Annual Report 2020

For the year ended March 31, 2020

Meiko Electronics Co., Ltd.

The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 22 subsidiaries (10 consolidated subsidiaries and 12 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.

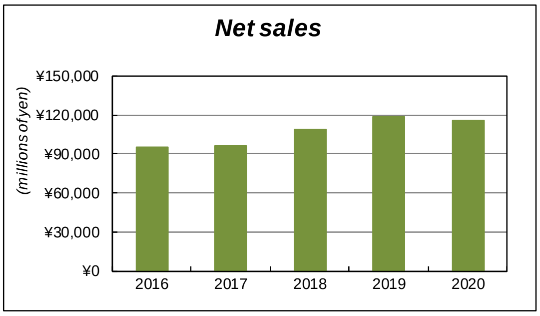
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties.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

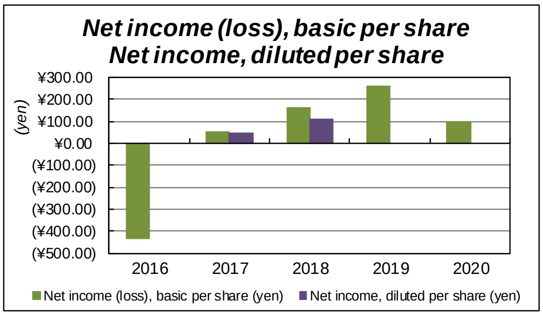
Contents

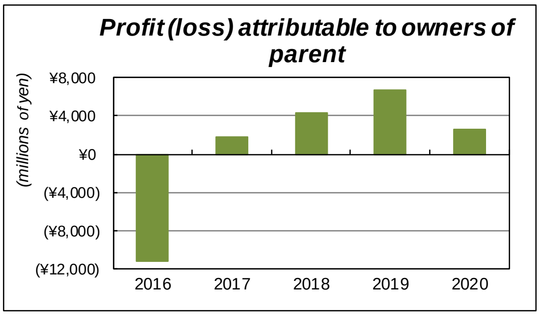
Five-year Financial Summary

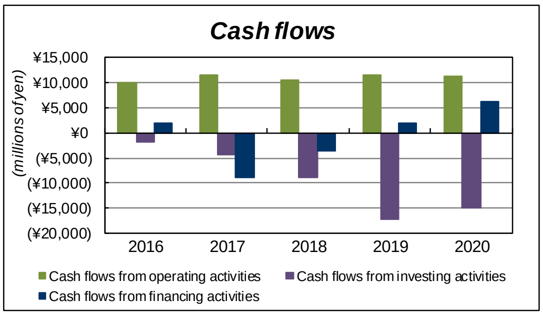
(For the years ended/as of March 31)

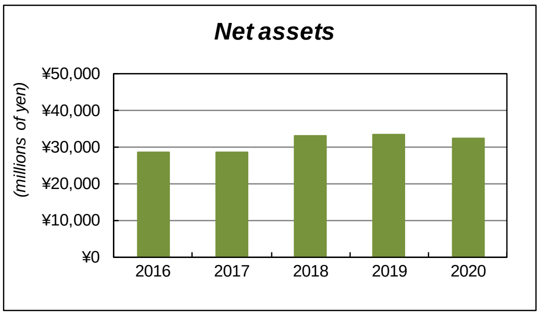
	2016	2017	2018	2019	2020
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥95,287	¥95,912	¥108,542	¥118,911	¥115,479
Ordinary income (loss)	(492)	2,981	4,795	8,611	4,790
Profit (loss) attributable to owners of parent	(11,250)	1,767	4,373	6,744	2,586
Comprehensive income	(14,709)	(32)	5,633	6,482	(419)
Net assets	28,764	28,540	33,042	33,588	32,482
Total assets	109,605	103,578	110,316	120,656	129,238
Net assets per share *(yen)*	897.97	882.84	1,071.37	1,283.24	1,233.61
Net income (loss) per share *(yen)*	(429.83)	54.14	160.34	257.65	98.81
Net income per share (diluted) *(yen)*	—	44.06	108.67	—	—
Equity ratio	26.0%	27.3%	30.0%	27.8%	25.0%
Return on equity (ROE)	-33.5%	6.2%	14.3%	20.2%	7.9%
Price earnings ratio (PER) *(times)*	—	16.2	11.4	6.7	13.5
Cash flows from operating activities	9,932	11,612	10,429	11,467	11,240
Cash flows from investing activities	(1,737)	(4,322)	(8,868)	(17,293)	(14,937)
Cash flows from financing activities	1,967	(9,030)	(3,531)	1,957	6,249
Cash and cash equivalents at the end of the period	19,313	17,196	15,190	11,419	13,646
Number of employees	9,491	10,677	11,640	11,899	12,232
[Average number of temporary staff]	[633]	[885]	[1,182]	[1,351]	[1,450]

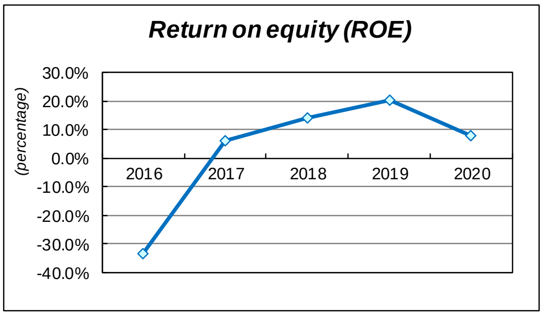

Net sales
(millions of yen)
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2016
2017
2018
2019
2020

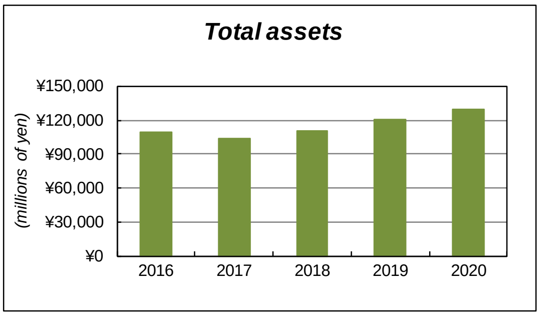

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
(¥200.00)
(¥300.00)
(¥400.00)
(¥500.00)
2016
2017
2018
2019
2020
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

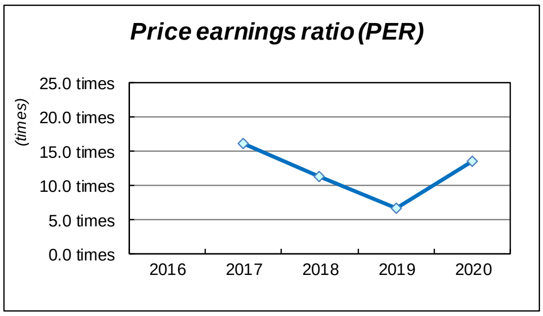

Profit (loss) attributable to owners of parent
(millions of yen)
¥8,000
¥4,000
¥0
(¥4,000)
(¥8,000)
(¥12,000)
2016
2017
2018
2019
2020

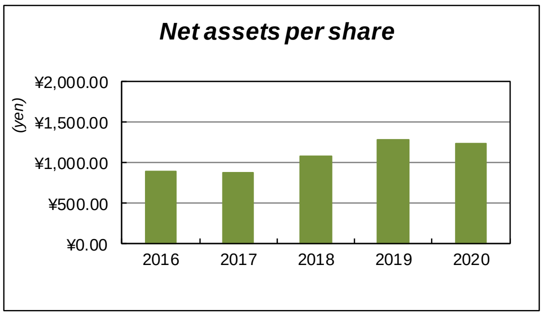

Cash flows
(millions of yen)
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2016
2017
2018
2019
2020
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2016
2017
2018
2019
2020


Return on equity (ROE)
(percentage)
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
2016
2017
2018
2019
2020


Total assets
(millions of yen)
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2016
2017
2018
2019
2020


Price earnings ratio (PER)
(times)
25.0 times
20.0 times
15.0 times
10.0 times
5.0 times
0.0 times
2016
2017
2018
2019
2020


Net assets per share
(yen)
¥2,000.00
¥1,500.00
¥1,000.00
¥500.00
¥0.00
2016
2017
2018
2019
2020

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, 2020 were ¥129,238 million, up ¥8,582 million from the end of the previous fiscal year. This change mainly comprised an increase of ¥2,227 million in cash and cash equivalents, a decrease of ¥1,386 million in trade notes and accounts receivable, and an increase of ¥2,981 million in inventories in current assets, in addition to an increase of ¥4,443 million in property, plant and equipment, an increase of ¥1,696 million in investment securities and a ¥2,038 million decrease in other in investments and other assets in non-current assets.

