million yen from the end of the previous consolidated fiscal year. This rise is mainly due to an increase of 2,956 million yen in notes and accounts payable-trade, an increase of 971 million yen in short-term loans payable, a decrease of 1,844 million yen in the current portion of long-term loans payable, and an increase of 1,998 million yen in other current liabilities, all of which were recorded under current liabilities. Another factor behind the

## Consolidated statement of income

(in million yen)

	Previous period (April 1, 2016 to March 31, 2017)	Current period (April 1, 2017 to March 31, 2018)
Net sales	95,911	108,542
Cost of sales	79,825	90,115
Gross profit	16,085	18,426
Selling, general and administrative expenses	10,297	10,969
Operating income	5,788	7,457
Non-operating income	376	1,081
Non-operating expenses	3,183	3,742
Ordinary income	2,981	4,795
Extraordinary income	—	344
Extraordinary losses	255	296
Net income before income taxes	2,725	4,843
Income taxes	939	497
Net income	1,785	4,346
Net income (loss) attributable to non-controlling interests	18	△26
Net income attributable to owners of parent	1,767	4,373

increase in total liabilities was a decrease of 589 million yen in long-term loans payable and a decrease of 666 million yen in lease obligations, which were recorded under noncurrent liabilities.

Net assets totaled 33,042 million yen, an increase of 4,501 million yen from the end of the previous consolidated fiscal year, due primarily to an increase of 3,467 million yen in retained earnings and an increase of 1,074 million yen from foreign currency translation adjustment.

### •Consolidated statement of income

Because both our automotive PCBs and smartphone PCBs sold well, and the sales of profitable HDI PCBs also grew significantly in the areas other than smartphones, net sales increased 12,630 million yen year on year (+13.2%) to 108,542 million yen.

As for profit and loss, the costs of raw materials such as copper rose, and RMB remained strong against USD as well as a sharp appreciation of yen against USD made our environment a harsh one.

As a result, operating income was 7,457 million yen (+28.8%) year on year; ordinary

## Consolidated statement of cash flows

(in million yen)

	Previous period (April 1, 2016 to March 31, 2017)	Current period (April 1, 2017 to March 31, 2018)
Net cash generated from operating activities	11,612	10,429
Net cash expended in investment activities	△ 4,321	△8,868
Net cash generated from financing activities	△ 9,030	△3,530
The effect of changes in the exchange rate on cash and cash equivalents	△ 377	△35
Net increase (decrease) in cash and cash equivalents	△ 2,116	△2,005
Cash and cash equivalents at the beginning of the period	19,312	17,196
Cash and cash equivalents at the end of the period	17,196	15,190

income was 4,795 million yen (+60.9%) year on year; and the net income attributable to owners of parent was 4,373 million yen (+147.5%) year on year.

### •Consolidated cash-flow statement

Net cash generated from operating activities was 10,429 million yen, down 1,183 million yen compared to the previous consolidated fiscal year. This was chiefly due to net income before income taxes of 4,843 million yen and 5,816 million yen of the depreciation costs. Net cash expended in investment activities was 8,868 million yen, which was an increase of spending of 4,546 million yen compared to the previous consolidated fiscal year. This was mainly due to the spending of 8,380 million yen on acquiring property, plant and equipment. Net cash used in financing activities was 3,530 million yen, which was a reduction in spending of 5,499 million yen compared to the previous consolidated fiscal year. This was mainly due to the following: spending of 12,272 million yen against the repayment of long-term loans; spending of 1,391 million yen against the repayment of lease obligations; and an income from long-term loans of 10,017 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. 4

Director and Managing Executive Officer

**Junya Wada**

With sales of 108,500 million yen and an operating income of 7,400 million yen in fiscal 2017, the company was successful in growing sales mainly for in-vehicle devices and smartphones. In addition, the company was able to increase profits for the fiscal year 2017 by raising production throughput as a manufacturing business and facility operation rate and improving the process.

