Annual Report 2019

For the year ended March 31, 2019

Meiko Electronics Co., Ltd.

The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 19 subsidiaries (9 consolidated subsidiaries and 10 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.

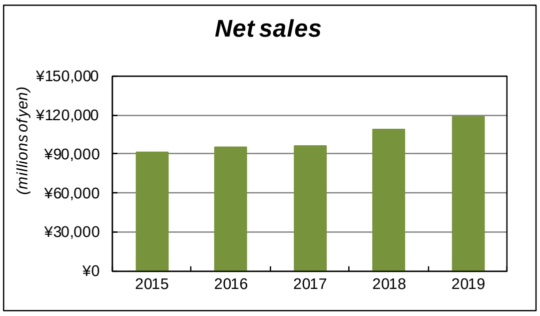
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties.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

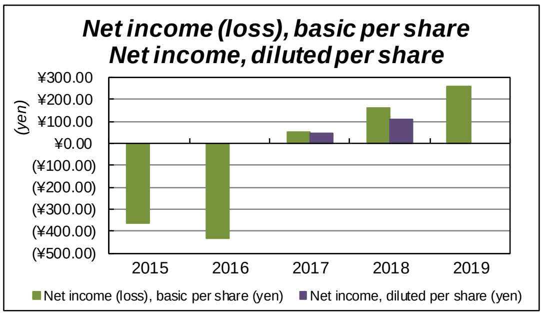
Contents

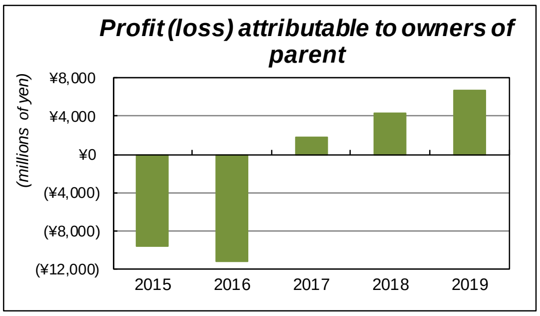
Five-year Financial Summary

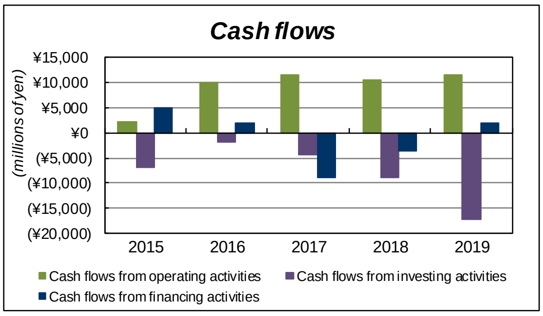
(For the years ended/as of March 31)

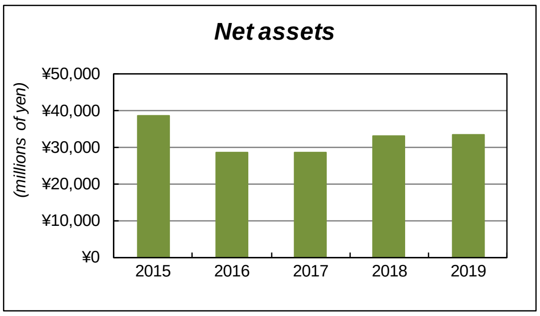
	2015	2016	2017	2018	2019
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥90,895	¥95,287	¥95,912	¥108,542	¥118,911
Ordinary income (loss)	1,075	(492)	2,981	4,795	8,611
Profit (loss) attributable to owners of parent	(9,573)	(11,250)	1,767	4,373	6,744
Comprehensive income	(5,954)	(14,709)	(32)	5,633	6,482
Net assets	38,623	28,764	28,540	33,042	33,588
Total assets	122,964	109,605	103,578	110,316	120,656
Net assets per share *(yen)*	1,475.59	897.97	882.84	1,071.37	1,283.24
Net income (loss) per share *(yen)*	(365.76)	(429.83)	54.14	160.34	257.65
Net income per share (diluted) *(yen)*	—	—	44.06	108.67	—
Equity ratio	31.4%	26.0%	27.3%	30.0%	27.8%
Return on equity (ROE)	-23.0%	-33.5%	6.2%	14.3%	20.2%
Price earnings ratio (PER) *(times)*	—	—	16.2	11.4	6.7
Cash flows from operating activities	2,238	9,932	11,612	10,429	11,467
Cash flows from investing activities	(6,986)	(1,737)	(4,322)	(8,868)	(17,293)
Cash flows from financing activities	4,861	1,967	(9,030)	(3,531)	1,957
Cash and cash equivalents at the end of the period	9,491	19,313	17,196	15,190	11,419
Number of employees	10,895	9,491	10,677	11,640	11,899
[Average number of temporary staff]	[609]	[633]	[885]	[1,182]	[1,351]

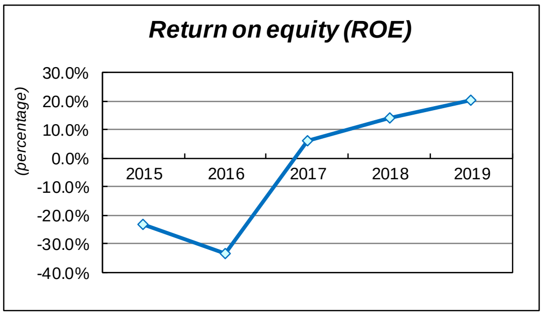

Net sales
(millions of yen)
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2015
2016
2017
2018
2019

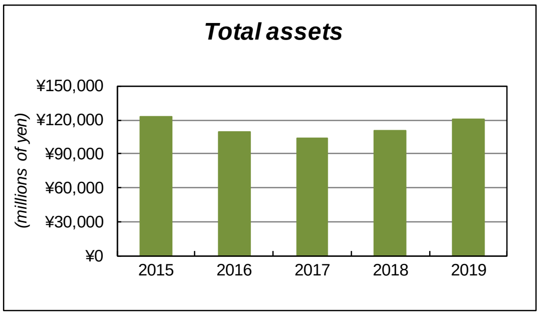

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
(¥200.00)
(¥300.00)
(¥400.00)
(¥500.00)
2015
2016
2017
2018
2019
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

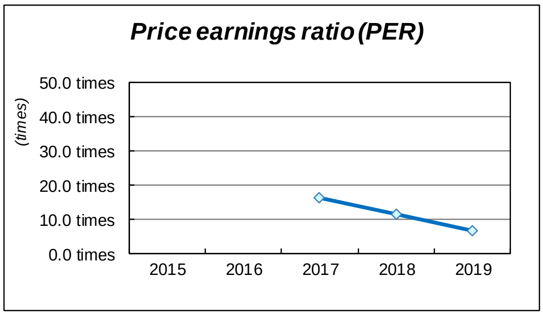

Profit (loss) attributable to owners of parent
(millions of yen)
¥8,000
¥4,000
¥0
(¥4,000)
(¥8,000)
(¥12,000)
2015
2016
2017
2018
2019

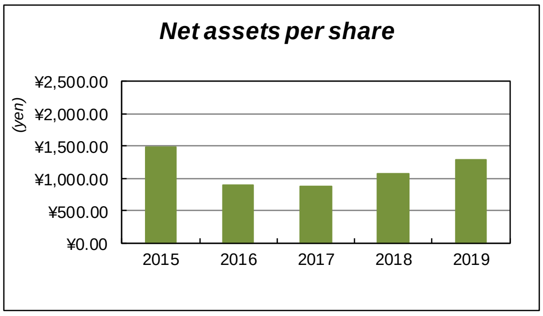

Cash flows
(millions of yen)
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2015
2016
2017
2018
2019
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2015
2016
2017
2018
2019


Return on equity (ROE)
(percentage)
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
2015
2016
2017
2018
2019


Total assets
(millions of yen)
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2015
2016
2017
2018
2019


Price earnings ratio (PER)
(times)
50.0 times
40.0 times
30.0 times
20.0 times
10.0 times
0.0 times
2015
2016
2017
2018
2019


Net assets per share
(yen)
¥2,500.00
¥2,000.00
¥1,500.00
¥1,000.00
¥500.00
¥0.00
2015
2016
2017
2018
2019

Financial Review: Management's Discussion and Analysis

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"). The presentation of these consolidated financial statements requires estimates that affect the selection and application of accounting policies, the reporting amounts of assets, liabilities, profits and expenses and the disclosure thereof. The management has assessed those estimates in view of past results and reasonable assumptions, however, actual results may differ from the estimates presented due to uncertainties that are intrinsic to estimates.