Liabilities

Liabilities as of March 31, 2020 were ¥96,756 million, up ¥9,688 million from the end of the previous fiscal year. This change mainly comprised an increase of ¥1,935 million in trade notes and accounts payable, an increase of ¥2,048 million in short-term borrowings, an increase of ¥1,158 million in the current portion of long-term borrowings, and a ¥897 million decrease in other in current liabilities, in addition to an increase of ¥5,714 million in long-term borrowings in non-current liabilities.

Net assets

Net assets as of March 31, 2020 were ¥32,482 million, down ¥1,106 million from the end of the previous fiscal year. This mainly reflected a ¥1,670 million increase in retained earnings, and a ¥2,947 million decrease in foreign currency translation adjustment.

(3) Analysis of business results

1) Net sales

The Group's net sales for the fiscal year under review decreased ¥3,432 million, or 2.9%, from the previous fiscal year to ¥115,479 million, primarily due to poor sales of PCBs (printed circuit boards) for smartphones caused by a sluggish smartphone market.

2) Gross profit

Cost of sales decreased ¥130 million, or 0.1%, from the previous fiscal year to ¥98,733 million, reflecting a decline in net sales. Gross profit for the fiscal year under review fell ¥3,302 million, or 16.5%, from the previous fiscal year to ¥16,746 million. The gross margin dropped 2.4 percentage points from the previous fiscal year to 14.5%.

3) Operating income

Selling, general and administrative expenses increased ¥435 million, or 3.9%, from the previous fiscal year to ¥11,557 million due to an increase in research and development costs. Operating income for the fiscal year under review decreased ¥3,737 million, or 41.9%, from the previous fiscal year to ¥5,189 million, with an operating margin of 4.5%, down 3.0 percentage points, from the previous fiscal year.

4) Ordinary income

Non-operating income decreased ¥992 million to ¥761 million primarily due to a decrease in foreign exchange gains. Non-operating expenses decreased ¥908 million to ¥1,160 million, mainly due to declines in interest expenses and commission for syndicated loans. As a result, ordinary income for the fiscal year under review decreased ¥3,821 million, or 44.4%, from the previous fiscal year to ¥4,790 million.

5) Profit attributable to owners of parent

In the fiscal year under review, extraordinary income amounted to ¥332 million due to the recording of gain on reversal of loss on valuation of investment securities of ¥327 million. Extraordinary losses totaled ¥1,856 million. This reflected the recording of expenses for factory shutdown of ¥1,250 million. The total amount of income taxes–current and income taxes–deferred decreased ¥402 million to ¥717 million. The loss attributable to non-controlling interests was ¥37 million.

As a result of the above, the profit attributable to owners of parent was ¥2,586 million, down 61.6% 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, 2020 increased ¥2,227 million from the previous fiscal year, to ¥13,646 million.

Cash flows of each category and their causes during the consolidated fiscal year ended March 31, 2020 were as follows.

Net cash provided by operating activities for the fiscal year under review was ¥11,240 million, down ¥227 million from the previous fiscal year. Increases were mainly from profit before income taxes of ¥3,266 million, depreciation and amortization of ¥6,587 million, a decrease in trade notes and accounts receivable of ¥2,362 million and an increase in trade notes and accounts payable of ¥1,006 million. The major decrease was an increase in inventories of ¥2,449 million.

Net cash used in investing activities was ¥14,937 million, down ¥2,356 million from the previous fiscal year. The major outflows were ¥13,570 million for the purchase of property, plant and equipment and ¥1,502 million for the purchases of investment securities.

Net cash provided by financing activities was ¥6,249 million, up ¥4,292 million from the previous fiscal year. The major inflows comprised a net increase in short-term borrowings of ¥1,133 million and proceeds from long-term borrowings of ¥21,500 million. The major outflows comprised repayments of long-term borrowings of ¥14,672 million and cash dividends paid of ¥915 million.

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

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Equity ratio *(%)*	30.0	27.8	25.0
Market value equity ratio *(%)*	43.2	37.6	27.1
Cash flows versus Interest-bearing debt ratio *(years)*	4.9	5.2	6.1
Interest coverage ratio *(times)*	8.8	14.0	16.3

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) Risks related to the business environment

(External factors)

1) Risk related to the Group's major customers and their industries' trends

The Group's major customers are manufacturers of automotive products, smartphones and tablets, IoT & AI household appliances, amusement equipment, and storage devices, 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. Furthermore, the Group endeavors to strengthen and expand the module board and EMS businesses as new mainstay businesses with the aim of minimizing influence from overdependence on PCBs. However, 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 and financial position. The monitoring of customers and trends in their industries and measures to minimize influence implemented by the Group cannot eliminate said risk completely. Therefore, the Group realizes that such risk could emerge in the event of a sudden change in market conditions, with the influence depending on the timing and size of the incident.

2) Raw materials market fluctuation risk

The Group purchases the raw materials necessary for manufacturing from external materials manufacturers and trading companies. The Group strives to minimize risk to some extent, using commodity derivatives. However, an unexpected surge in the prices of crude oil, copper, gold, etc., could impact the prices of the raw materials the Group purchases and adversely affect the Group's business performance and financial position. As said risk cannot be lessened or eliminated completely by the above mentioned measures to minimize risk alone, the Group realizes that it is inevitable that it will suffer some degree of impact if such risk actually emerges.

3) Risk related to 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 and financial position. The Company closely monitors customers' needs, competitors' technology, and price movements, etc. However, as this type of risk is inherent in business management and is difficult to eliminate completely, such risk might ordinarily emerge in the process of business management. The Group realizes that it is difficult to make a definite estimate of the influence when such risk actually emerges, since the influence may depend on the timing and conditions of the incident.

(Internal factors)

4) Risks related to the timing of capital investments

The Group conducts appropriate capital investment 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. In addition, should the Group's asset value or business profitability decline, it could result in the occurrence of impairment loss, adversely affecting the Group's business performance and financial position. The Group believes that there is not a high possibility that any individual capital investment will lead to the occurrence of impairment loss. However, risk caused by external factors, such as a sudden change in market conditions, natural disasters, and infectious diseases, cannot be lessened or eliminated by the Group's risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the timing and size of the incident.

5) Risk related to equipment failures and accidents

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, fire, or other accidents, which may result in the suspension of line operations, there is no guarantee that these will be prevented or reduced completely. Should production or 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. Said risk cannot be lessened or eliminated by the Group's own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

6) Risk related to 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 that cannot be covered by insurance amounts and harm the value of our corporate brand, which could adversely affect the Group's business performance and financial position. The Group believes that there is not a high possibility that said risk will emerge. However, as such risk cannot be lessened or eliminated by the Group's own risk management alone, the Group realizes that it is inevitable that it will suffer some degree of impact if such risk actually emerges.

(2) Risk related to natural disasters, etc.

1) Risk related to natural disasters

As the Group has manufacturing bases inside and outside Japan, there is a possibility that part or all of facilities will be suspended, causing production and shipment to be delayed, if natural disasters, such as earthquakes, tsunami, floods, storms, and torrential downpours occur. As its Ishinomaki Factory suffered damage from the Great East Japan Earthquake, the Group reviews its risk management system and tries to secure the safety of its employees and protect its facilities against natural disasters.

However, should a disaster of that scale occur in the future, it could adversely affect the Group’s business performance and financial position due to the payment of expenses to restore facilities and decreases in production and sales. Said risk cannot be lessened or eliminated by the Group’s own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

2) Risk related to infectious diseases

At the onset of the novel coronavirus infection (COVID-19), the Group conducted several measures, including thorough implementation of preventive measures based on the guidance issued by the health authorities in each country, prohibition in principle of journeys and business trips to countries and areas where the risk of infection is high, and telecommuting mainly in indirect departments, to secure the safety of customers, business partners, and employees and to prevent the further spread of COVID-19 cases. However, should a continuation of the pandemic, such as a prolonging of or a second wave of COVID-19, or the spread of a new infectious disease occur, such an incident would result in the suspension of the Group’s factories, worsening of the Japanese and global economy and contraction of economic activities, which could adversely affect the Group’s business performance and financial position. Said risk cannot be lessened or eliminated by the Group’s own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

(3) Risk related to compliance

As the Group operates its business in bases inside and outside Japan, it needs to comply with a wide range of laws and regulations and restrictions. In Japan, the Group is required to obey the Companies Act, Financial Instruments and Exchange Act, Anti-Monopoly Act, tax laws, labor laws, and environmental laws, etc. while it must observe laws and regulations and restrictions in each country and region it operates in overseas. The Group not only established the Risk and Compliance Committee to supervise compliance with laws and regulations and restrictions but also strives to raise its employees’ awareness of compliance issues by formulating and implementing its own compliance measures. However, there is a possibility that risk related to compliance will not be dodged completely by implementing these measures. Should the Group fail to perform obligations required by laws and regulations and restrictions, it could adversely affect the Group’s business performance and financial position. The Group believes that there is not a high possibility that risk related to compliance will emerge. However, as the type and timing of the occurrence, etc. of such incident cannot be controlled by the Group, it realizes that it is difficult to make an estimate of the influence beforehand.

(4) Risk related to finance, etc.

1) 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, 2020, was 50.8%. Should new borrowings or refinancing of outstanding borrowings for capital investments necessary from the perspective of its business strategy become difficult in the future due to a change in monetary conditions or banks’ situations, it could affect the Group’s fund raising plans. In addition, a rise in interest rates on borrowings could adversely affect the Group’s business performance and financial position. As risk related to monetary conditions or each bank's situation is hard to reduce or eliminate by the Group's own measures, the Group believes that it will suffer impact in the event of the occurrence of such risk, with the influence depending on the timing, size, and conditions of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence.

2) Credit risk

As the Group extends credit to its business partners in the form of trade credit, including accounts receivables and advance payments, it is therefore exposed to credit risk in the form of losses arising from deterioration in the credit of or bankruptcy of business partners. To manage such risk, the Group responds depending on the credit profile of the counterparty based on internal rules that determine the credit limit for each business partner. However, failure to collect receivables and other credit could affect the Group's business performance and financial position. The Group believes that it will suffer only limited impact, even if said risk emerges, since it monitors obligors' credit conditions and diversifies risk, which maintains the frequency and influence within the range of normal fluctuation of business results. Although the possibility of the abrupt emergence of unexpected credit risk from a large obligor is not completely eliminated, the Group realizes that the probability is quite low.

3) Risk related to foreign currency rate fluctuation

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, yen-to-U.S. dollar and other currencies exchange rate fluctuations. These fluctuations could result in losses. The Group strives to minimize risks to some extent by conducting exchange marry or currency exchange hedge, etc. However, should an unexpected foreign currency rate fluctuation occur, it could adversely affect the Group's business performance and financial position. As said risk depends on the fluctuation of foreign exchange rates and cannot be lessened or eliminated by its effort alone, the Group realizes that it is difficult to make a definite estimate on the timing of the occurrence and influence.

4) Risk related to M&A, joint venture, and alliance

The Group forms capital alliances with and conducts joint ventures with other companies that have the technology, products, sales network, customer base, and personnel necessary for business growth. However, there is a possibility that the Group may not receive the anticipated effects or will need to spend additional expenses or incur impairment loss when the market and competition environments significantly change or the business does not develop as planned. Should such incident occur, the Group may fail to earn the forecast profits, adversely affecting its business performance and financial position. As such risk cannot be lessened or eliminated by its own risk management alone, the Group realizes that it is inevitable that it would suffer some degree of impact if such risk actually emerges.

(5) Other risk

1) Risk 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. In these countries, the Group may face the following difficulties—hygiene-related issues such as infectious diseases; change or introduction of environmental regulations, legal restrictions and the tax system; failure of infrastructure such as electricity, water and transportation; political uncertainty and public security-related issues; anti-Japanese demonstrations and/or labor disputes; expropriation of assets, destruction of facilities by wars and conflicts, and limitation on the transfer of funds (transfer restriction), etc. 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. Said risk cannot be lessened or eliminated by the Group's own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

2) Risk related to information security

The Group sometimes obtains customer information, etc. through its business activities and also owns confidential information on technology, sales, and individual persons, and overall business. It pays the closest attention to the protection of its confidential information. To prevent unauthorized access, falsification, corruption, leakage, and loss, etc. of information caused by cyberattacks, etc. and human errors, etc., the Group established its information management system, takes appropriate safety procedures, such as the implementation of rational technological measures, and conducts drills to prepare for cyber security risk. However, should the leakage or loss of information occur, it could adversely affect the Group's business performance and financial position. As the Group strives to appropriately operate its confidential information management system, it realizes that the probability of emergence of such risk is quite low.

3) Risk related to 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. Although the possibility of abrupt emergence of the risk is not completely eliminated, the Group realizes that the probability is quite low.

Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2020**	2019	**2020**
Current Assets:			
Cash and cash equivalents (Notes 3, 6 and 17)	**¥ 13,646**	¥ 11,419	**$ 125,414**
Receivables —			
Trade notes and accounts receivable (Notes 6 and 17)	**24,448**	25,834	**224,687**
Other receivables	**1,505**	1,479	**13,830**
Less: Allowance for doubtful accounts	**(135)**	(144)	**(1,244)**
Inventories —			
Merchandise and finished goods	**5,148**	5,885	**47,315**
Work in process	**5,505**	4,675	**50,595**
Raw materials and supplies	**8,302**	5,414	**76,300**
Other (Note 17)	**1,298**	1,460	**11,922**
Total current assets	**59,717**	56,022	**548,819**
Property, Plant and Equipment, at Cost:			
Land	**1,488**	1,488	**13,678**
Buildings and structures (Note 5)	**43,779**	36,732	**402,340**
Machinery and vehicles (Note 5)	**83,588**	76,155	**768,202**
Leased assets	**4,120**	6,476	**37,868**
Construction in progress	**4,909**	9,581	**45,118**
Other (Note 5)	**4,914**	4,458	**45,154**
	142,798	134,890	**1,312,360**
Less: Accumulated depreciation	**(79,801)**	(76,336)	**(733,396)**
Net property, plant and equipment	**62,997**	58,554	**578,964**
Intangible Assets	**828**	269	**7,606**
Investments and Other Assets:			
Investment securities (Notes 4 and 17)	**3,221**	1,525	**29,603**
Long-term loans receivable	**256**	238	**2,355**
Deferred tax assets (Note 16)	**1,029**	867	**9,456**
Other	**1,296**	3,334	**11,908**
Less: Allowance for doubtful accounts	**(106)**	(153)	**(973)**
Total investments and other assets	**5,696**	5,811	**52,349**
Total	**¥ 129,238**	¥ 120,656	**$ 1,187,738**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 1) 2020
Current Liabilities:			
Trade notes and accounts payable (Notes 6 and 17)	¥ **17,732**	¥ 15,797	$ **162,963**
Short-term borrowings (Notes 7 and 17)	**9,686**	7,638	**89,021**
Current portion of long-term borrowings (Notes 7 and 17)	**15,544**	14,386	**142,859**
Income taxes payable (Note 16)	**204**	221	**1,877**
Accrued bonuses	**688**	667	**6,320**
Accrued bonuses to directors and corporate auditors	**40**	19	**369**
Lease obligations (Notes 7 and 17)	**561**	698	**5,151**
Other (Notes 7 and 17)	**7,610**	8,507	**69,931**
Total current liabilities	**52,065**	47,933	**478,491**
Long-term Liabilities:			
Long-term borrowings (Notes 7 and 17)	**40,479**	34,765	**372,013**
Lease obligations (Notes 7 and 17)	**935**	1,112	**8,590**
Provision for directors' retirement benefits	**217**	217	**1,997**
Net defined benefit liability (Note 8)	**2,696**	2,689	**24,781**
Other (Note 16)	**364**	352	**3,345**
Total long-term liabilities	**44,691**	39,135	**410,726**
Commitments and Contingent Liabilities (Note 12) :			
Net Assets (Note 9):			
Shareholders' Equity:			
Common stock:			
Authorized:			
70,000,000 shares in 2020 and 2019			
Issued:			
26,803,320 shares in 2020 and 2019			
Preferred stock:			
Authorized:			
None in 2020 and 2019			
Issued:			
None in 2020 and 2019	**12,889**	12,889	**118,450**
Capital surplus	**6,464**	6,464	**59,411**
Retained earnings	**13,160**	11,490	**120,944**
Less: Treasury stock, at cost; Common stock, 629,427 shares in 2020, 629,378 shares in 2019	**(397)**	(397)	**(3,646)**
Total shareholders' equity	**32,116**	30,446	**295,159**
Accumulated Other Comprehensive Income:			
Unrealized gains on available-for-sale securities	**(8)**	(65)	**(78)**
Deferred gains on hedges	**30**	183	**277**
Foreign currency translation adjustments	**375**	3,322	**3,451**
Remeasurements of defined benefit plans (Note 8)	**(225)**	(298)	**(2,067)**
Total accumulated other comprehensive income	**172**	3,142	**1,583**
Non-controlling interests	**194**	-	**1,779**
Total net assets	**32,482**	33,588	**298,521**
Total	¥ **129,238**	¥ 120,656	$ **1,187,738**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2020, 2019 and 2018

	Millions of yen						Thousands of U.S. dollars (Note 1)	
		2020		2019		2018		**2020**
Net Sales	¥	**115,479**	¥	118,911	¥	108,542	$	**1,061,292**
Cost of Sales (Note 13)		**98,733**		98,863		90,115		**907,393**
Gross profit		**16,746**		20,048		18,427		**153,899**
Selling, General and Administrative Expenses (Note 13)		**11,557**		11,122		10,970		**106,207**
Operating income		**5,189**		8,926		7,457		**47,692**
Other Income (Expenses):								
Interest expense, net		**(595)**		(742)		(1,111)		**(5,470)**
Dividend income		**6**		7		26		**58**
Foreign exchange gain (loss)		**(61)**		518		(1,668)		**(563)**
Net loss on sales and disposal of property, plant and equipment (Note 15)		**(139)**		(222)		(193)		**(1,281)**
Subsidy income		**183**		302		93		**1,684**
Gain on liquidation of subsidiaries		**-**		-		163		**-**
Insurance income		**325**		655		674		**2,991**
Impairment loss		**-**		-		(57)		**-**
Gain on sales of investment securities, net (Note 4)		**4**		0		136		**33**
Gain on reversal of loss on valuation of investment securities (Note 14)		**327**		-		-		**3,009**
Expenses for business structure improvement (Note 10)		**(210)**		(526)		-		**(1,929)**
Expenses for factory shutdown (Note 11)		**(1,250)**		-		-		**(11,487)**
Other, net		**(513)**		(1,055)		(676)		**(4,723)**
Total		**(1,923)**		(1,063)		(2,613)		**(17,678)**
Income before Income Taxes		**3,266**		7,863		4,844		**30,014**
Income Taxes (Note 16):								
Current		**875**		753		834		**8,043**
Deferred		**(158)**		366		(337)		**(1,452)**
Total income taxes		**717**		1,119		497		**6,591**
Net income		**2,549**		6,744		4,347		**23,423**
Net Loss attributable to non-controlling interests		**(37)**		-		(26)		**(346)**
Net Income attributable to owners of the Company	¥	**2,586**	¥	6,744	¥	4,373	$	**23,769**

	Yen						U.S. dollars (Note 1)	
Per Share of Common Stock:								
Net income per share								
Basic	¥	**98.81**	¥	257.65	¥	160.34	$	**0.91**
Diluted		**-**		-		108.67		**-**
Cash dividends applicable to the year		**30.00**		35.00		20.00		**0.28**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	**2020**
Net Income	**¥ 2,549**	¥ 6,744	¥ 4,347	**$ 23,423**
Other Comprehensive Income (Note 19):				
Unrealized gains (losses) on available-for-sale securities	**57**	(87)	(64)	**525**
Deferred gains (losses) on hedges	**(153)**	(116)	240	**(1,408)**
Foreign currency translation adjustments	**(2,945)**	(190)	1,069	**(27,063)**
Remeasurements of defined benefit plans	**73**	131	41	**675**
Total other comprehensive income	**(2,968)**	(262)	1,286	**(27,271)**
Comprehensive Income	**¥ (419)**	¥ 6,482	¥ 5,633	**$ (3,848)**
Comprehensive Income Attributable to:				
Owners of the Company	**¥ (383)**	¥ 6,482	¥ 5,665	**$ (3,519)**
Non-controlling interests	**(36)**	-	(32)	**(329)**

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, 2020, 2019 and 2018

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, 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 in 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
Net income attributable to owners of the Company	-	-	-	-	-	**2,586**	-	**2,586**	-	-	-	-	-	-	**2,586**
Cash dividends paid	-	-	-	-	-	**(916)**	-	**(916)**	-	-	-	-	-	-	**(916)**
Purchase of treasury stock	-	-	-	-	-	-	**(0)**	**(0)**	-	-	-	-	-	-	**(0)**
Net increase (decrease)	-	-	-	-	-	-	-	-	**57**	**(153)**	**(2,947)**	**73**	**(2,970)**	**194**	**(2,776)**
Balance as at March 31, 2020	**26,803,320**	**¥ 12,889**	**-**	**¥ -**	**¥ 6,464**	**¥ 13,160**	**¥ (397)**	**¥ 32,116**	**¥ (8)**	**¥ 30**	**¥ 375**	**¥ (225)**	**¥ 172**	**¥ 194**	**¥ 32,482**

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, 2019	$ 118,450	$ -	$ 59,411	$ 105,594	$ (3,646)	$ 279,809	$ (603)	$ 1,685	$ 30,531	$ (2,742)	$ 28,871	$ -	$ 308,680
Net income attributable to owners of the Company	-	-	-	**23,769**	-	**23,769**	-	-	-	-	-	-	**23,769**
Cash dividends paid	-	-	-	**(8,419)**	-	**(8,419)**	-	-	-	-	-	-	**(8,419)**
Purchase of treasury stock	-	-	-	-	**(0)**	**(0)**	-	-	-	-	-	-	**(0)**
Net increase (decrease)	-	-	-	-	-	-	**525**	**(1,408)**	**(27,080)**	**675**	**(27,288)**	**1,779**	**(25,509)**
Balance as at March 31, 2020	**$ 118,450**	**$ -**	**$ 59,411**	**$ 120,944**	**$ (3,646)**	**$ 295,159**	**$ (78)**	**$ 277**	**$ 3,451**	**$ (2,067)**	**$ 1,583**	**$ 1,779**	**$ 298,521**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	**2020**
Operating Activities:				
Income before income taxes	¥ **3,266**	¥ 7,863	¥ 4,844	$ **30,014**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,587**	6,281	5,816	**60,541**
Amortization of goodwill	**20**	-	-	**187**
Impairment loss	**-**	-	57	**-**
Increase (decrease) in allowance for doubtful accounts	**(46)**	(170)	239	**(426)**
Increase in net defined benefit liability	**80**	161	147	**740**
Increase in accrued bonuses	**22**	25	132	**199**
Increase (decrease) in accrued bonuses to directors and corporate auditors	**21**	(41)	20	**196**
Decrease in provision for directors' retirement benefits	**-**	-	(22)	**-**
Interest income and dividend income	**(103)**	(66)	(67)	**(947)**
Interest expenses	**692**	801	1,152	**6,358**
Foreign exchange loss (gain)	**249**	(55)	709	**2,290**
Net loss on sales and disposal of property, plant and equipment	**139**	222	193	**1,281**
Gain on sales of investment securities, net	**(4)**	(0)	(136)	**(33)**
Loss on valuation of investment securities	**168**	-	-	**1,543**
Gain on reversal of loss on valuation of investment securities	**(327)**	-	-	**(3,009)**
Insurance income	**(325)**	(655)	(674)	**(2,991)**
Expenses for business structure improvement	**210**	526	-	**1,929**
Expenses for factory shutdown	**1,250**	-	-	**11,487**
Decrease (increase) in trade notes and accounts receivable	**2,362**	(1,205)	(3,464)	**21,707**
Increase in inventories	**(2,449)**	(1,528)	(1,949)	**(22,505)**
Increase (decrease) in trade notes and accounts payable	**1,006**	(310)	2,884	**9,243**
Decrease (increase) in other assets	**614**	183	(575)	**5,644**
Increase in other liabilities	**(85)**	19	1,800	**(781)**
Other	**35**	272	725	**322**
Subtotal	**13,382**	12,323	11,831	**122,989**
Interest and dividend received	**101**	67	67	**929**
Interest paid	**(689)**	(821)	(1,192)	**(6,329)**
Proceeds from insurance income	**325**	655	674	**2,991**
Payments for business structure improvement	**(210)**	-	-	**(1,929)**
Payments for factory shutdown	**(760)**	-	-	**(6,985)**
Income taxes paid	**(909)**	(757)	(951)	**(8,362)**
Net cash provided by operating activities	**11,240**	11,467	10,429	**103,304**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(13,570)**	(14,719)	(8,381)	**(124,710)**
Proceeds from sales of property, plant and equipment	**1**	40	4	**11**
Payments for purchases of intangible assets	**(182)**	(113)	(81)	**(1,672)**
Payments for liquidation of subsidiaries and affiliates	**-**	-	(279)	**-**
Payments for purchases of investment securities	**(1,502)**	(974)	(188)	**(13,806)**
Proceeds from sales of investment securities	**6**	1	588	**55**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	**(562)**	-	-	**(5,163)**
Payments for insurance policies	**(2)**	(2)	(3)	**(22)**
Proceeds from maturity of insurance funds	**-**	-	98	**-**
Other, net	**874**	(1,526)	(626)	**8,029**
Net cash used in investing activities	**(14,937)**	(17,293)	(8,868)	**(137,278)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**1,133**	(5,725)	993	**10,414**
Proceeds from long-term borrowings	**21,500**	25,655	10,017	**197,592**
Payments for long-term borrowings	**(14,672)**	(10,841)	(12,273)	**(134,840)**
Repayments of lease obligations	**(797)**	(1,197)	(1,392)	**(7,323)**
Payments for purchase of treasury stock	**(0)**	(5,282)	(0)	**(1)**
Cash dividends paid	**(915)**	(653)	(875)	**(8,409)**
Dividends paid to non-controlling interests	**-**	-	(1)	**-**
Net cash provided by (used in) financing activities	**6,249**	1,957	(3,531)	**57,433**

See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2020	2019	2018	**2020**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(325)**	98	(36)	**(2,994)**
Net Increase (Decrease) in Cash and Cash Equivalents	**2,227**	(3,771)	(2,006)	**20,465**
Cash and Cash Equivalents at the Beginning of the Year	**11,419**	15,190	17,196	**104,949**
Cash and Cash Equivalents at the End of the Year (Note 3)	**¥ 13,646**	¥ 11,419	¥ 15,190	**$ 125,414**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2020, 2019 and 2018

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 that is more familiar to readers outside Japan.
In addition, the notes to the consolidated financial statements include information that 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, 2020 ($1=¥108.81). 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 10 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 the 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 that 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), acquired on or after April 1, 1998 and facilities attached to buildings and structures, 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 that 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 that 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.

(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 the 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, 2020.

(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) Change in Accounting Policy

From the beginning of the fiscal year ended March 31, 2020, overseas consolidated subsidiaries of the Company subject to application of IFRS have applied IFRS 16 ("Leases"), an accounting method in which borrower lease transactions are viewed either as right-of-use assets or lease obligations.
Accordingly, an approach was adopted in which any cumulative impact of the application of this standard, regarded as a transitional measure, is recognized on the start date of its application.
As a result, "Other" in Current Assets decreased by ¥27 million ($250 thousand), "Leased assets (net)" in Property, Plant and Equipment, at Cost increased by ¥1,204 million ($11,067 thousand), "Other" in Investments and Other Assets decreased by ¥790 million ($7,261 thousand), while "Lease obligations" in Current Liabilities and Long-term Liabilities increased by ¥105 million ($962 thousand) and ¥268 million ($2,460 thousand), respectively, as of March 31, 2020.
The impact of this change on profit or loss for the year ended March 31, 2020 was immaterial.

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

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)
(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 five 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
The above standard and guidance will become 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.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)
(1) Overview
The ASBJ made required revisions and issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” for the purpose of disclosing the outline on accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined.
(2) Effective date
The above standard will become effective at the end of the fiscal year ending March 31, 2021.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)
(1) Overview
The ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates” for the purpose of disclosing information on the items of accounting estimates made on financial statements of the current fiscal year that may significantly affect financial statements of the next fiscal year, which is highly useful for users of financial statements.
(2) Effective date
The above standard will become effective at the end of the fiscal year ending March 31, 2021.

(u) Additional Information

(Accounting Estimates Relating to the Spread of the Novel Coronavirus (COVID-19))
The Company made accounting estimates for recoverability of deferred tax assets, impairment of fixed assets and others, based on the information available at the time of the preparation of the consolidated financial statements.
The spread of COVID-19 infection has far-reaching effects on economies and corporate activities, and it is difficult to forecast the spread of the infection and the timing of the return to normal in the future. However, the Company made accounting estimates based on the assumption that the impact of the COVID-19 will continue for a certain period of time for the year ending March 31, 2021.
There are many uncertain factors for estimating the impact of the spread of COVID-19, which may influence the Company's financial conditions and operating results for the next consolidated accounting period.

3. Principal Breakdown of Assets and Liabilities of a Company that Became a Consolidated Subsidiary through the Acquisition of Stock

For the year ended March 31, 2020

Breakdown of assets and liabilities at the time of commencement of consolidation in connection with the new consolidation of Meiko Towada Vietnam Co., Ltd. through the acquisition of stock and the relationship between acquisition cost of shares and expenditures for acquisition (net) are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,265	$ 20,819
Non-current assets	873	8,027
Goodwill	406	3,730
Current liabilities	(2,467)	(22,671)
Non-current liabilities	(98)	(904)
Non-controlling interests	(229)	(2,108)
Acquisition cost of shares	750	6,893
Cash and cash equivalents	(188)	(1,730)
Expenditures for acquisition	¥ 562	$ 5,163

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

4. 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, 2020 and 2019 are as follows:

	2020					
	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	¥ 38	¥ 20	¥ 18	$ 347	$ 180	$ 167
Securities whose carrying values do not exceed their acquisition cost:						
Equity securities	153	309	(156)	1,412	2,845	(1,433)
Total	¥ 191	¥ 329	¥ (138)	$ 1,759	$ 3,025	$ (1,266)

	2019		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying values exceed their acquisition cost:			
Equity securities	¥ 64	¥ 26	¥ 38
Other	99	96	3
Securities whose carrying values do not exceed their acquisition cost:			
Equity securities	199	306	(107)
Total	¥ 362	¥ 428	¥ (66)

Information on available-for-sale securities whose fair values are not readily determinable as of March 31, 2020 and 2019 are described in Note 17.

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2020 and 2019 are summarized as follows:

	2020					
	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	¥ 6	¥ 4	¥ 0	$ 55	$ 33	$ 0
Total	¥ 6	¥ 4	¥ 0	$ 55	$ 33	$ 0

	2019		
	Millions of yen		
	Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales
Equity securities	¥ 1	¥ 0	¥ 0
Total	¥ 1	¥ 0	¥ 0

The Company recorded impairment loss of investment securities in the amount of ¥168 million ($1,543 thousand) for the year ended March 31, 2020.
It consists of ¥118 million ($1,084 thousand) for available-for-sale securities and ¥50 million ($459 thousand) for shares of subsidiaries and associates.

The Company recorded no impairment loss of investment securities for the year ended March 31, 2019.

5. Reduction Entry for Property, Plant and Equipment

The amount deducted from the acquisition costs of property, plant and equipment due to government subsidies received and others as of March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥ 270	¥ -	$ 2,483
Machinery and vehicles	162	-	1,489
Other	7	-	60
Total	¥ 439	¥ -	$ 4,032

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable	¥ -	¥ 120	$ -
Notes payable - trade	¥ -	¥ 217	$ -

7. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2020 and 2019 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Short-term borrowings with average interest rate of 0.98% for 2020 and 1.19% for 2019	¥ **9,686**	¥ 7,638	$ **89,021**
Current portion of long-term borrowings with average interest rate of 0.95% for 2020 and 1.34% for 2019	**15,544**	14,386	**142,859**
Current portion of lease obligations	**561**	698	**5,151**
Current portion of other liabilities with average interest rate of 0.57% for 2020 and 2019	**1,300**	1,300	**11,948**
Total short-term borrowings	**27,091**	24,022	**248,979**
Long-term borrowings with average interest rate of 0.73% for 2020 and 0.91% for 2019, less current portion	**40,479**	34,765	**372,013**
Lease obligations, less current portion	**935**	1,112	**8,590**
Total long-term borrowings	**41,414**	35,877	**380,603**
Total	¥ **68,505**	¥ 59,899	$ **629,582**

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances as at March 31, 2020 and 2019.
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, 2019 and March 31, 2020.

The aggregate annual maturities of long-term debt as of March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ **14,163**	$ **130,163**
2022	**11,919**	**109,540**
2023	**10,330**	**94,936**
2024	**4,067**	**37,374**
Total	¥ **40,479**	$ **372,013**

The aggregate annual maturities of lease obligations as of March 31, 2020 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ **505**	$ **4,640**
2022	**109**	**1,001**
2023	**88**	**808**
2024	**91**	**835**
2025 and thereafter	**142**	**1,306**
Total	¥ **935**	$ **8,590**

Financial covenants

For the year ended March 31, 2020
Short-term borrowings and long-term borrowings, including the current portion amounting to ¥58,091 million ($533,880 thousand), include certain financial covenants that 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) ¥20,589 million ($189,220 thousand), or (ii) 75% 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, 2019
Short-term borrowings and long-term borrowings, including the current portion amounting to ¥49,628 million, include certain financial covenants that 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.

8. Retirement Benefits

The Company and some of its consolidated subsidiaries provide a lump-sum retirement plan and a defined contribution 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.

Defined benefit pension plans, except plan applying the simplified method

(1) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at the beginning of the year	¥ **2,300**	¥ 2,244	$ **21,138**
Service cost	**135**	127	**1,243**
Interest cost	**5**	7	**42**
Actuarial loss	**(29)**	(67)	**(265)**
Benefits paid	**(99)**	(12)	**(906)**
Other	**-**	1	**-**
Balance at the end of the year	¥ **2,312**	¥ 2,300	$ **21,252**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unfunded projected benefit obligations	¥ **2,312**	¥ 2,300	$ **21,252**
Total liability at the end of the year	¥ **2,312**	¥ 2,300	$ **21,252**
Net defined benefit liability	¥ **2,312**	¥ 2,300	$ **21,252**
Total liability at the end of the year	¥ **2,312**	¥ 2,300	$ **21,252**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Service cost	¥ **135**	¥ 127	$ **1,243**
Interest cost	**5**	7	**42**
Amortization of actuarial loss	**6**	24	**53**
Amortization of past service cost	**38**	39	**357**
Total benefit costs	¥ **184**	¥ 197	$ **1,695**

(4) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Past service cost	¥ **(38)**	¥ (39)	$ **(357)**
Actuarial loss	**(35)**	(92)	**(318)**
Total	¥ **(73)**	¥ (131)	$ **(675)**

(5) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrecognized past service cost	¥ **231**	¥ 270	$ **2,126**
Unrecognized actuarial loss (gain)	**(6)**	28	**(59)**
Total	¥ **225**	¥ 298	$ **2,067**

(6) Actuarial assumptions

	2020	2019
Discount rate	**0.4%**	0.2%

Defined benefit pension plan applying the simplified method

(1) Movement in net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at the beginning of the year	¥ **389**	¥ 414	$ **3,578**
Benefit costs	**12**	2	**115**
Benefits paid	**(17)**	(26)	**(164)**
Others	-	(1)	**-**
Balance at the end of the year	¥ **384**	¥ 389	$ **3,529**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unfunded projected benefit obligations	¥ **384**	¥ 389	$ **3,529**
Total liability at the end of the year	¥ **384**	¥ 389	$ **3,529**
Net defined benefit liability	¥ **384**	¥ 389	$ **3,529**
Total liability at the end of the year	¥ **384**	¥ 389	$ **3,529**

(3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Retirement benefit costs calculated using the simplified method	¥ **12**	¥ 2	$ **115**
Total costs at the end of the year	¥ **12**	¥ 2	$ **115**

Defined contribution plan

The amount required to contribute to the defined contribution plans is ¥167 million ($1,539 thousand) and ¥161 million for the years ended March 31, 2020 and 2019, respectively.

9. 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.

10. Expenses for Business Structure Improvement

For the year ended March 31, 2020
The Group recorded expenses for business structure improvement for the payment of financial compensation, equivalent to severance payment, with the aim of improving business structure of overseas subsidiaries.

For the year ended March 31, 2019
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 the Group's structural reforms through downsizing its total assets and the improvement of asset efficiency.
It consists of ¥421 million for loss on disposal of fixed assets and ¥105 million for impairment loss.

11. Expenses for Factory Shutdown

The Company recorded expenses for the shutdown of factories of Meiko Electronics (Wuhan) Co., Ltd. and Meiko Electronics (Guangzhou Nansha) Co., Ltd. caused by the spread of COVID-19 infection for the year ended March 31, 2020.

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

12. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trade notes discounted	¥ **33**	¥ 37	$ **300**

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥1,212 million ($11,138 thousand), ¥1,041 million and ¥816 million for the years ended March 31, 2020, 2019 and 2018, respectively.

14. Gain on Reversal of Loss on Valuation of Investment Securities

The Company recorded gain on reversal of loss on valuation of investment securities carried out at overseas subsidiaries under the International Financial Reporting Standards for the year ended March 31, 2020.

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

15. 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, 2020, 2019 and 2018 are as follows:

	Millions of yen			Thousands of U.S. dollars
Gain:	**2020**	2019	2018	**2020**
Buildings and structures	¥ **-**	¥ -	¥ -	$ -
Machinery and vehicles	**1**	2	0	**7**
Land	**-**	-	-	-
Construction in progress	**-**	-	-	-
Others	**-**	-	-	-
Total gain	**1**	2	0	**7**
Loss:				
Buildings and structures	**(9)**	(3)	(6)	**(83)**
Machinery and vehicles	**(115)**	(204)	(168)	**(1,057)**
Land	**-**	-	-	**-**
Construction in progress	**-**	(6)	(10)	**-**
Intangible assets	**-**	-	-	**-**
Others	**(16)**	(11)	(9)	**(148)**
Total loss	**(140)**	(224)	(193)	**(1,288)**
Net loss	¥ **(139)**	¥ (222)	¥ (193)	$ **(1,281)**

16. 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%, 30.6% and 30.8% for the years ended March 31, 2020, 2019 and 2018, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred Tax Assets:			
Elimination of unrealized profits	¥ **51**	¥ 65	$ **473**
Accrued bonuses	**196**	190	**1,803**
Net defined benefit liability	**770**	745	**7,074**
Provision for directors' retirement benefits	**66**	66	**611**
Accrued enterprise tax	**3**	22	**24**
Allowance for doubtful accounts	**66**	83	**608**
Valuation loss of inventories	**80**	98	**739**
Difference on depreciation period	**373**	435	**3,430**
Impairment loss	**1,007**	1,248	**9,253**
Loss on valuation of investment securities	**20**	60	**183**
Loss on revaluation of golf club memberships	**15**	15	**140**
Tax loss carryforwards	**2,867**	2,474	**26,344**
Unrealized losses on available-for-sale securities	**3**	20	**24**
Deduction of foreign corporation tax carried forward	**663**	600	**6,096**
Other	**72**	136	**656**
Gross deferred tax assets	**6,252**	6,257	**57,458**
Valuation allowance for tax loss carryforwards (*2)	**(2,414)**	(2,371)	**(22,190)**
Valuation allowance for deductible temporary differences	**(2,625)**	(2,780)	**(24,124)**
Less: valuation allowance (*1)	**(5,039)**	(5,151)	**(46,314)**
Total	¥ **1,213**	¥ 1,106	$ **11,144**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred Tax Liabilities:			
Retained earnings of foreign subsidiaries	¥ **(427)**	(401)	$ **(3,920)**
Deferred gains on hedges	**(13)**	(81)	**(122)**
Other	**(3)**	(2)	**(26)**
Total	¥ **(443)**	¥ (484)	$ **(4,068)**
Deferred Tax Assets, Net:	¥ **770**	¥ 622	$ **7,076**

(*1) The valuation allowance decreased by ¥112 million ($1,028 thousand), mainly due to the decrease of ¥106 million ($976 thousand) in valuation allowance for impairment loss at consolidated subsidiaries for the year ended March 31, 2020.
The valuation allowance decreased by ¥212 million, mainly due to the decrease of ¥261 million in valuation allowance for tax credit carryforwards at the Company and at consolidated subsidiaries for the year ended March 31, 2019.

(*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:

March 31, 2020	Millions of yen						
	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**	¥ **1,194**	¥ **1,598**	¥ **2,866**
Valuation allowance	**-**	**-**	**-**	**(74)**	**(742)**	**(1,598)**	**(2,414)**
Total deferred tax assets recognized	**-**	**-**	**-**	**-**	**452**	**-**	**(*b) 452**

March 31, 2019	Millions of yen						
	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

March 31, 2020	Thousands of U.S. dollars						
	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)	$ **-**	$ **-**	$ **-**	$ **684**	$ **10,972**	$ **14,688**	$ **26,344**
Valuation allowance	**-**	**-**	**-**	**(684)**	**(6,818)**	**(14,688)**	**(22,190)**
Total deferred tax assets recognized	**-**	**-**	**-**	**-**	**4,154**	**-**	**4,154**

(*a) Gross deferred tax assets for tax loss carryforwards are calculated using the enacted statutory tax rates.
(*b) Deferred tax assets of ¥452 million ($4,154 thousand) are recognized for tax loss carryforwards of ¥2,866 million ($26,344 thousand) (calculated using the enacted statutory tax rates), which the Company and its consolidated subsidiaries recognized for a part of tax loss carryforwards of ¥1,465 million ($13,464 thousand) for the year ended March 31, 2020.
These tax loss carryforwards resulted from loss before income taxes for the year ended March 31, 2016 and the year ended March 31, 2020, 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 for the year ended March 31, 2020.
Deferred tax assets of ¥103 million are recognized for tax loss carryforwards of ¥2,474 million (calculated using the enacted statutory tax rates), which the Company recognized for a part of tax loss carryforwards of ¥1,022 million for the year ended March 31, 2019.
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 for the year ended March 31, 2019.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Statutory tax rate	**30.6%**	30.6%	30.8%
Expenses not deductible for tax purpose	**0.3%**	0.1%	0.2%
Per capita inhabitant tax	**0.5%**	0.2%	0.3%
Directors' bonuses	**0.6%**	0.1%	0.4%
Tax deduction	**(3.6)%**	(2.1)%	- %
Tax rate difference in foreign subsidiaries	**(12.9)%**	(13.8)%	(23.3)%
Retained earnings of foreign subsidiaries	**0.8%**	0.6%	(0.4)%
Foreign tax credit	**8.0%**	2.4%	5.0%
Effect of amendments of consolidation	**- %**	- %	(0.2)%
Valuation allowance	**(3.5)%**	(1.9)%	(15.3)%
Expiration of tax loss carryforwards	**- %**	- %	7.8%
Other, net	**1.2%**	(2.0)%	5.0%
Actual effective tax rate	**22.0%**	14.2%	10.3%

17. 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 the finance department. 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 that 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 18, 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, 2020 and 2019 are as follows:

	2020					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Assets						
Cash and cash equivalents	**¥ 13,646**	**¥ 13,646**	**¥ -**	**$ 125,414**	**$ 125,414**	**$ -**
Time deposits	**244**	**244**	**-**	**2,238**	**2,238**	**-**
Trade notes and accounts receivable	**24,448**	**24,448**	**-**	**224,687**	**224,687**	**-**
Investment securities:						
Available-for-sale securities	**191**	**191**	**-**	**1,759**	**1,759**	**-**
Liabilities						
Trade notes and accounts payable	**¥ 17,732**	**¥ 17,732**	**¥ -**	**$ 162,963**	**$ 162,963**	**$ -**
Short-term borrowings	**9,686**	**9,686**	**-**	**89,021**	**89,021**	**-**
Long-term borrowings	**56,023**	**56,035**	**12**	**514,872**	**514,982**	**110**
Lease obligations	**1,496**	**1,503**	**8**	**13,741**	**13,812**	**71**
Derivative financial instruments	**¥ 44**	**¥ 44**	**¥ -**	**$ 400**	**$ 400**	**$ -**

	2019		
	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 11,419	¥ 11,419	¥ -
Time deposits	238	238	-
Trade notes and accounts receivable	25,834	25,834	-
Investment securities:			
Available-for-sale securities	361	361	-
Liabilities			
Trade notes and accounts payable	¥ 15,797	¥ 15,797	¥ -
Short-term borrowings	7,638	7,638	-
Long-term borrowings	49,151	49,203	52
Lease obligations	1,810	1,823	13
Derivative financial instruments	¥ 264	¥ 264	¥ -

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 18.

(2) Unlisted securities of ¥3,030 million ($27,844 thousand) as of March 31, 2020 and ¥1,164 million as of March 31, 2019 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, 2020 and 2019 is as follows:

	2020			
	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 ¥	**13,646** ¥	**-** ¥	**-** ¥	**-**
Time deposits	**244**	**-**	**-**	**-**
Trade notes and accounts receivable	**24,448**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**

	2020			
	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 $	**125,414** $	**-** $	**-** $	**-**
Time deposits	**2,238**	**-**	**-**	**-**
Trade notes and accounts receivable	**224,687**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**

	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	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-

18. Derivatives

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2020 and 2019.

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2020 and 2019 are as follows:

		2020					
		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**	**¥ 996**	**¥ 65**	**¥ (4)**	**$ 9,155**	**$ 600**	**$ (40)**
Currency swap contracts Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 4,507**	**¥ 2,437**	**¥ 40**	**$ 41,422**	**$ 22,398**	**$ 364**
Special Method*							
Interest rate swap contracts Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 1,400**	**¥ 1,000**	**¥ (9)**	**$ 12,866**	**$ 9,190**	**$ (86)**
Currency related :							
Allocation Method							
Foreign currency forward contracts Currency swap contracts Payable in yen/ Receive in U.S. dollars	**Long-term borrowings**	**¥ 4,507**	**¥ 2,437**	**¥ (168)**	**$ 41,422**	**$ 22,398**	**$ (1,547)**
Commodity related :							
Benchmark Method							
Copper swap contracts	**Raw materials**	**¥ 617**	**¥ -**	**¥ 8**	**$ 5,670**	**$ -**	**$ 76**

		2019		
		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	¥ 3,922	¥ 1,201	¥ (2)
Currency swap contracts Payable fixed/ Receive floating	Long-term borrowings	¥ 6,577	¥ 4,507	¥ 266
Special Method*				
Interest rate swap contracts Payable fixed/ Receive floating	Long-term borrowings	¥ 2,220	¥ 1,400	¥ (18)
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)

There were no commodity-related transactions for which hedge accounting has been applied for the year ended March 31, 2019.

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.

19. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2020, 2019 and 2018 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	**2020**
Unrealized gains (losses) on available-for-sale securities:				
Gains (losses) arising during the year	¥ **(57)**	¥ (123)	¥ 53	$ **(527)**
Reclassifications and adjustments	**114**	26	(145)	**1,052**
Before income tax effects	**57**	(97)	(92)	**525**
Income tax effects	**-**	10	28	**-**
Total	¥ **57**	¥ (87)	¥ (64)	$ **525**
Deferred gains (losses) on hedges:				
Gains (losses) arising during the year	¥ **(143)**	¥ (100)	¥ 441	$ **(1,315)**
Reclassifications and adjustments	**(78)**	(67)	(96)	**(713)**
Before income tax effects	**(221)**	(167)	345	**(2,028)**
Income tax effects	**68**	51	(105)	**620**
Total	¥ **(153)**	¥ (116)	¥ 240	$ **(1,408)**
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ **(2,945)**	¥ (190)	¥ 1,234	$ **(27,063)**
Reclassifications and adjustments	**-**	-	(165)	**-**
Total	¥ **(2,945)**	¥ (190)	¥ 1,069	$ **(27,063)**
Remeasurements of defined benefit plans:				
Adjustments arising during the year	¥ **28**	¥ 67	¥ (23)	$ **265**
Reclassifications and adjustments	**45**	64	64	**410**
Before income tax effects	**73**	131	41	**675**
Income tax effects	**-**	-	-	**-**
Total	¥ **73**	¥ 131	¥ 41	$ **675**
Total other comprehensive income	¥ **(2,968)**	¥ (262)	¥ 1,286	$ **(27,271)**

20. Business Combination

Business combination through acquisition

(1) Overview of business acquisition

1) Name and business of acquired company

Name of acquired company .... Towada Electronics Vietnam Co., Ltd.

Business of acquired company .... Implementation, assembly and sales of electronic parts

2) Purpose of business combination

To increase orders by strengthening the Group's integrated supply system from board design to manufacturing and assembly, and mass production system in Hanoi, Vietnam

3) Date of business combination

Share acquisition date .... November 25, 2019

Deemed acquisition date........ October 1, 2019

4) Legal form of business combination .... Share acquisition

5) Corporate name after business combination .... Meiko Towada Vietnam Co., Ltd.

6) Percentage of acquired share........ 60%

7) Grounds for determining acquiring company .... The Company's cash acquisition of shares

(2) Period of business results for the acquired company included in the consolidated financial statements........ October 1, 2019 to March 31, 2020

(3) Breakdown of acquisition cost and type of compensation	Millions of yen	Thousands of U.S. dollars
Cash	¥ **750**	$ **6,893**
Total	¥ **750**	$ **6,893**

(4) Description and amount of principal acquisition-related expenses	Millions of yen	Thousands of U.S. dollars
Advisory costs and others	¥ **53**	$ **485**

(5) Amount of goodwill, reasons for occurrence, depreciation method and depreciation period	Millions of yen	Thousands of U.S. dollars
1) Amount of goodwill	¥ **406**	$ **3,730**

2) Reasons for occurrence:

Future surplus earning capacity anticipated from business development going forward

3) Depreciation method and depreciation period .... Depreciated on a straight-line basis over 10 years

(6) Amount and principal breakdown of assets and liabilities assumed on date of business combination	Millions of yen	Thousands of U.S. dollars
Current assets	¥ **2,265**	$ **20,819**
Non-current assets	**873**	**8,027**
Total assets	¥ **3,138**	$ **28,846**
Current liabilities	¥ **2,467**	$ **22,671**
Non-current liabilities	**98**	**904**
Total liabilities	¥ **2,565**	$ **23,575**

21. 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 the sales amount of a 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

	2020 Millions of yen						
	Japan	China	Vietnam	Asia	North America	Europe	Total
Net sales	**¥ 35,174**	**¥ 34,642**	**¥ 12,747**	**¥ 17,225**	**¥ 13,169**	**¥ 2,522**	**¥ 115,479**

	2020 Thousands of U.S. dollars						
	Japan	China	Vietnam	Asia	North America	Europe	Total
Net sales	**$ 323,256**	**$ 318,372**	**$ 117,153**	**$ 158,300**	**$ 121,032**	**$ 23,179**	**$ 1,061,292**

	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

	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

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

(b) Property, plant and equipment

	2020 Millions of yen				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**¥ 7,588**	**¥ 24,716**	**¥ 30,689**	**¥ 4**	**¥ 62,997**

	2020 Thousands of U.S. dollars				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**$ 69,739**	**$ 227,142**	**$ 282,041**	**$ 42**	**$ 578,964**

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

(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, 2020 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, 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.

22. Related Party Transactions

For the year ended March 31, 2020
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2020.

(2) Directors and major individual shareholders

Name	Location	Capital	Details of business	Percentage for possession of voting rights	Relationship	Details of transaction ※3	Transaction amount ※1	Balance as at March 31, 2020
M.D. Systems Co., Ltd. ※2	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥219 million ($2,016 thousand)	¥24 million ($218 thousand) in accounts payable
						Sales of products	¥13 million ($124 thousand)	¥3 million ($23 thousand) in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2020.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights in M. D. Systems Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.

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 ※4	Transaction amount ※1	Balance as at March 31, 2020
M.D. Systems Co., Ltd. ※2	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥11 million ($98 thousand)	¥1 million ($11 thousand) in accounts payable
						Sales of products	¥4 million ($33 thousand)	¥0 million ($1 thousand) in accounts receivable
Dapara Tech Co., Ltd. ※3	Seoul City, South Korea	₩50 million	Sales of board and its related facilities	Directly own (%) -	Business relationship/ Concurrent positions of director	Sales commission	¥340 million ($3,124 thousand)	¥20 million ($187 thousand) in other payable
						Sales of products	¥131 million ($1,202 thousand)	¥18 million ($162 thousand) in accounts receivable

Notes: ※1 Consumption taxes are not included in the transaction amount, and included in the balance as at March 31, 2020.
※2 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights in M. D. Systems Co., