Annual Report 2017

For the year ended March 31, 2017

Meiko Electronics Co., Ltd.

The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 16 subsidiaries (12 consolidated subsidiaries and 4 non-consolidated subsidiaries) (the “Group”). As the Group’s businesses are primarily in PCB design, manufacturing, sales, and ancillary operations, the description of other businesses is omitted as they are of little significance.

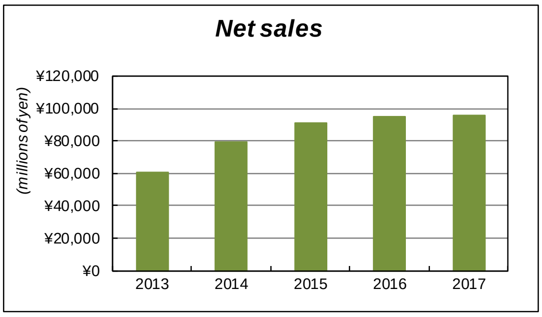
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties. 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.

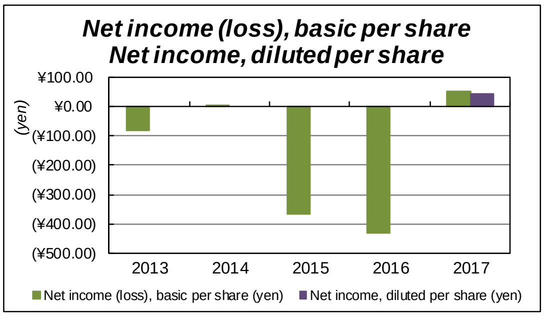
Contents

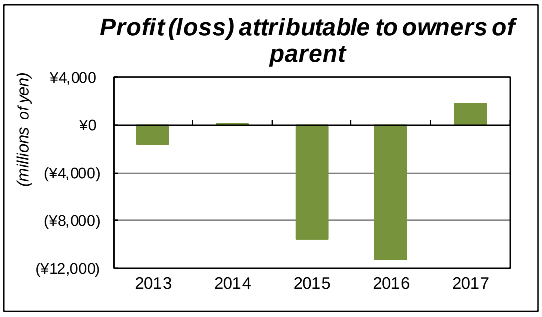
Five-year Financial Summary

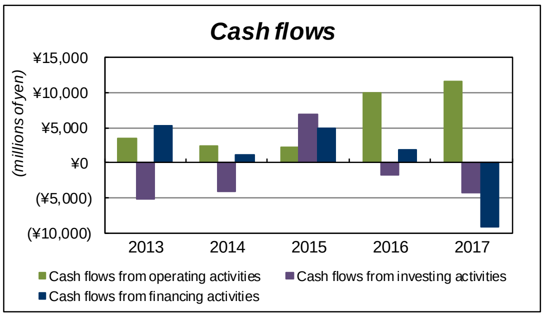
(For the years ended/as of March 31)

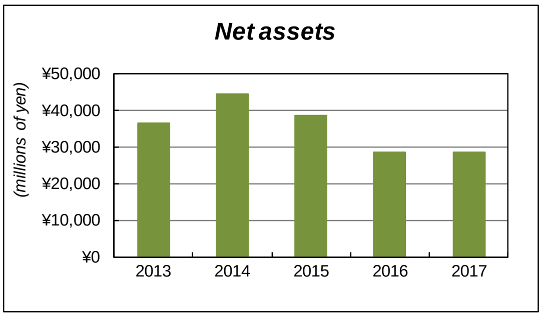
	2013	2014	2015	2016	2017
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥60,709	¥79,232	¥90,895	¥95,287	¥95,912
Ordinary income (loss)	(387)	1,932	1,075	(492)	2,981
Profit (loss) attributable to owners of parent	(1,568)	23	(9,573)	(11,250)	1,767
Comprehensive income	1,822	3,522	(5,954)	(14,709)	(32)
Net assets	36,727	44,708	38,623	28,764	28,540
Total assets	102,046	115,427	122,964	109,605	103,578
Net assets per share *(yen)*	1,956.24	1,708.09	1,475.59	897.97	882.84
Net income (loss) per share *(yen)*	(83.52)	1.11	(365.76)	(429.83)	54.14
Net income per share (diluted) *(yen)*	—	—	—	—	44.06
Equity ratio	36.0%	38.7%	31.4%	26.0%	27.3%
Return on equity (ROE)	-4.4%	0.1%	-23.0%	-33.5%	6.2%
Price earnings ratio (PER) *(times)*	—	583.5	—	—	16.2
Cash flows from operating activities	3,594	2,426	2,238	9,932	11,612
Cash flows from investing activities	(5,075)	(4,021)	(6,986)	(1,737)	(4,322)
Cash flows from financing activities	5,358	1,187	4,861	1,967	(9,030)
Cash and cash equivalents at the end of the period	8,788	8,759	9,491	19,313	17,196
Number of employees	9,966	11,858	10,895	9,491	10,677
[Average number of temporary staff]	[528]	[700]	[609]	[633]	[885]

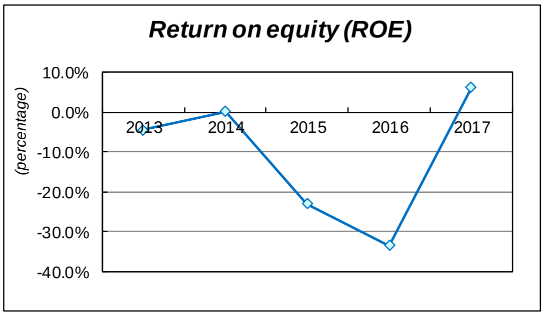

Net sales
(millions of yen)
¥120,000
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2013
2014
2015
2016
2017

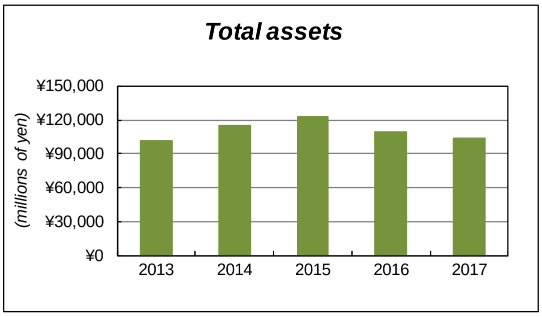

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥100.00
¥0.00
(¥100.00)
(¥200.00)
(¥300.00)
(¥400.00)
(¥500.00)
2013
2014
2015
2016
2017
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

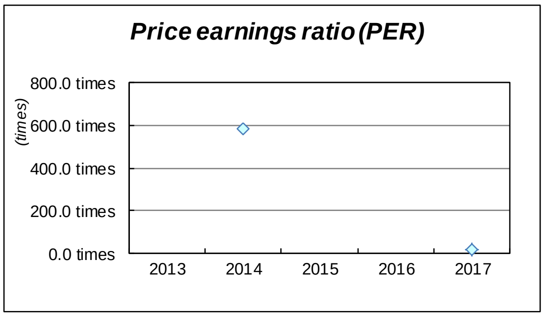

Profit (loss) attributable to owners of parent
(millions of yen)
¥4,000
¥0
(¥4,000)
(¥8,000)
(¥12,000)
2013
2014
2015
2016
2017

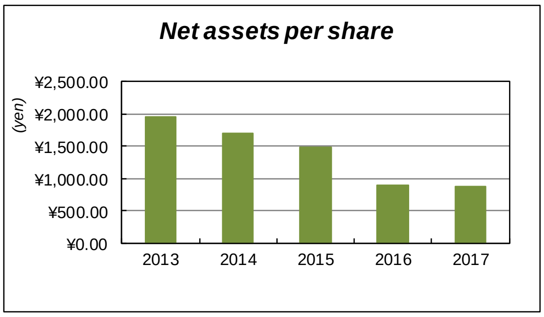

Cash flows
(millions of yen)
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
2013
2014
2015
2016
2017
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2013
2014
2015
2016
2017


Return on equity (ROE)
(percentage)
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
2013
2014
2015
2016
2017


Total assets
(millions of yen)
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2013
2014
2015
2016
2017


Price earnings ratio (PER)
(times)
800.0 times
600.0 times
400.0 times
200.0 times
0.0 times
2013
2014
2015
2016
2017


Net assets per share
(yen)
¥2,500.00
¥2,000.00
¥1,500.00
¥1,000.00
¥500.00
¥0.00
2013
2014
2015
2016
2017

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

(1) Significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). Prior to the presentation of these consolidated financial statements, the Company used its most relevant accounting principles in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976). The statements of estimates have been prepared in view of past results and reasonable assumptions, however, they involve uncertainties and actual results may differ from the estimates presented.

(2) Analysis of the Group's financial position

Current assets

Current assets as of March 31, 2017 were ¥54,401 million, down ¥929 million from the end of the previous fiscal year. This change mainly comprised a decrease of ¥2,117 million in cash and deposits, an increase of ¥276 million in trade notes and accounts receivable, an increase of ¥912 million in inventories, and a decrease of ¥526 million in other receivables.

Non-current assets

Non-current assets as of March 31, 2017 were ¥49,177 million, down ¥5,098 million from the end of the previous fiscal year. Major factors for this decrease were a ¥4,979 million decrease in property, plant and equipment and a ¥229 million decrease in deferred tax assets.