We will strive to boost sales mainly for automotive PCBs and smartphone PCBs, which are expected to grow further in fiscal 2018, too. As the trends for electric traveling and automatic driving are accelerating in the automobile market, automotive PCBs are expected to increase more than the number of automobiles. The company will handle their increasing demand by improving the production capacity further in Guangzhou Plant and Wuhan Plant in addition to the construction of a new building at Vietnam Factory. Also, the company will aim to improve its management structure in order to deal with the labor cost that has been increasing each year, by investing in automation for labor-saving.

As the market environment is favorable for expanding the business, the company strives to make further progress. We would appreciate your continuous support.



## Corporate Profile

<b>Name</b>	MEIKO ELECTRONICS CO., LTD.
<b>Established</b>	November 25, 1975
<b>Capital</b>	12,888 million yen
<b>No. of Employees</b>	11,640 (consolidated) (Japan: 760) (overseas: 10,880)
<b>Outline of Business</b>	Design and manufacturing and sales of PCBs and auxiliary electronics business

## Executives

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director and Managing Executive Officer	Takahiro Matsuda
Director and Managing Executive Officer	Jyunya Wada
Director	Yoon Ho, Shin
Director	Hajime Nakano
Audit & Supervisory Board Member (Standing)	Hitoshi Iyomoto
Audit & Supervisory Board Member	Arifumi Sunada
Audit & Supervisory Board Member	Takashi Harada

## Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Auxiliary electronics business
Meiko Tech Co., Ltd.	Auxiliary electronics business
Meiko Techno Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Wuhan) Co., Ltd.	Auxiliary electronics business
Meiko Elec. Hong Kong. Co., Ltd.	Auxiliary electronics business
Meiko Electronics Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics Thang Long Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business
Meiko Electronics Europe GmbH	Auxiliary electronics business

## Stock Information

Number of Shares Authorized (Common Stock)	70,000,000shares
(Class-A Preferred Stock)	50shares
Number of Shares Issued (Common Stock)	26,174,012shares
(excluding treasury stock of 629,308 shares)	
(Class-A Preferred Stock)	50shares
Number of Shareholders (Common Stock)	6,852
(Class-A Preferred Stock)	1

## Principal Shareholders

(Common Stock)

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,702	17.97
Japan Trustee Services Bank, Ltd. (Trust Account)	1,769	6.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	733	2.80
GOLDMAN SACHS INTERNATIONAL	614	2.35
Meiko Kosan Co., Ltd.	608	2.32
Yuho, Ltd.	521	1.99
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	490	1.87
Haruyuki Naya	454	1.74
BBH BOSTON CUSTODIAN FOR JAPAN EQUITY PR EMILUM FUND OF CREDIT SUISSE UNIVER620373	449	1.72
Seiichi Naya	445	1.70

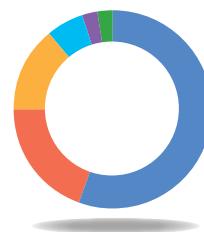
\*The Company owns treasury stock of 629,308 shares and is excluded from the above principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock

(Class-A Preferred Stock)

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Chiichi Chukakukigyo Kasseika Fund	50	100.00

\*49 class-A preferred stocks were acquired and retired on April 2, 2018, and the remaining one class-A preferred stock is to be acquired and retired on June 26, 2018.

## Shareholding Structure (Common Stock)



Individuals and others	55.61%
Financial institutions	19.22%
Foreign institutions and others	14.20%
Other institutions	5.94%
Financial instruments business operators	2.68%
Treasury stock	2.35%

## 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: <a href="http://www.meiko-elec.com/ir/pa.shtml">http://www.meiko-elec.com/ir/pa.shtml</a> 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		
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan		
Transfer Office	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan		
Address for sending mails	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 Japan		
Contact	Tel: +81-3-3323-7111		

### 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 Sumitomo Mitsui Trust Bank, Limited, as stated to the left.

### The Company's website



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.

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

## MEIKO ELECTRONICS CO., LTD.

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

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.