(2) Analysis of the Group's financial position

Assets

Assets as of March 31, 2019 were ¥120,656 million, up ¥10,340 million from the end of the previous fiscal year. This change mainly comprised a decrease of ¥3,771 million in cash and cash equivalents, an increase of ¥923 million in trade notes and accounts receivable, and an increase of ¥1,678 million in inventories in current assets, in addition to an increase of ¥8,821 million in property, plant and equipment and a ¥1,808 million increase in investments and other assets in non-current assets.

Liabilities

Liabilities as of March 31, 2019 were ¥87,068 million, up ¥9,794 million from the end of the previous fiscal year. This change mainly comprised a decrease of ¥5,625 million in short-term borrowings, an increase of ¥3,908 million in the current portion of long-term borrowings, and a ¥1,399 million increase in other in current liabilities, in addition to an increase of ¥11,462 million in long-term borrowings and a ¥705 million decrease in lease obligations in non-current liabilities.

Net assets

Net assets as of March 31, 2019 were ¥33,588 million, up ¥546 million from the end of the previous fiscal year. This mainly reflected a ¥5,281 million decrease in capital surplus due to the purchase of Class A preference shares, and a ¥6,090 million increase in retained earnings.

(3) Analysis of business results

1) Net sales

The Group's net sales for the fiscal year under review increased ¥10,369 million, or 9.6%, from the previous fiscal year to ¥118,911 million primarily due to robust sales of PCBs (printed circuit boards) for automotive products on the back of the use of electronics in vehicles and a rise in demand for electric vehicles.

2) Gross profit

Cost of sales increased ¥8,748 million, or 9.7%, from the previous fiscal year to ¥98,863 million, reflecting an increase in labor costs. Gross profit for the fiscal year under review increased ¥1,621 million, or 8.8%, from the previous fiscal year to ¥20,048 million. The gross margin dropped 0.1 percentage points from the previous fiscal year to 16.9%.

3) Operating income

Selling, general and administrative expenses increased ¥152 million, or 1.4%, from the previous fiscal year to ¥11,122 million due to an increase in personnel expenses. Operating income for the fiscal year under review increased ¥1,469 million, or 19.7%, from the previous fiscal year to ¥8,926 million, with an operating margin of 7.5%, up 0.6 percentage points, from the previous fiscal year.

4) Ordinary income

Non-operating income increased ¥671 million to ¥1,752 million primarily due to an increase in foreign exchange gains. Non-operating expenses decreased ¥1,674 million to ¥2,067 million, mainly due to a decrease in foreign exchange losses. As a result, ordinary income for the fiscal year under review increased ¥3,816 million, or 79.6%, from the previous fiscal year to ¥8,611 million.

5) Profit attributable to owners of parent

Extraordinary income decreased ¥342 million to ¥1 million. Extraordinary losses increased ¥453 million to ¥749 million. This reflected the recording of a net loss on sales and disposal of property, plant and equipment of ¥224 million and business structure improvement expenses of ¥526 million for the fiscal year under review. The total amount of income taxes–current and income taxes–deferred increased ¥622 million to ¥1,119 million.

As a result of the above, the profit attributable to owners of parent was ¥6,744 million, up 54.2% compared with 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, 2019 decreased ¥3,771 million from the previous fiscal year, to ¥11,419 million.

Cash flows of each category and their causes during the consolidated fiscal year ended March 31, 2019 were as follows.

Net cash provided by operating activities for the fiscal year under review was ¥11,467 million, up ¥1,038 million from the previous fiscal year. Increases were mainly from profit before income taxes of ¥7,863 million and depreciation and amortization of ¥6,281 million. The major decreases were an increase in trade notes and accounts receivable of ¥1,205 million and an increase in inventories of ¥1,528 million.

Net cash used in investing activities was ¥17,293 million, up ¥8,425 million from the previous fiscal year. The major outflow was ¥14,719 million for the purchase of property, plant and equipment.

Net cash provided by financing activities was ¥1,957 million (net cash of ¥3,531 million was used in the previous fiscal year). The major inflow comprised proceeds from long-term borrowings of ¥25,655 million. The major outflows comprised a net decrease in short-term borrowings of ¥5,725 million, repayments of long-term borrowings of ¥10,841 million, repayments of lease obligations of ¥1,197 million, and ¥5,282 million for the purchase of treasury stock.

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

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Equity ratio *(%)*	27.3	30.0	27.8
Market value equity ratio *(%)*	22.2	43.2	37.6
Cash flows versus Interest-bearing debt ratio *(years)*	4.5	4.9	5.2
Interest coverage ratio *(times)*	8.8	8.8	14.0

Equity ratio = Equity capital / Total assets

Market value equity ratio = Stock market capitalization / Total assets

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

Interest coverage ratio = Operating cash flow / Interest payment

Notes:

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 funds on hand or borrowings from financial institutions. The Group has a policy of procuring funds for investment and loans as well as funds to acquire manufacturing equipment inside and outside Japan via long-term borrowings from financial institutions. 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 automotive products, smartphones, storage devices, office machinery, and digital household appliances, 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 economic trends or a natural disaster adversely impact the Group’s major customers or the markets of the industries in which the Group’s 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, such as the construction of its third plant in Vietnam, to enhance productivity and maintain product competitiveness in accordance with demand trends. Although overseas and domestic capital investments are carefully determined considering market trends and brand manufacturers’ business performance, should the Group’s capital investments become excessive upon a downturn in the economy or manufacturers change strategies, 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

The time will come when all things are connected, due to the increase in the use of electronics in vehicles, the dissemination of electric vehicles, the emergence of connected cars based on 5G communication, and the worldwide spread of IoT. Although the Group expects expansion of demand for PCBs, to address intensifying global competition stemming from downward pressure on prices from China and Southeast Asia, the Group needs to differentiate its products with technology. 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 work on its production equipment as well as plant monitoring using IoT technology in manufacturing bases inside and outside Japan and strives to minimize the occurrence of 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 increase in demand for PCBs for automotive products and smartphones, 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, 2019, was 47.1%. 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 promotes an increase in order intake in accordance with demand of major customers around the world. However, a delay in delivery of products to customers or a decline in plant productivity may occur. Should such an event occur, the subsequent drop in sales might adversely affect the Group's business performance.

Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2019 and 2018

		Millions of yen			Thousands of U.S. dollars (Note 1)
ASSETS		**2019**		2018		**2019**

ASSETS		Millions of yen 2019		Millions of yen 2018		Thousands of U.S. dollars (Note 1) 2019
Current Assets:						
Cash and cash equivalents (Notes 4 and 13)	¥	**11,419**	¥	15,190	$	**102,879**
Receivables —						
Trade notes and accounts receivable (Notes 4 and 13)		**25,834**		24,911		**232,735**
Other receivables		**1,479**		830		**13,324**
Less: Allowance for doubtful accounts		**(144)**		(252)		**(1,297)**
Inventories —						
Merchandise and finished goods		**5,885**		4,460		**53,016**
Work in process		**4,675**		4,719		**42,116**
Raw materials and supplies		**5,414**		5,117		**48,771**
Other (Note 13)		**1,460**		1,395		**13,155**
Total current assets		**56,022**		56,370		**504,699**
Property, Plant and Equipment, at Cost:						
Land		**1,488**		1,488		**13,408**
Buildings and structures		**36,732**		36,583		**330,920**
Machinery and vehicles		**76,155**		72,880		**686,082**
Leased assets		**6,476**		6,445		**58,345**
Construction in progress		**9,581**		2,764		**86,311**
Other		**4,458**		4,003		**40,155**
		134,890		124,163		**1,215,221**
Less: Accumulated depreciation		**(76,336)**		(74,430)		**(687,711)**
Net property, plant and equipment		**58,554**		49,733		**527,510**
Intangible Assets		**269**		210		**2,426**
Investments and Other Assets:						
Investment securities (Notes 3 and 13)		**1,525**		646		**13,740**
Long-term loans receivable		**238**		91		**2,145**
Deferred tax assets (Note 12)		**867**		1,167		**7,815**
Other		**3,334**		2,314		**30,029**
Less: Allowance for doubtful accounts		**(153)**		(215)		**(1,376)**
Total investments and other assets		**5,811**		4,003		**52,353**
Total	¥	**120,656**	¥	110,316	$	**1,086,988**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019	2018	Thousands of U.S. dollars (Note 1) 2019
Current Liabilities:			
Trade notes and accounts payable (Notes 4 and 13)	¥ **15,797**	¥ 16,152	$ **142,319**
Short-term borrowings (Notes 5 and 13)	**7,638**	13,263	**68,807**
Current portion of long-term borrowings (Notes 5 and 13)	**14,386**	10,478	**129,603**
Income taxes payable (Note 12)	**221**	67	**1,989**
Accrued bonuses	**667**	640	**6,012**
Accrued bonuses to directors and corporate auditors	**19**	60	**169**
Lease obligations (Notes 5 and 13)	**698**	1,157	**6,292**
Other (Notes 5 and 13)	**8,507**	7,108	**76,635**
Total current liabilities	**47,933**	48,925	**431,826**
Long-term Liabilities:			
Long-term borrowings (Notes 5 and 13)	**34,765**	23,303	**313,197**
Lease obligations (Notes 5 and 13)	**1,112**	1,817	**10,018**
Provision for directors' retirement benefits	**217**	217	**1,958**
Net defined benefit liability (Note 6)	**2,689**	2,658	**24,229**
Other (Note 12)	**352**	354	**3,169**
Total long-term liabilities	**39,135**	28,349	**352,571**
Commitments and Contingent Liabilities (Note 9) :			
Net Assets (Note 7):			
Shareholders' Equity:			
Common stock:			
Authorized:			
70,000,000 shares in 2019 and 2018			
Issued:			
26,803,320 shares in 2019 and 2018			
Preferred stock:			
Authorized:			
None in 2019 and 50 shares in 2018			
Issued:			
None in 2019 and 50 shares in 2018	**12,889**	12,889	**116,112**
Capital surplus	**6,464**	11,745	**58,239**
Retained earnings	**11,490**	5,400	**103,511**
Less: Treasury stock, at cost; Common stock, 629,378 shares in 2019, 629,308 shares in 2018	**(397)**	(396)	**(3,573)**
Total shareholders' equity	**30,446**	29,638	**274,289**
Accumulated Other Comprehensive Income:			
Unrealized gains on available-for-sale securities	**(65)**	22	**(591)**
Deferred gains on hedges	**183**	299	**1,652**
Foreign currency translation adjustments	**3,322**	3,512	**29,929**
Remeasurements of defined benefit plans (Note 6)	**(298)**	(429)	**(2,688)**
Total accumulated other comprehensive income	**3,142**	3,404	**28,302**
Total net assets	**33,588**	33,042	**302,591**
Total	¥ **120,656**	¥ 110,316	$ **1,086,988**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	**2019**
Net Sales	¥ **118,911**	¥ 108,542	¥ 95,912	$ **1,071,269**
Cost of Sales (Note 10)	**98,863**	90,115	79,826	**890,654**
Gross profit	**20,048**	18,427	16,086	**180,615**
Selling, General and Administrative Expenses (Note 10)	**11,122**	10,970	10,298	**100,198**
Operating income	**8,926**	7,457	5,788	**80,417**
Other Income (Expenses):				
Interest expense, net	**(742)**	(1,111)	(1,329)	**(6,685)**
Dividend income	**7**	26	23	**66**
Foreign exchange gain (loss)	**518**	(1,668)	(702)	**4,665**
Net loss on sales and disposal of property, plant and equipment (Note 11)	**(222)**	(193)	(206)	**(2,004)**
Subsidy income	**302**	93	106	**2,721**
Gain on liquidation of subsidiaries	**-**	163	-	**-**
Insurance income	**655**	674	70	**5,897**
Commission for syndicate loan	**(361)**	(320)	(13)	**(3,249)**
Impairment loss	**-**	(57)	(11)	**-**
Gain on sales of investment securities, net	**0**	136	-	**2**
Expenses for business structure improvement (Note 8)	**(526)**	-	(22)	**(4,739)**
Other, net	**(694)**	(356)	(978)	**(6,255)**
Total	**(1,063)**	(2,613)	(3,062)	**(9,581)**
Income before Income Taxes	**7,863**	4,844	2,726	**70,836**
Income Taxes (Note 12):				
Current	**753**	834	916	**6,787**
Deferred	**366**	(337)	24	**3,295**
Total income taxes	**1,119**	497	940	**10,082**
Net income	**6,744**	4,347	1,786	**60,754**
Net Income (Loss) attributable to non-controlling interests	**-**	(26)	19	**-**
Net Income attributable to owners of the Company	¥ **6,744**	¥ 4,373	¥ 1,767	$ **60,754**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Net income per share				
Basic	¥ **257.65**	¥ 160.34	¥ 54.14	$ **2.32**
Diluted	**-**	108.67	44.06	**-**
Cash dividends applicable to the year	**35.00**	20.00	10.00	**0.32**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	**2019**
Net Income	**¥ 6,744**	¥ 4,347	¥ 1,786	**$ 60,754**
Other Comprehensive Income (Note 15):				
Unrealized gains (losses) on available-for-sale securities	**(87)**	(64)	53	**(787)**
Deferred gains (losses) on hedges	**(116)**	240	396	**(1,039)**
Foreign currency translation adjustments	**(190)**	1,069	(2,043)	**(1,711)**
Remeasurements of defined benefit plans	**131**	41	(224)	**1,175**
Total other comprehensive income	**(262)**	1,286	(1,818)	**(2,362)**
Comprehensive Income	**¥ 6,482**	¥ 5,633	¥ (32)	**$ 58,392**
Comprehensive Income Attributable to:				
Owners of the Company	**¥ 6,482**	¥ 5,665	¥ (46)	**$ 58,392**
Non-controlling interests	**-**	(32)	14	**-**

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, 2019, 2018 and 2017

	Millions of yen														
	Shareholders' Equity								Accumulated Other Comprehensive Income						
	Common Stock		Preferred Stock												
	Number of Shares	Amount	Number of Shares	Amount	Capital Surplus	Retained Earnings	Treasury Stock at cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance as 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 as 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
Net income attributable to owners of the Company	-	-	-	-	-	4,373	-	4,373	-	-	-	-	-	-	4,373
Cash dividends paid	-	-	-	-	-	(875)	-	(875)	-	-	-	-	-	-	(875)
Purchase of treasury stock	-	-	-	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Change of scope of consolidation	-	-	-	-	-	(30)	-	(30)	-	-	-	-	-	-	(30)
Net increase (decrease)	-	-	-	-	-	-	-	-	(63)	240	1,074	41	1,292	(258)	1,034
Balance as at March 31, 2018	26,803,320	¥ 12,889	50	¥ -	¥ 11,745	¥ 5,400	¥ (396)	¥ 29,638	¥ 22	¥ 299	¥ 3,512	¥ (429)	¥ 3,404	¥ -	¥ 33,042
Net income attributable to owners of the Company	-	-	-	-	-	**6,744**	-	**6,744**	-	-	-	-	-	-	**6,744**
Cash dividends paid	-	-	-	-	-	**(654)**	-	**(654)**	-	-	-	-	-	-	**(654)**
Purchase of treasury stock	-	-	-	-	-	-	**(5,282)**	**(5,282)**	-	-	-	-	-	-	**(5,282)**
Retirement of treasury stock	-	-	**(50)**	-	**(5,281)**	-	**5,281**	-	-	-	-	-	-	-	-
Net increase (decrease)	-	-	-	-	-	-	-	-	**(87)**	**(116)**	**(190)**	**131**	**(262)**	-	**(262)**
Balance as at March 31, 2019	**26,803,320**	**¥ 12,889**	**-**	**¥ -**	**¥ 6,464**	**¥ 11,490**	**¥ (397)**	**¥ 30,446**	**¥ (65)**	**¥ 183**	**¥ 3,322**	**¥ (298)**	**¥ 3,142**	**¥ -**	**¥ 33,588**

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity						Accumulated Other Comprehensive Income						
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock at cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance as at March 31, 2018	$ 116,112	$ -	$ 105,819	$ 48,652	$ (3,571)	$ 267,012	$ 196	$ 2,691	$ 31,640	$ (3,863)	$ 30,664	$ -	$ 297,676
Net income attributable to owners of the Company	-	-	-	**60,754**	-	**60,754**	-	-	-	-	-	-	**60,754**
Cash dividends paid	-	-	-	**(5,895)**	-	**(5,895)**	-	-	-	-	-	-	**(5,895)**
Purchase of treasury stock	-	-	-	-	**(47,582)**	**(47,582)**	-	-	-	-	-	-	**(47,582)**
Retirement of treasury stock	-	-	**(47,580)**	-	**47,580**	-	-	-	-	-	-	-	-
Net increase (decrease)	-	-	-	-	-	-	**(787)**	**(1,039)**	**(1,711)**	**1,175**	**(2,362)**	-	**(2,362)**
Balance as at March 31, 2019	**$ 116,112**	**$ -**	**$ 58,239**	**$ 103,511**	**$ (3,573)**	**$ 274,289**	**$ (591)**	**$ 1,652**	**$ 29,929**	**$ (2,688)**	**$ 28,302**	**$ -**	**$ 302,591**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	**2019**
Operating Activities:				
Income before income taxes	¥ **7,863**	¥ 4,844	¥ 2,726	$ **70,836**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,281**	5,816	5,508	**56,587**
Impairment loss	**-**	57	11	**-**
Increase (decrease) in allowance for doubtful accounts	**(170)**	239	189	**(1,536)**
Increase in net defined benefit liability	**161**	147	189	**1,454**
Increase in accrued bonuses	**25**	132	52	**229**
Increase (decrease) in accrued bonuses to directors and corporate auditors	**(41)**	20	40	**(371)**
Decrease in provision for directors' retirement benefits	**-**	(22)	-	**-**
Interest income and dividend income	**(66)**	(67)	(52)	**(599)**
Interest expenses	**801**	1,152	1,358	**7,218**
Foreign exchange loss (gain)	**(55)**	709	1,236	**(493)**
Net loss on sales and disposal of property, plant and equipment	**222**	193	206	**2,004**
Gain on sales of investment securities, net	**(0)**	(136)	-	**(2)**
Insurance income	**(655)**	(674)	(70)	**(5,897)**
Expenses for business structure improvement	**526**	-	22	**4,739**
Decrease (increase) in trade notes and accounts receivable	**(1,205)**	(3,464)	7	**(10,855)**
Increase in inventories	**(1,528)**	(1,949)	(1,240)	**(13,769)**
Increase (decrease) in trade notes and accounts payable	**(310)**	2,884	2,179	**(2,789)**
Decrease (increase) in other assets	**183**	(575)	(399)	**1,653**
Increase in other liabilities	**19**	1,800	651	**164**
Other	**272**	725	1,007	**2,450**
Subtotal	**12,323**	11,831	13,620	**111,023**
Interest and dividend received	**67**	67	52	**599**
Interest paid	**(821)**	(1,192)	(1,312)	**(7,397)**
Proceeds from insurance income	**655**	674	70	**5,897**
Payments for business structure improvement	**-**	-	(22)	**-**
Income taxes paid	**(757)**	(951)	(796)	**(6,816)**
Net cash provided by operating activities	**11,467**	10,429	11,612	**103,306**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(14,719)**	(8,381)	(3,222)	**(132,601)**
Proceeds from sales of property, plant and equipment	**40**	4	24	**364**
Payments for purchases of intangible assets	**(113)**	(81)	(90)	**(1,017)**
Payments for liquidation of subsidiaries and affiliates	**-**	(279)	-	**-**
Payments for purchases of investment securities	**(974)**	(188)	(55)	**(8,771)**
Proceeds from sales of investment securities	**1**	588	-	**12**
Payments for insurance policies	**(2)**	(3)	(5)	**(22)**
Proceeds from maturity of insurance funds	**-**	98	-	**-**
Other, net	**(1,526)**	(626)	(974)	**(13,754)**
Net cash used in investing activities	**(17,293)**	(8,868)	(4,322)	**(155,789)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**(5,725)**	993	(578)	**(51,577)**
Proceeds from long-term borrowings	**25,655**	10,017	3,723	**231,122**
Payments for long-term borrowings	**(10,841)**	(12,273)	(11,567)	**(97,665)**
Repayments of lease obligations	**(1,197)**	(1,392)	(1,221)	**(10,785)**
Proceeds from sales and leasebacks transactions	**-**	-	805	**-**
Payments for purchase of treasury stock	**(5,282)**	(0)	-	**(47,582)**
Cash dividends paid	**(653)**	(875)	(175)	**(5,885)**
Dividends paid to non-controlling interests	**-**	(1)	(17)	**-**
Net cash provided by (used in) financing activities	**1,957**	(3,531)	(9,030)	**17,628**

See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2019	2018	2017	**2019**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**98**	(36)	(377)	**885**
Net Decrease in Cash and Cash Equivalents	**(3,771)**	(2,006)	(2,117)	**(33,970)**
Cash and Cash Equivalents at the Beginning of the Year	**15,190**	17,196	19,313	**136,849**
Cash and Cash Equivalents at the End of the Year	**¥ 11,419**	¥ 15,190	¥ 17,196	**$ 102,879**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2019, 2018 and 2017

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 the 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 operated. The conversion of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the approximate exchange rate as at March 31, 2019 ($1=¥111.00). 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 9 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) Cash Equivalents

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

(c) 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 as 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.

(d) 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.

(e) 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 on or after 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 equipment 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 its estimated useful life of five years.

(f) Leased Assets

Leased property under finance lease arrangements which transfer ownership of the leased property to the lessee is depreciated using 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.

(g) Allowance for Doubtful Accounts

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

(h) 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.

(i) Accrued Bonuses to Directors and Corporate Auditors

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

(j) 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.

(k) 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 securities 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.

(l) 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.

(Changes in presentation method)
(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ending Match 31, 2019, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "Investments and Other Assets" and "Long-term Liabilities", respectively.
As a result, deferred tax assets of ¥420 million classified as "Current Assets" and deferred tax liabilities of ¥268 million classified as "Other" in "Long-term Liabilities" have been included in deferred tax assets (¥1,167 million) in "Investments and Other Assets" and "Other" in "Long-term Liabilities" has been changed to ¥354 million in the balance sheet as of the fiscal year ending March 31, 2018.
Certain information is added to note "12. Income Taxes" as described in notes 8 (excluding total amount of valuation allowance) and 9 of explanatory notes to the "Accounting Standard for Tax Effect Accounting" as prescribed in Paragraphs 3 through 5 of the Partial Amendments to Tax Effect Accounting.
However, information for the year ended March 31, 2018 is not presented in accordance with the transitional treatment prescribed in Paragraph 7 of the Partial Amendments to Tax Effect Accounting.

(m) Derivative Financial Instruments

The Group uses interest rate swaps, currency 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.

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.

For currency swaps that qualify for hedge accounting, gain or loss is translated at the exchange rate stipulated in the contract under the allocation method.

(n) 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.

(o) Provision for Directors' Retirement Benefits

The Company and its domestic consolidated subsidiaries account for the provision for directors' retirement benefits as at balance sheet date in accordance with internal regulations.

(p) Appropriations of Retained Earnings

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

(q) 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 per share is computed by dividing net income 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 has no dilutive shares for the year ended March 31, 2019.

(r) 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

(s) Accounting Standards and Guidance Issued but Not Yet Adopted

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:
Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the standard and guidance
The Company and its domestic consolidated subsidiaries are currently in the process of determining the impact of the new standard and guidance on the consolidated financial statements.

(t) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2019.

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, 2019 and 2018 are as follows:

		2019					
		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 values exceed their acquisition cost:							
Equity securities	¥	64 ¥	26 ¥	38 $	573 $	234 $	339
Other		99	96	3	891	861	30
Securities whose carrying values do not exceed their acquisition cost:							
Equity securities		199	306	(107)	1,790	2,752	(962)
Total	¥	362 ¥	428 ¥	(66) $	3,254 $	3,847 $	(593)

		2018		
		Millions of yen		
		Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying values exceed their acquisition cost:				
Equity securities	¥	177 ¥	127 ¥	50
Other		80	66	14
Securities whose carrying values do not exceed their acquisition cost:				
Equity securities		173	206	(33)
Total	¥	430 ¥	399 ¥	31

Information on available-for-sale securities whose fair values are not readily determinable as of March 31, 2019 and 2018 are described in Note 13.

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2019 and 2018 are summarized as follows:

		2019					
		Millions of yen			Thousands of U.S. dollars		
		Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales	Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales
Equity securities	¥	1 ¥	0 ¥	0 $	12 $	2 $	0
Total	¥	1 ¥	0 ¥	0 $	12 $	2 $	0

		2018		
		Millions of yen		
		Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales
Equity securities	¥	597 ¥	182 ¥	46
Total	¥	597 ¥	182 ¥	46

4. Notes that Matured at the End of the Fiscal Year

March 31, 2019 and 2018, the last day of the fiscal years, coincided with a bank holiday and the following notes that matured at the end of the fiscal years were accounted for as if they were settled on the day of their maturity.

		Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Notes receivable	¥	120 ¥	51 $	1,082
Notes payable - trade	¥	217 ¥	63 $	1,954
Notes payable - equipment	¥	- ¥	1 $	-

5. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2019 and 2018 consist of the following:

		Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Short-term borrowings with average interest rate of 1.19% for 2019 and 2.35% for 2018	¥	7,638 ¥	13,263 $	68,807
Current portion of long-term borrowings with average interest rate of 1.34% for 2019 and 1.83% for 2018		14,386	10,478	129,603
Current portion of lease obligations		698	1,157	6,292
Current portion of other liabilities with average interest rate of 0.57% for 2019 and 0.56% for 2018		1,300	1,300	11,712
Total short-term borrowings		24,022	26,198	216,414
Long-term borrowings with average interest rate of 0.91% for 2019 and 1.36% for 2018, less current portion		34,765	23,303	313,197
Lease obligations, less current portion		1,112	1,817	10,018
Total long-term borrowings		35,877	25,120	323,215
Total	¥	59,899 ¥	51,318 $	539,629

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances as at March 31, 2019 and 2018.
Average interest rate of lease obligations is 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 as at April 1, 2018 and March 31, 2019.

The aggregate annual maturities of long-term debt as of March 31, 2019 are as follows:

Year ending March 31		Millions of yen	Thousands of U.S. dollars
2020	¥	14,386 $	129,603
2021		11,252	101,365
2022		9,864	88,864
2023		7,619	68,644
2024 and thereafter		6,030	54,324
Total	¥	49,151 $	442,800

The aggregate annual maturities of lease obligations as of March 31, 2019 are as follows:

Year ending March 31		Millions of yen	Thousands of U.S. dollars
2020	¥	698 $	6,292
2021		443	3,993
2022		239	2,153
2023		109	981
2024 and thereafter		321	2,891
Total	¥	1,810 $	16,310

Financial covenants

For the year ended March 31, 2019
Long-term borrowings, including the current portion amounting to ¥49,628 million ($447,095 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 ($197,856 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, 2018
Short-term borrowings and long-term borrowings, including the current portion amounting to ¥30,556 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.
(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.

6. Retirement Benefits

The Company and some of its consolidated subsidiaries provide a lump-sum retirement plan as a 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, 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
	2019	2018	**2019**
Balance at the beginning of the year	**¥ 2,244**	¥ 2,143	**$ 20,222**
Service cost	**127**	123	**1,143**
Interest cost	**7**	8	**61**
Actuarial gain (loss)	**(67)**	23	**(603)**
Benefits paid	**(12)**	(72)	**(109)**
Decrease due to employment transfer	**-**	19	**-**
Other	**1**	0	**7**
Balance at the end of the year	**¥ 2,300**	¥ 2,244	**$ 20,721**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unfunded projected benefit obligations	**¥ 2,300**	¥ 2,244	**$ 20,721**
Total liability at the end of the year	**¥ 2,300**	¥ 2,244	**$ 20,721**
Net defined benefit liability	**¥ 2,300**	¥ 2,244	**$ 20,721**
Total liability at the end of the year	**¥ 2,300**	¥ 2,244	**$ 20,721**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Service cost	**¥ 127**	¥ 123	**$ 1,143**
Interest cost	**7**	9	**61**
Amortization of actuarial loss	**24**	25	**222**
Amortization of past service cost	**39**	39	**350**
Total benefit costs	**¥ 197**	¥ 196	**$ 1,776**

(4) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Past service cost	**¥ (39)**	¥ (39)	**$ (350)**
Actuarial loss	**(92)**	(2)	**(825)**
Total	**¥ (131)**	¥ (41)	**$ (1,175)**

(5) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrecognized past service cost	**¥ 270**	¥ 309	**$ 2,434**
Unrecognized actuarial loss	**28**	120	**254**
Total	**¥ 298**	¥ 429	**$ 2,688**

(6) Actuarial assumptions

	2019	2018
Discount rate	**0.2%**	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
	2019	2018	**2019**
Balance at the beginning of the year	**¥ 414**	¥ 557	**$ 3,728**
Benefit costs	**2**	39	**18**
Benefits paid	**(26)**	(15)	**(231)**
Increase due to employment transfer	**-**	(19)	**-**
Increase due to change in scope of consolidation	**-**	(148)	**-**
Others	**(1)**	0	**(7)**
Balance at the end of the year	**¥ 389**	¥ 414	**$ 3,508**

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unfunded projected benefit obligations	**¥ 389**	¥ 414	**$ 3,508**
Total liability at the end of the year	**¥ 389**	¥ 414	**$ 3,508**
Net defined benefit liability	**¥ 389**	¥ 414	**$ 3,508**
Total liability at the end of the year	**¥ 389**	¥ 414	**$ 3,508**

(3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Retirement benefit costs calculated using the simplified method	**¥ 2**	¥ 39	**$ 18**
Total costs at the end of the year	**¥ 2**	¥ 39	**$ 18**

Multi-employer pension plan

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 the liquidation process as of March 31, 2019.
No additional burdens to the Company are expected in relation to the dissolution of the Fund.
The latest funded status, contribution share ratio of the Company and supplementary information are omitted, since the Fund is under liquidation process.

Defined contribution plan

The amount required to contribute to the defined contribution plans is ¥161 million ($1,451 thousand) and ¥156 million for the years ended March 31, 2019 and 2018, respectively.

7. Net assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

8. Expenses for Business Structure Improvement

The Group recorded expenses for business structure improvement to correspond to changes in business environment with the aim of improving its corporate competitiveness and stability in line with Group's structural reforms through downsizing its total assets and the improvement of asset efficiency.

It consists of ¥421 million ($3,795 thousand) for loss on disposal of fixed assets and ¥105 million ($944 thousand) for impairment loss for the year ended March 31, 2019.

9. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Trade notes discounted	¥ **37**	¥ 49	$ **331**

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥1,041 million ($9,379 thousand), ¥816 million and ¥743 million for the years ended March 31, 2019, 2018 and 2017, respectively.

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

Significant components of net gain and net loss on sales and disposal of property, plant and equipment for the years ended March 31, 2019, 2018 and 2017 are as follows:

	Millions of yen			Thousands of U.S. dollars
Gain:	**2019**	2018	2017	**2019**
Buildings and structures	¥ **-**	¥ -	¥ -	$ **-**
Machinery and vehicles	**2**	0	-	**15**
Land	**-**	-	-	**-**
Construction in progress	**-**	-	-	**-**
Others	**-**	-	-	**-**
Total gain	**2**	0	-	**15**
Loss:				
Buildings and structures	**(3)**	(6)	(4)	**(29)**
Machinery and vehicles	**(204)**	(168)	(139)	**(1,837)**
Land	**-**	-	-	**-**
Construction in progress	**(6)**	(10)	(38)	**(50)**
Intangible assets	**-**	-	(24)	**-**
Others	**(11)**	(9)	(1)	**(103)**
Total loss	**(224)**	(193)	(206)	**(2,019)**
Net loss	¥ **(222)**	¥ (193)	¥ (206)	$ **(2,004)**

12. 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 30.6%, 30.8% and 30.8% for the years ended March 31, 2019, 2018 and 2017, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred Tax Assets:			
Elimination of unrealized profits	**¥ 65**	¥ 26	**$ 584**
Accrued bonuses	**190**	186	**1,716**
Net defined benefit liability	**745**	696	**6,714**
Provision for directors' retirement benefits	**66**	66	**599**
Accrued enterprise tax	**22**	5	**195**
Allowance for doubtful accounts	**83**	128	**748**
Valuation loss of inventories	**98**	63	**881**
Difference on depreciation period	**435**	417	**3,917**
Impairment loss	**1,248**	1,445	**11,239**
Loss on valuation of investment securities	**60**	57	**537**
Loss on revaluation of golf club memberships	**15**	20	**137**
Tax loss carryforwards	**2,474**	2,927	**22,290**
Unrealized losses on available-for-sale securities	**20**	-	**181**
Deduction of foreign corporation tax carried forward	**600**	582	**5,403**
Other	**136**	189	**1,231**
Gross deferred tax assets	**6,257**	6,807	**56,372**
Valuation allowance for tax loss carryforwards (*2)	**(2,371)**	-	**(21,361)**
Valuation allowance for deductible temporary differences	**(2,780)**	-	**(25,047)**
Less: valuation allowance (*1)	**(5,151)**	(5,363)	**(46,408)**
Total	**¥ 1,106**	¥ 1,444	**$ 9,964**

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred Tax Liabilities:			
Retained earnings of foreign subsidiaries	**¥ (401)**	(351)	**$ (3,617)**
Unrealized gains on available-for-sale securities	**-**	(9)	**-**
Deferred gains on hedges	**(81)**	(132)	**(728)**
Other	**(2)**	-	**(13)**
Total	**¥ (484)**	¥ (492)	**$ (4,358)**
Deferred Tax Assets, Net:	**¥ 622**	¥ 952	**$ 5,606**

(*1) The valuation allowance decreased by ¥212 million ($1,906 thousand), mainly due to decrease in valuation allowance for tax credit carryforwards at the Company and at consolidated subsidiaries by ¥261 million ($2,350 thousand).

(*2) Gross deferred tax assets, valuation allowances and total deferred tax assets recognized for tax loss carryforwards, broken down by expiration dates are as follows:

	Millions of yen						
March 31, 2019	Within one year	One to two years	Over two to three years	Over three to four years	Over four to five years	Over five years	Total
Gross deferred tax assets for tax loss carryforwards (*a)	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ 74**	**¥ 2,400**	**¥ 2,474**
Valuation allowance	**-**	**-**	**-**	**-**	**(74)**	**(2,297)**	**(2,371)**
Total deferred tax assets recognized	**-**	**-**	**-**	**-**	**-**	**103**	**(*b) 103**

	Thousands of U.S. dollars						
March 31, 2019	Within one year	One to two years	Over two to three years	Over three to four years	Over four to five years	Over five years	Total
Gross deferred tax assets for tax loss carryforwards (*a)	**$ -**	**$ -**	**$ -**	**$ -**	**$ 671**	**$ 21,619**	**$ 22,290**
Valuation allowance	**-**	**-**	**-**	**-**	**(671)**	**(20,690)**	**(21,361)**
Total deferred tax assets recognized	**-**	**-**	**-**	**-**	**-**	**929**	**(*b) 929**

(*a) Gross deferred tax assets for tax loss carryforwards are calculated using the enacted statutory tax rates.
(*b) Deferred tax assets of ¥103 million ($929 thousand) are recognized for tax loss carryforwards of ¥2,474 million ($22,290 thousand) (calculated using the enacted statutory tax rates), which the Company recognized for a part of tax loss carryforwards of ¥1,022 million ($9,211 thousand).
These tax loss carryforwards resulted from loss before income taxes of ¥9,540 million for the year ended March 31, 2016, which are expected to be recoverable judging from the estimated taxable income in the future. Accordingly, the Company does not recognize the valuation allowance for this.

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, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Statutory tax rate	**30.6%**	30.8%	30.8%
Expenses not deductible for tax purpose	**0.1%**	0.2%	0.3%
Per capita inhabitant tax	**0.2%**	0.3%	0.5%
Directors' bonuses	**0.1%**	0.4%	0.5%
Tax deduction	**(2.1)%**	- %	- %
Tax rate difference in foreign subsidiaries	**(13.8)%**	(23.3)%	(19.5)%
Retained earnings of foreign subsidiaries	**0.6%**	(0.4)%	6.9%
Foreign tax credit	**2.4%**	5.0%	6.0%
Effect of amendments of consolidation	**- %**	(0.2)%	1.7%
Valuation allowance	**(1.9)%**	(15.3)%	3.5%
Expiration of tax loss carryforwards	**- %**	7.8%	- %
Other, net	**(2.0)%**	5.0%	3.8%
Actual effective tax rate	**14.2%**	10.3%	34.5%

13. Financial Instruments

(a) Qualitative information on financial instruments
(1) Policies for using financial instruments
The Group finances necessary funds mainly through bank loans 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. Investment 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 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 exposed to interest and foreign currency fluctuation risk.
The Group utilizes interest rate swaps and currency swaps to hedge the risk. Regarding derivative transactions, the Group utilizes foreign exchange forward contracts to hedge foreign currency fluctuation risk of receivables and payables dominated in foreign currencies. The Group utilizes interest rate swaps and currency 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 readjusts its 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 14, 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 as at March 31, 2019 and 2018 are as follows:

	2019					
	Millions of yen			Thousands of U.S. dollars		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Assets						
Cash and cash equivalents	¥ 11,419	¥ 11,419	¥ -	$ 102,879	$ 102,879	$ -
Time deposits	238	238	-	2,140	2,140	-
Trade notes and accounts receivable	25,834	25,834	-	232,735	232,735	-
Investment securities:						
Available-for-sale securities	361	361	-	3,254	3,254	-
Liabilities						
Trade notes and accounts payable	¥ 15,797	¥ 15,797	¥ -	$ 142,319	$ 142,319	$ -
Short-term borrowings	7,638	7,638	-	68,807	68,807	-
Long-term borrowings	49,151	49,203	52	442,800	443,274	474
Lease obligations	1,810	1,823	13	16,310	16,428	118
Derivative financial instruments	¥ 264	¥ 264	¥ -	$ 2,380	$ 2,380	$ -

	2018		
	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 15,190	¥ 15,190	¥ -
Time deposits	232	232	-
Trade notes and accounts receivable	24,911	24,911	-
Investment securities:			
Available-for-sale securities	430	430	-
Liabilities			
Trade notes and accounts payable	¥ 16,152	¥ 16,152	¥ -
Short-term borrowings	13,263	13,263	-
Long-term borrowings	33,781	33,849	68
Lease obligations	2,974	2,988	14
Derivative financial instruments	¥ 430	¥ 430	¥ -

The financial instruments whose fair values are 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 3 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
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 for interest rate swaps (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.) and for the allocation method for currency swaps, the sum of principal and the interest processed as interest rate swaps and currency swaps are discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.
(ix) Derivative transactions
Please refer to Note 14.

(2) Unlisted securities of ¥1,164 million ($10,486 thousand) as of March 31, 2019 and ¥216 million as of March 31, 2018 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 as of March 31, 2019 and 2018 is as follows:

	2019			
	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	**¥ 11,419**	**¥ -**	**¥ -**	**¥ -**
Time deposits	**238**	**-**	**-**	**-**
Trade notes and accounts receivable	**25,834**	**-**	**-**	**-**
Total	**¥ 37,491**	**¥ -**	**¥ -**	**¥ -**

	2019			
	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	**$ 102,879**	**$ -**	**$ -**	**$ -**
Time deposits	**2,140**	**-**	**-**	**-**
Trade notes and accounts receivable	**232,735**	**-**	**-**	**-**
Total	**$ 337,754**	**$ -**	**$ -**	**$ -**

	2018			
	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	¥ 15,190	¥ -	¥ -	¥ -
Time deposits	232	-	-	-
Trade notes and accounts receivable	24,911	-	-	-
Total	¥ 40,333	¥ -	¥ -	¥ -

14. Derivatives

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2019 and 2018.

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2019 and 2018 are as follows:

		2019					
		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**	**¥ 3,922**	**¥ 1,201**	**¥ (2)**	**$ 35,332**	**$ 10,824**	**$ (19)**
Currency swap contracts Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 6,577**	**¥ 4,507**	**¥ 266**	**$ 59,252**	**$ 40,604**	**$ 2,399**
Special Method*							
Interest rate swap contracts Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 2,220**	**¥ 1,400**	**¥ (18)**	**$ 20,000**	**$ 12,613**	**$ (162)**
Currency related :							
Allocation Method							
Foreign currency forward contracts Currency swap contracts Payable in yen/ Receive in U.S. dollars	**Long-term borrowings**	**¥ 6,577**	**¥ 4,507**	**¥ (313)**	**$ 59,252**	**$ 40,604**	**$ (2,818)**

		2018		
		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	¥ 8,262	¥ 4,059	¥ (1)
Currency swap contracts Payable fixed/ Receive floating	Long-term borrowings	¥ 8,647	¥ 6,577	¥ 431
Special Method*				
Interest rate swap contracts Payable fixed/ Receive floating	Long-term borrowings	¥ 2,930	¥ 2,220	¥ (23)
Currency related :				
Allocation Method				
Foreign currency forward contracts Currency swap contracts Payable in yen/ Receive in U.S. dollars	Long-term borrowings	¥ 8,647	¥ 6,577	¥ (900)

There are no commodity-related transactions for which hedge accounting has been applied for the years ended March 31, 2019 and 2018.

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.

15. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2019, 2018 and 2017 are as follows:

		Millions of yen					Thousands of U.S. dollars
		2019		2018		2017		**2019**
Unrealized gains (losses) on available-for-sale securities:								
Gains (losses) arising during the year	**¥**	**(123)**	¥	53	¥	76	**$**	**(1,104)**
Reclassifications and adjustments		**26**		(145)		-		**230**
Before income tax effects		**(97)**		(92)		76		**(874)**
Income tax effects		**10**		28		(23)		**87**
Total	**¥**	**(87)**	¥	(64)	¥	53	**$**	**(787)**
Deferred gains (losses) on hedges:								
Gains (losses) arising during the year	**¥**	**(100)**	¥	441	¥	322	**$**	**(898)**
Reclassifications and adjustments		**(67)**		(96)		100		**(599)**
Before income tax effects		**(167)**		345		422		**(1,497)**
Income tax effects		**51**		(105)		(26)		**458**
Total	**¥**	**(116)**	¥	240	¥	396	**$**	**(1,039)**
Foreign currency translation adjustments:								
Adjustments arising during the year	**¥**	**(190)**	¥	1,234	¥	(2,043)	**$**	**(1,711)**
Reclassifications and adjustments		**-**		(165)		-		**-**
Total	**¥**	**(190)**	¥	1,069	¥	(2,043)	**$**	**(1,711)**
Remeasurements of defined benefit plans:								
Adjustments arising during the year	**¥**	**67**	¥	(23)	¥	(273)	**$**	**603**
Reclassifications and adjustments		**64**		64		49		**572**
Before income tax effects		**131**		41		(224)		**1,175**
Income tax effects		**-**		-		-		**-**
Total	**¥**	**131**	¥	41	¥	(224)	**$**	**1,175**
Total other comprehensive income	**¥**	**(262)**	¥	1,286	¥	(1,818)	**$**	**(2,362)**

16. 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 are 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

	2019 Millions of yen						
	Japan	China	Vietnam	Asia	North America	Europe	Total
Net sales	**¥ 30,428**	**¥ 40,593**	**¥ 12,168**	**¥ 19,092**	**¥ 13,729**	**¥ 2,901**	**¥ 118,911**

	2019 Thousands of U.S. dollars						
	Japan	China	Vietnam	Asia	North America	Europe	Total
Net sales	**$ 274,128**	**$ 365,707**	**$ 109,619**	**$ 172,001**	**$ 123,681**	**$ 26,133**	**$ 1,071,269**

	2018 Millions of yen						
	Japan	China	Vietnam	Asia	North America	Europe	Total
Net sales	¥ 26,643	¥ 38,860	¥ 12,533	¥ 15,461	¥ 12,091	¥ 2,954	¥ 108,542

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

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

(b) Property, plant and equipment

	2019 Millions of yen				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**¥ 7,886**	**¥ 27,710**	**¥ 22,956**	**¥ 2**	**¥ 58,554**

	2019 Thousands of U.S. dollars				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**$ 71,043**	**$ 249,634**	**$ 206,815**	**$ 18**	**$ 527,510**

	2018 Millions of yen				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	¥ 5,846	¥ 27,133	¥ 16,752	¥ 2	¥ 49,733

(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, 2019 is not disclosed as the Group's reportable segment is mainly printed circuit boards ("PCB") and the related business and other business are immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2018 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business and other business are immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2017 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business and other business are immaterial.

17. Related Party Transactions

For the year ended March 31, 2019
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2019.

(2) Directors and major individual shareholders

Name	Location	Capital	Details of business	Percentage for possession of voting rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance as at March 31, 2019
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥242 million ($2,180 thousand)	¥31 million ($282 thousand) in accounts payable
						Sales of products	¥16 million ($144 thousand)	¥2 million ($17 thousand) in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2019.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights for M. D. Systems Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined based on the price of other companies.

Transactions between consolidated subsidiaries and related parties
Directors and major individual shareholders

Name	Location	Capital	Details of business	Percentage for possession of voting rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance as at March 31, 2019
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥16 million ($143 thousand)	¥2 million ($14 thousand) in accounts payable
						Sales of products	¥5 million ($49 thousand)	¥0 million ($1 thousand) in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2019.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights for M. D. Systems Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined based on the price of other companies.

For the year ended March 31, 2018
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2018.

(2) Directors and major individual shareholders

Name	Location	Capital	Details of business	Percentage for possession of voting rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance at March 31, 2018
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥117 million	¥28 million in accounts payable
						Sales of products	¥5 million	¥1 million in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2018.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights for M. D. Systems Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined based on the price of other companies.

Transactions between consolidated subsidiaries and related parties
Directors and major individual shareholders

Name	Location	Capital	Details of business	Percentage for possession of voting rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance at March 31, 2018
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥14 million	¥3million in accounts payable
						Sales of products	¥6 million	¥0 million in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2018.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights for M. D. Systems Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined based on the price of other companies.

KPMG

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, 2019 and 2018, and the consolidated statements of operations for the years ended March 31, 2019, 2018 and 2017, the consolidated statements of comprehensive income for the years ended March 31, 2019, 2018 and 2017, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2019, 2018 and 2017, 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, 2019 and 2018, and their financial performance and cash flows for the years ended March 31, 2019, 2018 and 2017 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, 2019 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 13, 2019
Tokyo, Japan

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	45	PCBs for electronics	100.0
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PCBs for electronics	100.0
Meiko Techno Co., Ltd.	Yokohama City, Kanagawa Prefecture	250	PCBs for electronics	100.0
Meiko Elec. Hong Kong. Co., Ltd.	Hong Kong	US$315,834 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$173,800 thousand	PCBs for electronics	100.0 (40.7)
Meiko Electronics America, Inc.	CA, U.S.A.	US$1,500 thousand	PCBs for electronics	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 (excluding treasury stock) (%)
Yuichiro Naya	4,703	17.97
Japan Trustee Services Bank, Ltd. (trust account)	1,997	7.63
The Master Trust Bank of Japan, Ltd. (trust account)	1,123	4.29
JAPAN POST BANK Co., Ltd. (Standing Agent: Trust & Custody Services Bank, Ltd.)	780	2.98
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	755	2.88
Meiko Kosan Co., Ltd.	608	2.32
Yuho, Ltd.	521	1.99
Trust & Custody Services Bank, Ltd.	437	1.67
Seiichi Naya	435	1.66
The Nomura Trust and Banking Co., Ltd. (trust account)	430	1.64
Total	11,790	45.05

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.
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.].
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, 2019)

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:
26,803,320

Number of Shareholders:
6,817

Securities Code:
6787

Stock Exchange Listing:
Tokyo Stock Exchange, JASDAQ standard market

Number of Employees:
11,899 (Consolidated)

Number of Subsidiaries:
19

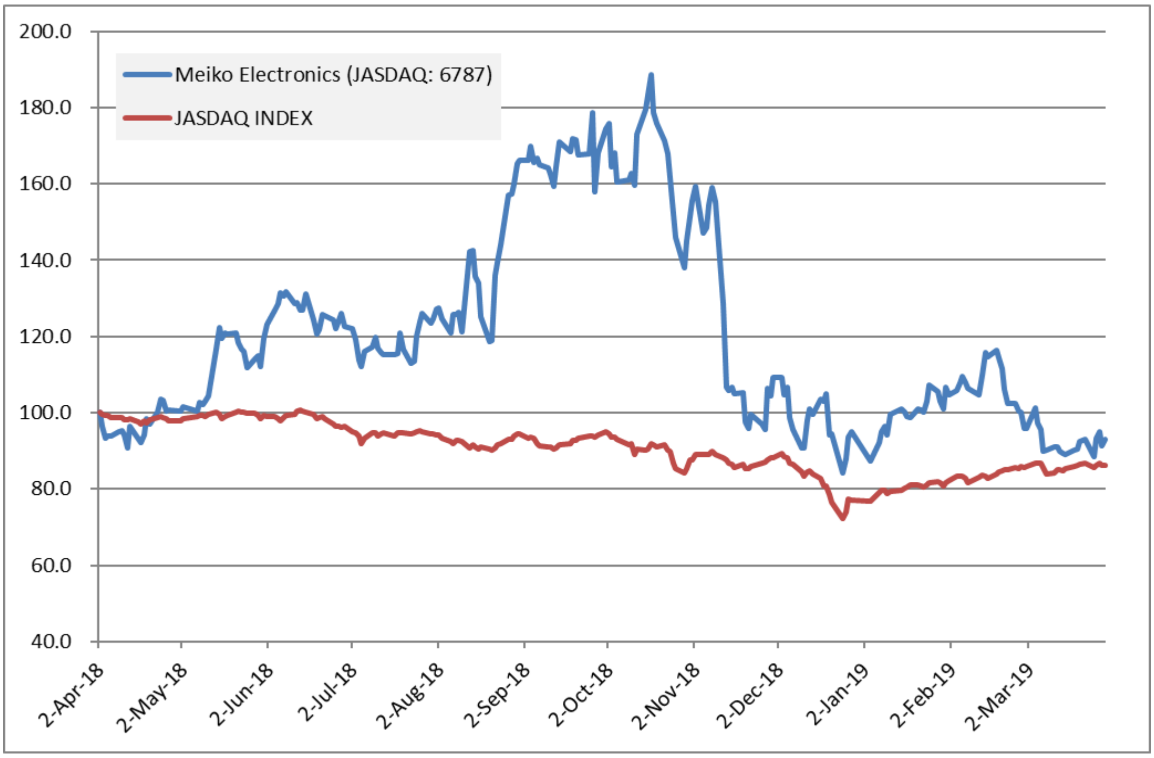
Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

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 FY2019 Compared with Indices



Fiscal year ended March 31, 2019

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In %