Current liabilities

Current liabilities as of March 31, 2017 were ¥45,005 million, up ¥3,015 million from the end of the previous fiscal year. This change mainly consisted of a ¥1,590 million increase in trade notes and accounts payable, a ¥321 million decrease in short-term borrowings, a ¥577 million increase in the current portion of long-term borrowings, and a ¥711 million increase in lease obligations.

Non-current liabilities

Non-current liabilities as of March 31, 2017 were ¥30,033 million, down ¥8,818 million from the end of the previous fiscal year. The major factor in this decrease was ¥8,361 million in long-term borrowings.

Net assets

Net assets as of March 31, 2017 were ¥28,540 million, down ¥224 million from the end of the previous fiscal year. This mainly reflected an ¥8,000 million decrease in capital surplus, a ¥9,592 million increase in retained earnings, and a ¥2,038 million decrease in foreign currency translation adjustments. By resolution of the annual shareholders' meeting held on June 28, 2016, the Company reduced its legal capital surplus by ¥8,000 million and transferred it to other capital surplus, and transferred ¥8,000 million of other capital surplus to retained earnings brought forward.

(3) Analysis of business results

1) Net sales

The Group's net sales for the fiscal year under review increased ¥625 million, or 0.7%, from the previous fiscal year to ¥95,912 million due to robust sales of PCBs (printed circuit boards) for automotive products on the back of strong global vehicle demand, as well as favorable sales of PCBs for smartphones mainly in emerging markets, despite an overall slowdown in growth in the global market.

2) Cost of sales and selling, general and administrative expenses

Cost of sales decreased ¥2,275 million, or 2.8%, from the previous fiscal year to ¥79,826 million, reflecting a rise in productivity due to an improvement in product yield, as well as efforts in reduction in fixed costs. As a result, gross profit increased ¥2,900 million, or 22.0%, from the previous fiscal year to ¥16,086 million. The gross margin increased 3.0 percentage points, from the previous fiscal year to 16.8%.

Selling, general and administrative expenses increased ¥437 million, or 4.4%, from the previous fiscal year to ¥10,298 million due to an increase in packing and freight expenses on the back of increased sales.

3) Operating income

Operating income increased ¥2,463 million, or 74.1%, from the previous fiscal year to ¥5,788 million due to increased sales and reduced costs, with an operating margin of 6.0%, up 2.5 percentage points, from the previous fiscal year.

4) Non-operating income and non-operating expenses

Non-operating income increased ¥75 million from the previous fiscal year to ¥376 million.

Non-operating expenses decreased ¥934 million from the previous fiscal year to ¥3,184 million.

5) Ordinary income

Ordinary income was ¥2,981 million, compared with an ordinary loss of ¥492 million in the previous fiscal year, due to the posting of higher operating income.

6) Extraordinary income (loss)

Extraordinary loss decreased ¥8,818 million from the previous fiscal year to ¥256 million. This primarily reflected the recording of a net loss on sales and disposal of property, plant and equipment of ¥206 million for the fiscal year under review.

There was no posting of extraordinary income during the fiscal year under review.

7) Profit attributable to owners of parent

The total amount of income taxes–current and income taxes–deferred decreased ¥778 million from the previous fiscal year to ¥940 million.

As a result of the above, the profit attributable to owners of parent was ¥1,767 million, compared with a loss attributable to owners of parent of ¥11,250 million for the previous fiscal year.

(4) Analysis of source of funds and liquidity

1) Cash flows

Cash and cash equivalents (hereafter, "net cash") as of March 31, 2017 decreased ¥2,117 million from the previous fiscal year, to ¥17,196 million.

Cash flows of each category and their causes during the consolidated fiscal year ended March 31, 2017 were as follows.

Net cash provided by operating activities for the fiscal year under review was ¥11,612 million, up ¥1,680 million from the previous fiscal year. Increases were mainly from profit before income taxes of ¥2,726 million, depreciation and amortization of ¥5,508 million, foreign exchange losses of ¥1,236 million, and an increase in trade notes and accounts payable of 2,179 million. The major decrease was an increase in inventories of ¥1,240 million.

Net cash used in investing activities was ¥4,322 million, up ¥2,585 million from the previous fiscal year. The major outflow was ¥3,222 million for the purchase of property, plant and equipment.

Net cash used in financing activities totaled ¥9,030 million (net cash of ¥1,967 million was provided in the previous fiscal year). The major outflows comprised payments for long-term borrowings of ¥11,567 million. The major inflows comprised proceeds from long-term borrowings of ¥3,723 million.

Trends in cash flow indicators of the Group are as follows:

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Equity ratio *(%)*	31.4	26.0	27.3
Market value equity ratio *(%)*	7.9	8.2	22.2
Cash flows versus Interest-bearing debt ratio	27.5	6.1	4.5
Interest coverage ratio *(times)*	2.1	7.8	8.8

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:

1. Each indicator is calculated based on consolidated financial values.
2. 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). Common stocks are subject to the calculation.
3. 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 flows.

2) Financial policy

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

Business Risks

Below are some of the major risks from among those described in the securities report (provided/filed in Japanese only) which may significantly affect any decisions made by investors.
Forward-looking statements are based on the Group's best judgment during the consolidated fiscal year under review.

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

The Group's major customers are manufacturers of automobile electronic control equipment, communications equipment and devices, digital household appliances, and personal computers, among others. The Group's major business is the manufacture and sale of PCBs, which are parts that constitute a core function of finished products. Should a natural disaster or global economic turmoil occur and thus 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 impact the volume of orders 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 investment 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 manufacturers change strategies or the Group's capital investments become excessive upon a downturn in the economy, or the operation of new facilities be delayed, factors such as the burden of depreciation costs could adversely affect the Group's business results and financial position.

(3) Possibility of product defects

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

(4) Technological development and price competition

Although the Group expects long-term expansion of demand for PCBs due to the worldwide spread of digital household appliances and the further advancement of electronic automobile components, to address intensifying global competition stemming from downward pressure on prices from Southeast Asia, Japanese manufacturers need to differentiate their products by adding more value. To this end, the Group is developing technologies such as element technologies to make wires thinner and hole diameters smaller, as well as cost-reduction technologies. However, should such technologies diverge from market needs and not be accepted, the Group may get embroiled in a price war, which could affect its business performance.

(5) Impact of disasters

The Group's major manufacturing bases are the Fukushima Factory, the Yamagata Factory (Yamagata Meiko Electronics Co., Ltd.) and the Ishinomaki Branch Factory (Yamagata Meiko Electronics Co., Ltd.), which are all located in the Tohoku region. The Group endeavors to prevent damage from natural disasters by securing the safety of its employees and protecting facilities against earthquakes and tsunami. However, the Great East Japan Earthquake and subsequent 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 could adversely affect the Company's business performance again, despite the fact that we reviewed our risk management system following the disaster.

In addition, although the Group conducts regular inspections and maintenance works on its production equipment in manufacturing bases inside and outside Japan and strives to minimize the occurrence of fire, equipment failures, accidents, etc. which may result in the suspension of line operations, there is no guarantee that these will be prevented or reduced completely.

Should production and shipping be suspended for a long period of time due to these factors, the Group's business performance and financial position could be adversely affected.

(6) Potential risks inherent in plant operations in China and Vietnam

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

The following difficulties might occur in these countries:

1: Hygiene-related issues such as infectious diseases
2: Change or introduction of environmental regulations, 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, economic situation or environmental regulations occur, the Group's business performance and financial position could be adversely affected as a result of the issues which might arise in the management of production facilities and equipment and in the execution of other operations, or a large amount of liabilities or obligations associated with the compliance of environmental conservation and other regulations.

(7) Foreign currency exchange rate fluctuation risk

To operate plants in China and Vietnam, 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 in prices of crude oil, copper, gold, etc., 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 made aggressive capital investments of amounts higher than the funds it has acquired from operating activities to prepare for the anticipated medium- and long-term increase in demand for digital household appliances and automobiles, as well as responses to new products in line with technological innovation.
As a result, the ratio of borrowings to total assets as of March 31, 2017, was 46.8%. Should we make further aggressive capital investments to fulfill our business strategies, an increase in borrowings and/or interest rates could affect the Group's business performance and financial position.

(10) Intellectual property rights

The Group recognizes intellectual properties as its significant management resources and seeks to acquire intellectual property rights by applying for patents, etc. for proprietary technologies, etc. developed by the Group with the aim of protecting intellectual properties. However, not all applications may be approved and it is also possible that obtained rights may be rendered void due to objections by third parties. Although the Company's responsible department manages obtained intellectual properties and pays attention to violation of rights by external parties, anticipated profits could be lost in the event of illegal use, etc.
Meanwhile, should a lawsuit be filed against the Group with regard to a violation of intellectual property rights of third parties, the Group's business performance and financial position could be adversely affected as a result of the compensation or damages paid to customers due to the suspension of production and payment of license fees, etc., related to patent use in order to resume production.

(11) Risks associated with production activities

The Group may continue to build new plants or establish new production lines in order to expand its production capacity in the future in accordance with demand of major customers around the world. However, should such construction works be delayed or new production lines not launched smoothly, it could result in a delay in delivery of products to customers or a decline in plant productivity, and the subsequent drop in sales might adversely affect the Group's business performance.

Consolidated Financial Statements

Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
A S S E T S	**2017**	2016	**2017**
Current Assets:			
Cash and cash equivalents (Note 12)	**¥ 17,196**	¥ 19,313	**$ 153,276**
Receivables －			
Trade notes and accounts receivable (Note 12)	**22,035**	21,759	**196,408**
Other receivables	**873**	1,399	**7,778**
Less: Allowance for doubtful accounts	**(17)**	(24)	**(149)**
Inventories －			
Merchandise and finished goods	**4,550**	3,855	**40,552**
Work in process	**3,390**	3,263	**30,217**
Raw materials and supplies	**4,587**	4,497	**40,888**
Deferred tax assets (Note 11)	**256**	44	**2,278**
Other (Note 12)	**1,531**	1,224	**13,650**
Total current assets	**54,401**	55,330	**484,898**
Property, Plant and Equipment, at Cost:			
Land	**1,488**	1,488	**13,266**
Buildings and structures	**35,582**	36,677	**317,160**
Machinery and vehicles	**66,818**	69,542	**595,583**
Leased assets	**6,145**	5,363	**54,772**
Construction in progress	**1,117**	1,735	**9,959**
Other	**3,896**	3,835	**34,720**
	115,046	118,640	**1,025,460**
Less: Accumulated depreciation	**(69,291)**	(67,906)	**(617,621)**
Net property, plant and equipment	**45,755**	50,734	**407,839**
Intangible Assets	**220**	213	**1,959**
Investments and Other Assets:			
Investment securities (Notes 3 and 12)	**1,003**	872	**8,945**
Long-term loans receivable	**25**	51	**220**
Deferred tax assets (Note 11)	**798**	1,027	**7,117**
Other	**1,591**	1,397	**14,179**
Less: Allowance for doubtful accounts	**(215)**	(19)	**(1,915)**
Total investments and other assets	**3,202**	3,328	**28,546**
Total	**¥ 103,578**	¥ 109,605	**$ 923,242**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS		Millions of yen 2017		2016		Thousands of U.S. dollars (Note 1) 2017
Current Liabilities:						
Trade notes and accounts payable (Note 12)	¥	**13,195**	¥	11,605	$	**117,611**
Short-term borrowings (Notes 4 and 12)		**12,292**		12,613		**109,567**
Current portion of long-term borrowings (Notes 4 and 12)		**12,323**		11,746		**109,840**
Income taxes payable (Note 11)		**210**		147		**1,875**
Accrued bonuses		**547**		495		**4,872**
Accrued bonuses to directors and corporate auditors		**40**		-		**357**
Lease obligations (Notes 4 and 12)		**1,288**		577		**11,480**
Other (Notes 4, 11 and 12)		**5,110**		4,807		**45,547**
Total current liabilities		**45,005**		41,990		**401,149**
Long-term Liabilities:						
Long-term borrowings (Notes 4 and 12)		**23,893**		32,254		**212,968**
Lease obligations (Notes 4 and 12)		**2,483**		2,140		**22,131**
Provision for directors' retirement benefits		**239**		239		**2,130**
Net defined benefit liability (Note 5)		**2,699**		2,287		**24,059**
Other (Note 11)		**719**		1,931		**6,414**
Total long-term liabilities		**30,033**		38,851		**267,702**
Commitments and Contingent Liabilities (Note 8) :						
Net Assets (Note 6):						
Shareholders' Equity:						
Common stock:						
Authorized:						
70,000,000 shares in 2017 and 2016						
Issued:						
26,803,320 shares in 2017 and 2016						
Preferred stock:						
Authorized:						
50 shares in 2017 and 2016						
Issued:						
50 shares in 2017 and 2016		**12,889**		12,889		**114,881**
Capital surplus		**11,745**		19,745		**104,697**
Retained earnings (accumulated deficit)		**1,932**		(7,660)		**17,225**
Less: Treasury stock, at cost; Common stock, 629,244 shares in 2017 and 2016		**(396)**		(396)		**(3,533)**
Total shareholders' equity		**26,170**		24,578		**233,270**
Accumulated Other Comprehensive Income:						
Unrealized gains on available-for-sale securities		**85**		32		**760**
Deferred gains (losses) on hedges		**59**		(337)		**522**
Foreign currency translation adjustments		**2,438**		4,476		**21,728**
Remeasurements of defined benefit plans (Note 5)		**(470)**		(246)		**(4,185)**
Total accumulated other comprehensive income		**2,112**		3,925		**18,825**
Non-controlling interests		**258**		261		**2,296**
Total net assets		**28,540**		28,764		**254,391**
Total	¥	**103,578**	¥	109,605	$	**923,242**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	**2017**
Net Sales	**¥ 95,912**	¥ 95,287	¥ 90,895	**$ 854,905**
Cost of Sales (Note 9)	**79,826**	82,101	83,063	**711,524**
Gross profit	**16,086**	13,186	7,832	**143,381**
Selling, General and Administrative Expenses (Note 9)	**10,298**	9,861	10,698	**91,786**
Operating income (loss)	**5,788**	3,325	(2,866)	**51,595**
Other Income (Expenses):				
Interest expense, net	**(1,329)**	(1,262)	(1,027)	**(11,850)**
Dividend income	**23**	24	21	**205**
Foreign exchange gain (loss)	**(702)**	(1,818)	5,051	**(6,259)**
Net loss on sales and disposal of property, plant and equipment (Note 10)	**(206)**	(376)	(480)	**(1,838)**
Subsidy income	**106**	71	39	**947**
Compensation income (Note 14)	**-**	13	258	**-**
Gain on liquidation of subsidiaries	**-**	8	-	**-**
Insurance income	**70**	40	39	**627**
Impairment loss (Note 7)	**(11)**	(7,978)	(8,821)	**(94)**
Provision of allowance for investment loss	**-**	-	(332)	**-**
Loss on valuation of derivatives	**(978)**	-	-	**(8,715)**
Gain on sales of scraps	**45**	30	35	**401**
Other, net	**(80)**	(1,610)	(277)	**(724)**
Total	**(3,062)**	(12,858)	(5,494)	**(27,300)**
Income (Loss) before Income Taxes	**2,726**	(9,533)	(8,360)	**24,295**
Income Taxes (Note 11):				
Current	**916**	453	1,166	**8,159**
Deferred	**24**	1,265	47	**217**
Total income taxes	**940**	1,718	1,213	**8,376**
Net income (Loss)	**1,786**	(11,251)	(9,573)	**15,919**
Net Income (Loss) attributable to non-controlling interests	**19**	(1)	-	**168**
Net Income (Loss) attributable to owners of the Company	**¥ 1,767**	¥ (11,250)	¥ (9,573)	**$ 15,751**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Net income (loss) per share				
Basic	**¥ 54.14**	¥ (429.83)	¥ (365.76)	**$ 0.48**
Diluted	**44.06**	-	-	**0.39**
Cash dividends applicable to the year	**10.00**	-	-	**0.09**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	**2017**
Net Income (Loss)	**¥ 1,786**	¥ (11,251)	¥ (9,573)	**$ 15,919**
Other Comprehensive Income (Note 15):				
Unrealized gains (losses) on available-for-sale securities	**53**	(98)	33	**471**
Deferred gains (losses) on hedges	**396**	(175)	(80)	**3,526**
Foreign currency translation adjustments	**(2,043)**	(3,094)	3,688	**(18,209)**
Remeasurements of defined benefit plans	**(224)**	(91)	(22)	**(1,991)**
Total other comprehensive income	**(1,818)**	(3,458)	3,619	**(16,203)**
Comprehensive Income	**¥ (32)**	¥ (14,709)	¥ (5,954)	**$ (284)**
Comprehensive Income Attributable to:				
Owners of the Company	**¥ (46)**	¥ (14,709)	¥ (5,954)	**$ (409)**
Non-controlling interests	**14**	(0)	-	**125**

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, 2017, 2016 and 2015

Millions of yen

	Shareholders' Equity: Common Stock: Number of Shares	Shareholders' Equity: Common Stock: Amount	Shareholders' Equity: Preferred Stock: Number of Shares	Shareholders' Equity: Preferred Stock: Amount	Shareholders' Equity: Capital Surplus	Shareholders' Equity: Retained Earnings	Shareholders' Equity: Treasury Stock at cost; Common Stock	Shareholders' Equity: Total Shareholders' Equity	Accumulated Other Comprehensive Income: Unrealized Gains (Losses) on Available-for-sale Securities	Accumulated Other Comprehensive Income: Deferred Gains (Losses) on Hedges	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income: Remeasurements of Defined Benefit Plans	Accumulated Other Comprehensive Income: Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance at March 31, 2014	26,803,320	¥ 12,889	-	¥ -	¥ 14,810	¥ 13,756	¥ (396)	¥ 41,059	¥ 98	¥ (82)	¥ 3,766	¥ (133)	¥ 3,649	¥ -	¥ 44,708
Net loss attributable to owners of the Company	-	-	-	-	-	(9,573)	-	(9,573)	-	-	-	-	-	-	(9,573)
Cash dividends paid	-	-	-	-	-	(131)	-	(131)	-	-	-	-	-	-	(131)
Net increase (decrease)	-	-	-	-	-	-	-	-	33	(80)	3,688	(22)	3,619	-	3,619
Balance at March 31, 2015	26,803,320	¥ 12,889	-	¥ -	¥ 14,810	¥ 4,052	¥ (396)	¥ 31,355	¥ 131	¥ (162)	¥ 7,454	¥ (155)	¥ 7,268	¥ -	¥ 38,623
Net loss attributable to owners of the Company	-	-	-	-	-	(11,250)	-	(11,250)	-	-	-	-	-	-	(11,250)
Issuance of new shares	-	-	50	2,500	2,500	-	-	5,000	-	-	-	-	-	-	5,000
Transfer to capital surplus from preferred stock	-	-	-	(2,500)	2,500	-	-	-	-	-	-	-	-	-	-
Change of scope of consolidation	-	-	-	-	-	(462)	-	(462)	-	-	-	-	-	-	(462)
Change of scope of consolidation - foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	-	116	-	116	-	116
Sales of shares of consolidated subsidiaries	-	-	-	-	(65)	-	-	(65)	-	-	-	-	-	262	197
Net increase (decrease)	-	-	-	-	-	-	-	-	(99)	(175)	(3,094)	(91)	(3,459)	(1)	(3,460)
Balance at March 31, 2016	26,803,320	¥ 12,889	50	¥ -	¥ 19,745	¥ (7,660)	¥ (396)	¥ 24,578	¥ 32	¥ (337)	¥ 4,476	¥ (246)	¥ 3,925	¥ 261	¥ 28,764
Net income attributable to owners of the Company	-	-	-	-	-	**1,767**	-	**1,767**	-	-	-	-	-	-	**1,767**
Deficit disposition	-	-	-	-	**(8,000)**	**8,000**	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	**(175)**	-	**(175)**	-	-	-	-	-	-	**(175)**
Net increase (decrease)	-	-	-	-	-	-	-	-	**53**	**396**	**(2,038)**	**(224)**	**(1,813)**	**(3)**	**(1,816)**
Balance at March 31, 2017	**26,803,320**	**¥ 12,889**	**50**	**¥ -**	**¥ 11,745**	**¥ 1,932**	**¥ (396)**	**¥ 26,170**	**¥ 85**	**¥ 59**	**¥ 2,438**	**¥ (470)**	**¥ 2,112**	**¥ 258**	**¥ 28,540**

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity: Common Stock	Shareholders' Equity: Preferred Stock	Shareholders' Equity: Capital Surplus	Shareholders' Equity: Retained Earnings	Shareholders' Equity: Treasury Stock at cost; Common Stock	Shareholders' Equity: Total Shareholders' Equity	Accumulated Other Comprehensive Income: Unrealized Gains (Losses) on Available-for-sale Securities	Accumulated Other Comprehensive Income: Deferred Gains (Losses) on Hedges	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income: Remeasurements of Defined Benefit Plans	Accumulated Other Comprehensive Income: Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance at March 31, 2016	$ 114,881	$ -	$ 176,004	$ (68,273)	$ (3,533)	$ 219,079	$ 290	$ (3,004)	$ 39,894	$ (2,194)	$ 34,986	$ 2,323	$ 256,388
Net income attributable to owners of the Company	-	-	-	**15,751**	-	**15,751**	-	-	-	-	-	-	**15,751**
Deficit disposition	-	-	**(71,307)**	**71,307**	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	**(1,560)**	-	**(1,560)**	-	-	-	-	-	-	**(1,560)**
Net increase (decrease)	-	-	-	-	-	-	**470**	**3,526**	**(18,166)**	**(1,991)**	**(16,161)**	**(27)**	**(16,188)**
Balance at March 31, 2017	**$ 114,881**	**$ -**	**$ 104,697**	**$ 17,225**	**$ (3,533)**	**$ 233,270**	**$ 760**	**$ 522**	**$ 21,728**	**$ (4,185)**	**$ 18,825**	**$ 2,296**	**$ 254,391**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	**2017**
Operating Activities:				
Income (loss) before income taxes	¥ **2,726**	¥ (9,533)	¥ (8,360)	$ **24,295**
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**5,508**	6,471	7,186	**49,096**
Impairment loss	**11**	7,978	8,821	**94**
Increase in allowance for doubtful accounts	**189**	7	0	**1,686**
Increase (decrease) in allowance for investment loss	**-**	(361)	332	**-**
Increase in net defined benefit liability	**189**	124	182	**1,681**
Increase (decrease) in accrued bonuses	**52**	35	(41)	**463**
Increase in accrued bonuses to directors and corporate auditors	**40**	-	-	**357**
Decrease in provision for directors' retirement benefits	**-**	-	(22)	**-**
Interest income and dividend income	**(52)**	(51)	(55)	**(462)**
Interest expenses	**1,358**	1,287	1061	**12,107**
Foreign exchange gain (loss)	**1,236**	2,141	(4,167)	**11,018**
Loss on valuation of derivatives	**978**	-	-	**8,715**
Net loss on sales and disposal of property, plant and equipment	**206**	376	480	**1,838**
Compensation income	**-**	(13)	(258)	**-**
Gain on liquidation of subsidiaries	**-**	(8)	-	**-**
Decrease (increase) in trade notes and accounts receivable	**7**	129	(3,173)	**65**
Decrease (increase) in inventories	**(1,240)**	1,153	(515)	**(11,050)**
Increase (decrease) in trade notes and accounts payable	**2,179**	(31)	1,281	**19,423**
Decrease (increase) in other assets	**(399)**	894	(36)	**(3,560)**
Increase (decrease) in other liabilities	**651**	(1,090)	1,239	**5,805**
Other	**(19)**	1,468	61	**(160)**
Subtotal	**13,620**	10,976	4,016	**121,411**
Interest and dividend received	**52**	51	55	**462**
Interest paid	**(1,312)**	(1,275)	(1,073)	**(11,696)**
Proceeds from compensation income	**-**	13	258	**-**
Proceeds from insurance income	**70**	1,764	-	**627**
Payments for business structure improvement	**(22)**	(600)	-	**(199)**
Income taxes refund	**124**	-	-	**1,102**
Income taxes paid	**(920)**	(997)	(1,018)	**(8,200)**
Net cash provided by operating activities	**11,612**	9,932	2,238	**103,507**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(3,222)**	(2,395)	(6,146)	**(28,717)**
Proceeds from sales of property, plant and equipment	**24**	75	48	**210**
Payments for purchases of intangible assets	**(90)**	(46)	(68)	**(806)**
Proceeds from liquidation of subsidiaries and affiliates	**-**	524	-	**-**
Payments for purchases of investment securities	**(55)**	(10)	(969)	**(493)**
Payments for insurance policies	**(5)**	(5)	(8)	**(44)**
Payments for derivatives settlement	**(954)**	-	-	**(8,498)**
Proceeds from maturity of insurance funds	**-**	-	92	**-**
Other, net	**(20)**	120	65	**(173)**
Net cash used in investing activities	**(4,322)**	(1,737)	(6,986)	**(38,521)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**(578)**	(87)	3,609	**(5,151)**
Proceeds from long-term borrowings	**3,723**	12,627	14,805	**33,188**
Payments for long-term borrowings	**(11,567)**	(14,328)	(12,860)	**(103,108)**
Proceeds from issuance of common stock	**-**	4,812	-	**-**
Repayments of lease obligations	**(1,221)**	(695)	(85)	**(10,884)**
Proceeds from sales and leasebacks transactions	**805**	-	-	**7,176**
Payments for installment liabilities	**-**	(559)	(477)	**-**
Cash dividends paid	**(175)**	(0)	(131)	**(1,560)**
Dividends paid to non-controlling interests	**(17)**	-	-	**(152)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**-**	197	-	**-**
Other	**-**	-	0	**-**
Net cash provided by (used in) financing activities	**(9,030)**	1,967	4,861	**(80,491)**

See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2017	2016	2015	**2017**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(377)**	(704)	619	**(3,364)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(2,117)**	9,458	732	**(18,869)**
Cash and Cash Equivalents at Beginning of Year	**19,313**	9,491	8,759	**172,145**
Increase in Cash and Cash Equivalents resulting from Change of Scope of Consolidation (Note 16)	**-**	364	-	**-**
Cash and Cash Equivalents at End of Year	**¥ 17,196**	¥ 19,313	¥ 9,491	**$ 153,276**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2017, 2016 and 2015

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.
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 denominated 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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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 of exchange.

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 12 subsidiaries (together, the "Group").
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. Investments in certain unconsolidated subsidiaries are accounted for by cost method due to immateriality in view of consolidation.

(b) Equity Method

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. However, certain investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method and are stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial.

(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 which matures or becomes 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 the consolidated statements of operations.
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 prepared by consolidated overseas subsidiaries are presented in net assets in the consolidated balance sheets.

(e) Inventories

Inventories are stated at cost, determined by the first-in-first-out method. However, they are written down based on decreased profitability where appropriate.

(f) Depreciation and Amortization (excluding leased assets)

Depreciation of property, plant and equipment for the Company and its domestic subsidiaries is computed mainly by the declining-balance method. Buildings (excluding facilities attached to buildings), which were acquired since April 1, 1998 and facilities attached to buildings and structures, which were acquired on or after April 1, 2016 are computed by the straight-line method.
Certain buildings and property, plant and equipments for overseas subsidiaries are computed by the straight-line method.
The ranges of useful lives are summarized as follows:

Buildings and structures	2 - 47 years
Machinery and vehicles	2 - 10 years

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).

(Change in accounting policies)
Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No.32, June 17, 2016 (hereinafter, "PITF No.32")) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining balance method to the straight-line method.
The impact of this change on profit or loss for the year ended March 31, 2017, was immaterial.

(Change in accounting estimates)
The useful lives of machinery of the Company and consolidated domestic subsidiaries were fundamentally reviewed upon renewal of machineries for the purpose of more suited depreciation which reflect the actual situation of use.
Accordingly, useful lives were changed from 6 to 10 years from the year ended March 31, 2016. As a result of this change, operating income increased by ¥117 million and loss before income taxes decreased by the same amounts for the year ended March 31, 2016.

(g) Leased assets

Leased property under finance lease arrangements which transfer ownership of the leased property to the lessee is depreciated in the same method as the one applied to property, plant and equipment owned by the Company. Leased property under finance lease arrangements which do not transfer ownership of the leased property to the lessee is capitalized to recognize leased assets and lease obligations in the balance sheets and depreciated over the lease term of the respective assets with zero residual value.

(h) 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.

(i) Accrued Bonuses

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

(j) Accrued bonuses to directors

The Company provides allowance for directors' accrued bonuses based on the estimated amounts at the balance sheet date.

(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.

(m) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 tax assets are measured by applying currently enacted tax laws to the temporary differences.

(n) 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 transactions arising from derivative except for hedge purposes are recognized in the consolidated statements of operations 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.

(o) Retirement Benefits for Employees

The benefit formula method is used as a method of attributing expected benefits to the periods through the end of the fiscal year in calculating projected benefit obligation.
Actuarial gain or loss is amortized using the declining balance method over 10 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.
Past service cost is amortized using the straight-line method over 10 years, which is less than the average remaining years of service of the employees.
Certain consolidated subsidiaries apply the simplified method in which the retirement benefit amount required for voluntary termination at year-end is deemed a projected benefit obligation for the calculation of liability associated with retirement and retirement benefit expenses.

(p) 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.

(q) Appropriations of Retained Earnings

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

(r) 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.
Net income (loss) per share is computed by dividing net income (loss) attributable to common shareholders of the Company by the weighted-average number of common shares outstanding for the period.
The diluted net income per share is omitted as the Company was in net loss for the years ended March 31, 2016 and 2015.

(s) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Accounting Standards Board of Japan has issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.
(1) Goodwill not subjected to amortization
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets

(t) Application of "Revised Accounting Standards regarding Business Combinations"

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards") from the year ending 2016. As a result, the Company □ changed its accounting policies to recognize in capital surplus the differences arising from changes in the Company's ownership interest of subsidiaries □ over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred.
In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.
The Company also changed the presentation of net income and of the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the year ending 2016 presentation.
With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the year ending 2016 that resulted from the retrospective application of the new accounting policies for all of the previous fiscal years.
As a result of these changes, capital surplus as of March 31, 2016 decreased by ¥64 million.
In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities".
The effects on earnings per share are immaterial.

(u) Application of New and Amended Standards and Interpretations

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")) from the current fiscal 2017.

(v) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2017.

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, 2017 and 2016 are as follows:

	2017					
	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	¥ 327	¥ 130	¥ 197	$ 2,919	$ 1,163	$ 1,756
Other	63	56	7	561	493	68
Securities whose carrying value doesn't exceed their acquisition cost:						
Equity securities	472	553	(81)	4,208	4,933	(725)
Total	¥ 862	¥ 739	¥ 123	$ 7,688	$ 6,589	$ 1,099

	2016		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 230	¥ 126	¥ 104
Securities whose carrying value doesn't exceed their acquisition cost:			
Equity securities	500	557	(57)
Total	¥ 730	¥ 683	¥ 47

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2017 and 2016 are described in Note 12.

There were no impairment losses for the year ended March 31, 2017.
The Company recognized impairment losses of ¥361 million and ¥24 million on available-for-sale securities during the years ended March 31, 2016 and 2015.

4. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2017 and 2016 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term borrowings with average interest rate of 2.64% for 2017 and 2.08% for 2016	¥ 12,292	¥ 12,613	$ 109,567
Current portion of long-term borrowings with average interest rate of 2.23% for 2017 and 1.71% for 2016	12,323	11,746	109,840
Current portion of lease obligations	1,288	577	11,480
Current portion of other liabilities with average interest rate of 0.56% for 2017 and 1.79% for 2016	476	528	4,241
Total short-term	26,379	25,464	235,128
Long-term borrowings with average interest rate of 2.50% for 2017 and 1.98% for 2016, less current portion	23,893	32,254	212,968
Lease obligations, less current portion	2,483	2,140	22,131
Long-term other payable, less current portion with average interest rate of 1.88% for 2016	-	960	-
Total long-term	26,376	35,354	235,099
Total	¥ 52,755	¥ 60,818	$ 470,227

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances at March 31, 2017 and 2016.
Average interest rate of lease obligations are not disclosed since the amount equivalent to interest expense included in total lease payments is allocated over the lease term using the straight-line method.
Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances at April 1, 2016 and March 31, 2017.

The aggregate annual maturities of long-term debt as of March 31, 2017 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 12,323	$ 109,840
2019	9,443	84,164
2020	7,170	63,911
2021	4,093	36,482
2022 and thereafter	3,187	28,411
Total	¥ 36,216	$ 322,808

The aggregate annual maturities of lease obligations as of March 31, 2017 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 1,288	$ 11,480
2019	1,087	9,687
2020	607	5,410
2021	346	3,088
2022 and thereafter	443	3,946
Total	¥ 3,771	$ 33,611

Financial covenants

For the year ended March 31, 2017
Short-term borrowings and long-term borrowings including the current portion amounting to ¥31,135 million ($277,519 thousand) include certain financial covenants which forfeit the benefit of term with regard to the debts on certain loan agreement in the event the Company is in breach of either of the following covenants (stricter covenants are described if there are several covenants).
(1) For each fiscal year, ordinary losses shall not be recorded on the consolidated statement of operations under Japanese GAAP for two consecutive years.
(2) Total net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at least higher of either (i) ¥21,962 million ($195,757 thousand), or (ii) 80% of the total net assets recorded on the consolidated balance sheet as of the end of the previous fiscal year.
(3) The total amount of interest bearing debts on the consolidated balance sheet at each fiscal year-end shall be lower than the amount equivalent to the net sales on the consolidated statement of operations for that fiscal year divided by 12 and multiplied by 8.

For the year ended March 31, 2016
Short-term borrowings and long-term borrowings including the current portion amounting to ¥36,060 million include certain financial covenants which forfeit the benefit of term with regard to the debts on certain loan agreement in the event the Company is in breach of either of the following covenants (stricter covenants are described if there are several covenants).
(1) For each fiscal year, ordinary losses shall not be recorded on the consolidated statement of operations under Japanese GAAP for two consecutive years.
(2) Total net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at least higher of either (i) ¥21,962 million, or (ii) 80% of the total net assets recorded on the consolidated balance sheet as of the end of the previous fiscal year (except for the year ended March 31, 2016).
(3) The total amount of interest bearing debts on the consolidated balance sheet at each fiscal year-end shall be lower than the amount equivalent to the net sales on the consolidated statement of operations for that fiscal year divided by 12 and multiplied by 8.

5. Retirement Benefits

The Company and some of its consolidated subsidiaries provide a lump-sum retirement plan as defined benefit pension plan for employees' retirement benefits.
Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and benefit costs for their lump-sum retirement plans.
In addition to the above, until March 31, 2017, the Company and certain domestic consolidated subsidiaries also used to contribute to a multi-employer pension plan (the Social Welfare Pension Fund of Nippon Electronic Circuits (the "Fund")), however, related benefit obligation, plan assets and benefit costs were excluded from the following calculation because it is not possible to reasonably calculate the plan assets that correspond to the contribution by the Company.

The Fund dissolved on March 31, 2017. To compensate for the benefits from the Fund, the retirement benefits policy was revised and the calculation method of the basis for the retirement benefits was changed as of April 1, 2017. Also, an optional defined contribution plan was implemented as of April 1, 2017 which became to be regarded as part of the retirement benefits policy.

Defined benefit pension plans, except plan applying the simplified method

(1) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	¥ **1,775**	¥ 1,674	$ **15,823**
Service cost	**142**	144	**1,266**
Interest cost	**5**	11	**47**
Actuarial loss	**(35)**	61	**(311)**
Benefits paid	**(60)**	(99)	**(533)**
Past service cost	**307**	-	**2,737**
Other (decrease due to employment transfer)	**8**	(16)	**69**
Balance at end of year	¥ **2,142**	¥ 1,775	$ **19,098**

(2) Reconciliation from projected benefit obligations to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unfunded projected benefit obligations	¥ **2,142**	¥ 1,775	$ **19,098**
Total liability at end of year	¥ **2,142**	¥ 1,775	$ **19,098**
Net defined benefit liability	¥ **2,142**	¥ 1,775	$ **19,098**
Total liability at end of year	¥ **2,142**	¥ 1,775	$ **19,098**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	¥ **142**	¥ 144	$ **1,266**
Interest cost	**5**	11	**47**
Amortization of actuarial loss	**41**	36	**363**
Amortization of past service cost	**8**	8	**72**
Total benefit costs	¥ **196**	¥ 199	$ **1,748**

(4) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Past service cost	¥ **299**	¥ (8)	$ **2,665**
Actuarial loss	**(75)**	25	**(674)**
Total	¥ **224**	¥ 17	$ **1,991**

(5) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized past service cost	¥ **348**	¥ 49	$ **3,099**
Unrecognized actuarial loss	**122**	197	**1,086**
Total	¥ **470**	¥ 246	$ **4,185**

(6) Actuarial assumptions

	2017	2016
Discount rate	**0.4%**	0.3%

Defined benefit pension plan applying the simplified method

(1) Movement in net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 512**	¥ 472	**$ 4,563**
Benefit costs	**83**	83	**742**
Benefits paid	**(28)**	(57)	**(254)**
Increase due to employment transfer	**(8)**	16	**(69)**
Others	**(2)**	(2)	**(21)**
Balance at end of year	**¥ 557**	¥ 512	**$ 4,961**

(2) Reconciliation from projected benefit obligations to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unfunded projected benefit obligations	**¥ 557**	¥ 512	**$ 4,961**
Total liability at end of year	**¥ 557**	¥ 512	**$ 4,961**
Net defined benefit liability	**¥ 557**	¥ 512	**$ 4,961**
Total liability at end of year	**¥ 557**	¥ 512	**$ 4,961**

(3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Retirement benefit costs calculated using the simplified method	**¥ 83**	¥ 83	**$ 742**
Total costs at end of year	**¥ 83**	¥ 83	**$ 742**

Multi-employer pension plan

The amount required to contribute to the multi-employer pension plan which is accounted for in the same way as defined contribution plans is ¥45 million ($402 thousand) and ¥90 Million for the years ended March 31, 2017 and 2016, respectively.

	Millions of yen	
(1) Funded status	2016	2015
Fair value of plan assets	¥ -	¥ 67,202
Total amount of pension benefit obligation recorded by pension fund and minimum actuarial reserve	-	65,969
Funded status	¥ -	¥ 1,233

The above funded status is presented based on the most recent available information (as of March 31, 2016 and 2015 for fiscal 2017 and 2016, respectively).

(2) Contribution share ratio of the Company

	2016	2015
Contribution share ratio	- %	6.80%

Note: The above ratio does not match the Group's actual share ratio.

(3) Supplementary information
As of March 31, 2016, the difference is not disclosed because it was settled as described below.

As of March 31, 2015, the difference described in (1) above was calculated by the sum of the balance of the unamortized past service cost of ¥ 1,940 million, accumulated deficit of the fund of ¥ (707) million and the past service cost is amortized equally over a remaining period of 6 years and 1 month.

(Dissolution of the Social Welfare Pension Fund)
The Social Welfare Pension Fund of Nippon Electronic Circuits (the “Fund”) that the Company and certain domestic consolidated subsidiaries had joined dissolved on March 31, 2017 under the approval of Minister of Health, Labour and Welfare. Accordingly, it is under liquidation process as of March 31, 2017.
No additional burdens to the Company are expected in relation to the dissolution of the Fund.

6. 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.

7. Impairment loss

Impairment losses recognized for the year ended March 31, 2017 are omitted due to their immateriality.

Impairment losses recognized for the years ended March 31, 2016 and 2015 are as follows:

Use	Type of assets	Location		Millions of yen 2016
Business assets	Buildings and structures and Machinery and vehicles, etc.	Ishinomaki, Miyagi, Japan	¥	998
Business assets	Buildings and structures and Machinery and vehicles, etc.	Hanoi, Vietnam		6,980
Total			¥	7,978

The Group carries out grouping mainly based on each plant for business assets.
For the year ended March 31, 2016, the Group recognized impairment losses of ¥7,978 million due to decline in profitability, which resulted in decreasing the book values of such assets to recoverable amounts.
Impairment losses comprise of ¥3,161 million for Buildings and structures, ¥3,327 million for Machinery and vehicles, ¥837 million for Construction in progress, ¥213 million for Land and ¥440 million for others.
The recoverable value of this assets group was measured based on the higher of net selling price or the value in use.
The net selling price is computed based on the fixed asset tax valuation with reasonable adjustments.
The value in use is computed based on the future cash flow discounted at 14.0%.

Use	Type of assets	Location		Millions of yen 2015
Business assets	Buildings and structures and Machinery and vehicles, etc.	Wuhan, Hubei, China	¥	4,244
Business assets	Buildings and structures and Machinery and vehicles, etc.	Hanoi, Vietnam		4,508
Idle assets	Machinery and vehicles	Yamato, Kanagawa, Japan		69
Total			¥	8,821

The Group carries out grouping mainly based on each plant for business assets and based on each asset for idle assets.
For the year ended March 31, 2015, the Group recognized impairment losses of ¥8,821 million due to decline in profitability, which resulted in decreasing the book values of such assets to recoverable amounts for business assets and to the net selling price for idle assets.
Impairment losses comprise of ¥3,448 million for Buildings and structures, ¥4,551 million for Machinery and vehicles, ¥460 million for Construction in progress and ¥362 million for others.

8. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Trade notes discounted	¥ **43**	¥ 55	$ **386**

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥743 million ($6,621 thousand), ¥828 million and ¥908 million for the years ended March 31, 2017, 2016 and 2015, respectively.

10. 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, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars
Gain:	**2017**	2016	2015	**2017**
Buildings and structures	¥ **-**	¥ -	¥ -	$ **-**
Machinery and vehicles	**-**	4	0	**-**
Land	**-**	-	-	**-**
Construction in progress	**-**	-	3	**-**
Others	**-**	8	0	**-**
Total gain	**-**	12	3	**-**
Loss:				
Buildings and structures	**(4)**	(4)	(12)	**(31)**
Machinery and vehicles	**(139)**	(365)	(266)	**(1,240)**
Land	**-**	(0)	(0)	**-**
Construction in progress	**(38)**	-	(84)	**(340)**
Intangible assets	**(24)**	-	(114)	**(212)**
Others	**(1)**	(19)	(7)	**(15)**
Total loss	**(206)**	(388)	(483)	**(1,838)**
Net loss	¥ **(206)**	¥ (376)	¥ (480)	$ **(1,838)**

11. 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 30.8%, 32.2% and 35.6% for the years ended March 31, 2017, 2016 and 2015, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred Tax Assets:			
Elimination of unrealized profits	¥ **38**	¥ 25	$ **337**
Accrued bonuses	**171**	161	**1,521**
Net defined benefit liability	**693**	635	**6,179**
Provision for directors' retirement benefits	**73**	73	**651**
Accrued enterprise tax	**21**	16	**187**
Allowance for doubtful accounts	**79**	13	**705**
Valuation loss of inventories	**56**	57	**495**
Difference on depreciation period	**482**	598	**4,292**
Impairment loss	**1,690**	1,977	**15,061**
Loss on valuation of investment securities	**60**	60	**537**
Loss on revaluation of golf club memberships	**20**	20	**178**
Tax loss carryforwards	**3,589**	3,269	**31,987**
Deferred losses on hedges	**14**	82	**128**
Deduction of foreign corporation tax carried forward	**341**	179	**3,041**
Other	**58**	57	**524**
Less: valuation allowance	**(6,267)**	(6,141)	**(55,858)**
Total	¥ **1,118**	¥ 1,081	$ **9,965**

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred Tax Liabilities:			
Retained earnings of foreign subsidiaries	¥ **(371)**	(182)	**(3,303)**
Deferred gains on hedges	**(41)**	-	**(363)**
Deferred gains on transfer	**-**	(72)	**-**
Other	**(37)**	(14)	**(339)**
Total	¥ **(449)**	¥ (268)	$ **(4,005)**
Deferred Tax Assets, Net:	¥ **669**	¥ 813	$ **5,960**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for year ended March 31, 2017 is as follows:

	2017
Statutory tax rate	**30.8%**
Expenses not deductible for tax purpose	**0.3%**
Per capita inhabitant tax	**0.5%**
Directors' bonuses	**0.5%**
Tax rate difference in foreign subsidiaries	**(19.5)%**
Retained earnings of foreign subsidiaries	**6.9%**
Foreign tax credit	**6.0%**
Effect of amendments of consolidation	**1.7%**
Valuation allowance	**3.5%**
Other, net	**3.8%**
Actual effective tax rate	**34.5%**

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, 2016 and 2015 are omitted due to pre-tax loss.

12. Financial Instruments

(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 for the production and sales of PCB. Temporary and excessive 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 denominated 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 and lease obligations for finance lease transactions are mainly used for the purpose of financing capital investments.
Some of them 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.
The Group utilizes commodity forward contracts to hedge copper price 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's 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 Finance Dept. 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 13, 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, 2017 and 2016 are as follows:

	2017					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Assets						
Cash and cash equivalents	¥ 17,196	¥ 17,196	¥ -	$ 153,276	$ 153,276	$ -
Time deposits	226	226	-	2,010	2,010	-
Trade notes and accounts receivable	22,035	22,035	-	196,408	196,408	-
Investment securities:						
Available-for-sale securities	862	862	-	7,688	7,688	-
Liabilities						
Trade notes and accounts payable	¥ 13,195	¥ 13,195	¥ -	$ 117,611	$ 117,611	$ -
Short-term borrowings	12,292	12,292	-	109,567	109,567	-
Long-term borrowings	36,216	36,340	124	322,808	323,913	1,105
Lease obligations	3,771	3,803	32	33,611	33,900	289
Long-term other payable	-	-	-	-	-	-
Derivative financial instruments	¥ 61	¥ 61	¥ -	$ 540	$ 540	$ -

	2016		
	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 19,313	¥ 19,313	¥ -
Time deposits	219	219	-
Trade notes and accounts receivable	21,759	21,759	-
Investment securities:			
Available-for-sale securities	730	730	-
Liabilities			
Trade notes and accounts payable	¥ 11,605	¥ 11,605	¥ -
Short-term borrowings	12,613	12,613	-
Long-term borrowings	44,000	44,287	287
Lease obligations	2,717	2,751	34
Long-term other payable	1,488	1,500	12
Derivative financial instruments	¥ (337)	¥ (337)	¥ -

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

Derivative financial instruments are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

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

(i). Cash and cash equivalents, (ii). Time deposits, (iii). Trade 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.
(iv). Investment securities
Fair value of equity securities is based on the quoted price on stock exchange. Please refer to Note 5 regarding the information of the fair value for the investment in securities by classification.
(v). Trade notes and accounts payable, (vi) 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.
(vii). Long-term borrowings, (viii). Lease obligations, (ix).Long-term other payable
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 or the lease contracts. 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.
(x). Derivative transactions
Please refer to Note 13.

(2) Unlisted securities of ¥141 million yen ($1,257 thousand) as of March 31, 2017 and ¥142 million yen as of March 31, 2016 are not included in the above table because the securities do not have fair market values and it is extremely difficult to estimate fair values.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2017 and 2016 is as follows:

	2017			
	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 cash equivalents	¥ **17,196**	¥ **-**	¥ **-**	¥ **-**
Time deposits	**226**	**-**	**-**	**-**
Trade notes and accounts receivable	**22,035**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	¥ **39,457**	¥ **-**	¥ **-**	¥ **-**

	2017			
	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 cash equivalents	$ **153,276**	$ **-**	$ **-**	$ **-**
Time deposits	**2,010**	**-**	**-**	**-**
Trade notes and accounts receivable	**196,408**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	$ **351,694**	$ **-**	$ **-**	$ **-**

	2016			
	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 cash equivalents	¥ 19,313	¥ -	¥ -	¥ -
Time deposits	219	-	-	-
Trade notes and accounts receivable	21,759	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-
Total	¥ 41,291	¥ -	¥ -	¥ -

13. Derivatives

Derivative transactions for which hedge accounting has not been applied for the year ended March 31, 2017 are as follows:

	2017							
	Millions of yen				Thousands of U.S. dollars			
	Contract amount	**Contract amount due after one year**	**Fair value**	**Unrealized loss**	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Unrealized loss**
Forward exchange contracts Buy: U.S. dollars	**¥ 3,343**	**¥ -**	**¥ (24)**	**¥ (24)**	**$ 29,800**	**$ -**	**$ (217)**	**$ (217)**

Fair value is based on the prices obtained from forward exchange market or financial institutions.

There are no derivative transactions for which hedge accounting has not been applied for the year ended March 31, 2016.

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2017 and 2016 are as follows:

		2017					
		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**	**¥ 18,696**	**¥ 11,953**	**¥ (47)**	**$ 166,649**	**$ 106,542**	**$ (421)**
Special Method* Interest rate swap contracts Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 1,440**	**¥ 930**	**¥ (14)**	**$ 12,835**	**$ 8,290**	**$ (129)**
Commodity related : Benchmark Method Copper price swap contracts	**Raw materials**	**¥ 459**	**¥ -**	**¥ 132**	**$ 4,089**	**$ -**	**$ 1,179**

		2016		
		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	¥ 22,586	¥ 15,792	¥ (282)
Special Method* Interest rate swap contracts Payable fixed/ Receive floating	Long-term borrowings	¥ 1,950	¥ 1,440	¥ (28)
Commodity related : Benchmark Method Copper price swap contracts	Raw materials	¥ 331	¥ -	¥ (55)

Fair value is principally based on quoted price obtained from financial institutions signing the contract.

* Special Method
The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

14. Compensation Income

Compensation income consists of compensation payments from Tokyo Electric Power Company for lost earnings due to accidents at Fukushima Daiichi Nuclear Power Station ("NPS") and Fukushima Daini NPS of Tokyo Electric Power Company.

15. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2017, 2016 and 2015 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	**2017**
Unrealized gains (losses) on available-for-sale securities:				
Gains (losses) arising during the year	**¥ 76**	¥ (146)	¥ 26	**$ 680**
Reclassifications and adjustments	**-**	-	16	**-**
Before income tax effects	**76**	(146)	42	**680**
Income tax effects	**(23)**	48	(9)	**(209)**
Total	**¥ 53**	¥ (98)	¥ 33	**$ 471**
Deferred gains (losses) on hedges:				
Gains (losses) arising during the year	**¥ 322**	¥ (406)	¥ (304)	**$ 2,868**
Reclassifications and adjustments	**100**	300	196	**893**
Before income tax effects	**422**	(106)	(108)	**3,761**
Income tax effects	**(26)**	(69)	28	**(235)**
Total	**¥ 396**	¥ (175)	¥ (80)	**$ 3,526**
Foreign currency translation adjustments:				
Adjustments arising during the year	**¥ (2,043)**	¥ (3,094)	¥ 3,688	**$ (18,209)**
Total	**¥ (2,043)**	¥ (3,094)	¥ 3,688	**$ (18,209)**
Remeasurements of defined benefit plans:				
Adjustments arising during the year	**¥ (273)**	¥ (61)	¥ (59)	**$ (2,426)**
Reclassifications and adjustments	**49**	44	37	**435**
Before income tax effects	**(224)**	(17)	(22)	**(1,991)**
Income tax effects	**-**	(74)	0	**-**
Total	**¥ (224)**	¥ (91)	¥ (22)	**$ (1,991)**
Total other comprehensive income	**¥ (1,818)**	¥ (3,458)	¥ 3,619	**$ (16,203)**

16. Supplementary Cash Flow Information

Details of assets and liabilities at the beginning of the consolidation relating to Meiko Electronics Thang Long Co., Ltd., a newly consolidated subsidiary due to increased its materiality, are as follows:

	Millions of yen
	2016
Current assets	¥ 589
Non-current assets	2,342
Total assets	¥ 2,931
Current liabilities	¥ 634
Non-current liabilities	1,718
Total liabilities	¥ 2,352

Significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets and liabilities relating to finance lease transactions	**¥ -**	¥ 2,965	**$ -**

17. Segment Information

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

(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

	2017 Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**¥ 25,960**	**¥ 55,760**	**¥ 12,366**	**¥ 1,826**	**¥ -**	**¥ 95,912**

	2017 Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**$ 231,389**	**$ 497,014**	**$ 110,223**	**$ 16,279**	**$ -**	**$ 854,905**

	2016 Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 26,570	¥ 52,994	¥ 12,016	¥ 3,707	¥ -	¥ 95,287

	2015 Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 25,274	¥ 50,024	¥ 10,916	¥ 4,681	¥ -	¥ 90,895

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

(b) Property, plant and equipment

	2017 Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	**¥ 5,278**	**¥ 40,473**	**¥ 4**	**¥ 45,755**

	2017 Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property, plant and equipment	**$ 47,046**	**$ 360,761**	**$ 32**	**$ 407,839**

	2016 Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	¥ 5,448	¥ 45,282	¥ 4	¥ 50,734

(3) Information about major customers
Information about major customers is not presented since no single customer accounts for 10% or more of consolidated net sales.

(4) Information about impairment loss
Information about impairment loss by reportable segment for the year ended March 31, 2017 is not disclosed as the Group's reportable segment is mainly printed circuit boards ("PCB") and the related business, and other business is immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2016 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business, and other business is immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2015 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business.

18. Related party transactions

For the year ended March 31, 2017
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2017.

(2) Directors and major individual shareholders

There were no applicable matters for the year ended March 31, 2017.

For the year ended March 31, 2016
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2016.

(2) Directors and major individual shareholders

Name	Location	Capital	Occupation	Percentage for possession of Voting Rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance at March 31, 2016
Seiichi Naya	-	-	Director and senior managing executive officer of the Company	Directly owned (%) 1.7	-	Sales of subsidiaries' shares	¥197 million	-

Notes: ※1 Seiichi Naya is the younger brother of Yuichiro Naya, representative director and executive officer of the Company.
※2 The terms and conditions of the transactions for sales of subsidiaries' shares are determined based on negotiation with reference to the stock price calculated by a third party appraiser.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Meiko Electronics Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of operations for the years ended March 31, 2017, 2016 and 2015, the consolidated statements of comprehensive income for the years ended March 31, 2017, 2016 and 2015, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2017, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meiko Electronics Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years ended March 31, 2017, 2016 and 2015 in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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

September 15, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Principal Subsidiaries and Affiliates

Name or Trade Name	Address	Paid-in Capital (Millions of yen)	Principal Business	Investment Ratio (%)
Meiko Tech Co., Ltd.	Ayase City, Kanagawa Prefecture	20	PCBs for electronics	100.0
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PCBs for electronics	100.0
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa Prefecture	15	PCBs for electronics	19.0 [77.0]
Meiko Techno Co., Ltd.	Yamato City, Kanagawa Prefecture	50	PCBs for electronics	100.0
Meiko Elec. Hong Kong. Co., Ltd.	Hong Kong	US$127,569 thousand	PCBs for electronics	100.0
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$120,800 thousand	PCBs for electronics	100.0 (66.3)
Meiko Electronics (Wuhan) Co., Ltd.	Wuhan, Hubei Province, P.R.C.	US$148,800 thousand	PCBs for electronics	100.0 (47.6)
MDS Circuit Technology, Inc.	Manila, the Philippines	PHP12,000 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics America, Inc.	CA, U.S.A.	US$1,500 thousand	PCBs for electronics	100.0
Guangzhou Meiko PCB Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$10,000 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics Vietnam Co., Ltd.	Hanoi, Vietnam	US$90,000 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics Thang Long Co., Ltd.	Hanoi, Vietnam	US$15,000 thousand	PCBs for electronics	100.0

Principal Shareholders

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (%)
Yuichiro Naya	4,702	17.54
Japan Trustee Services Bank, Ltd. (trust account)	1,848	6.90
The Master Trust Bank of Japan, Ltd. (trust account)	757	2.83
GOLDMAN SACHS INTERNATIONAL (Standing Agent: Goldman Sachs Japan Co., Ltd.)	628	2.35
Meiko Kosan Co., Ltd.	608	2.27
Yuho, Ltd.	521	1.94
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE–AC) (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	514	1.92
Haruyuki Naya	468	1.75
SBI SECURITIES Co., Ltd.	446	1.67
Seiichi Naya	445	1.66
Total	10,941	40.82

Corporate History

November 1975	Established Meiko Denshi Kogyo Co., Ltd. to manufacture and sell PCBs. Started selling double-sided PCBs.
April 1978	Established the System Development Department (currently Meiko Techno Co., Ltd./ Meiko Tech Co., Ltd.) to develop electronics application products.
October 1978	Developed in-house use PCB Testers for the PCB final inspection process.
September 1980	Constructed a new headquarters and factory, establishing an integrated production system for the entire process from design to finished product.
December 1980	Introduced a multi-layer press machine and started manufacturing multi-layer PCBs.
December 1981	Developed the world’s first multi-video processor.
March 1982	Established Multitech Co., Ltd. (currently Meiko Tech Co., Ltd.) to manufacture single-sided PCBs (currently a consolidated subsidiary of the Company).
September 1982	Established Yamagata Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PCBs.
August 1984	Completed construction to expand the headquarters/factory in Ayase, Kanagawa Prefecture, and started operations.
July 1988	Established M.D. Systems Co., Ltd. to design PCBs (currently a consolidated subsidiary of the Company).
June 1990	Constructed the Fukushima Factory.
April 1991	Changed company name to Meiko Electronics Co., Ltd.
November 1997	Constructed a new manufacturing building on the premises of the Yamagata Factory (Yamagata Meiko Electronics Co., Ltd.) to manufacture PCBs using the new PCB 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 PCBs.
June 1999	Changed the name of the PCB manufacturing department of headquarters to Kanagawa Factory.
December 2000	Stock listed on the Japan Securities Dealers Association.
January 2001	Started operations at the Guangzhou Plant [Meiko Electronics (Guangzhou Nansha) Co., Ltd.].
June 2001	Established MDS Circuit Technology, Inc. (currently a non-consolidated subsidiary of the Company) in Manila, the Philippines, to design PCBs.

December 2004	Stock listed on JASDAQ Securities Exchange, Inc.
July 2005	Established Meiko Electronics (Wuhan) Co., Ltd. in Wuhan, Hubei, China (currently a consolidated subsidiary of the Company) to manufacture PCBs.
November 2005	Constructed a new factory building at Miyagi Factory (currently the Ishinomaki Branch Factory).
April 2006	Established Meiko Electronics America, Inc. in the United States (currently a consolidated subsidiary of the Company) to sell PCBs.
July 2006	Started operations 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 Hanoi, Vietnam, to manufacture PCBs.
November 2007	Constructed a new headquarters building on the premises of the Kanagawa Factory.
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.
July 2009	Started operation of second plant in WUHAN.
April 2010	Upon 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	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.
July 2011	Transferred the imaging equipment and industrial equipment businesses to Multitech Co., Ltd., and changed the trade name to Meiko Tech Co., Ltd.
November 2011	Started operation of the PCB Plant in Vietnam.
May 2013	Started operation of the Ishinomaki Factory (currently Ishinomaki Branch Factory).
July 2013	Subsequent to the integration of cash equity markets of the Osaka Securities Exchange Co., Ltd. and Tokyo Stock Exchange Group, Inc., Meiko Electronics Co., Ltd. had its stock listed on the JASDAQ standard market of the Tokyo Stock Exchange.
August 2014	Established Meiko Electronics Thang Long Co., Ltd. (currently a consolidated subsidiary of the Company) in Hanoi, Vietnam, to manufacture and sell PCBs.
June 2015	Established Meiko Solar Park Fukushima, a solar power generation plant on the premises of the Fukushima Factory.
August 2015	Established Meiko Techno Co., Ltd. (currently a consolidated subsidiary of the Company) in Yamato, Kanagawa Prefecture, to mount PCBs and manufacture and sell imaging equipment and industrial equipment.

Corporate Data (As of March 31, 2017)

Corporate Name:
Meiko Electronics Co., Ltd.

Date of Establishment:
November 25, 1975

Paid-in Capital:
¥12,888 million

Fiscal Year:
April 1 to March 31

Number of Shares Authorized:
70,000,000

Number of Shares Issued:
26,803,370

Number of Shareholders:
5,689

Securities Code:
6787

Stock Exchange Listing:
Tokyo Stock Exchange, JASDAQ standard market

Number of Employees:
10,677 (Consolidated)

Number of Subsidiaries:
16

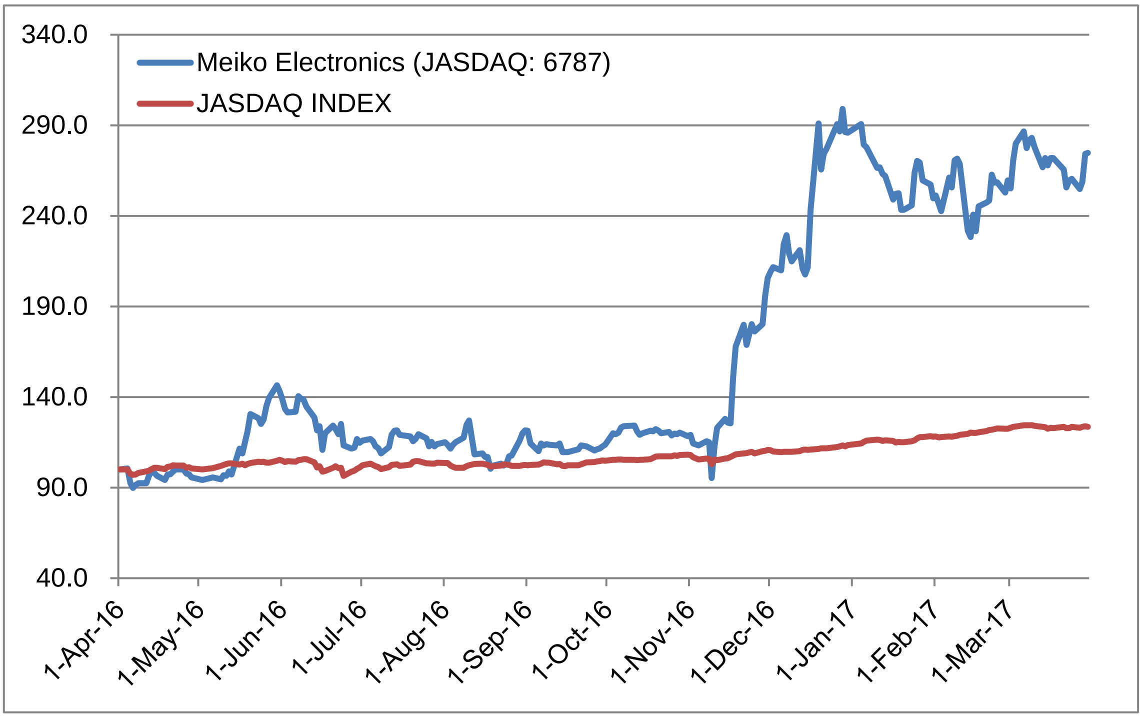
Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

Accounting Auditor:
KPMG AZSA LLC

Headquarters:
5-14-15, Ogami, Ayase, 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 FY2017 Compared with Indices



Fiscal year ended March 31, 2017

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In %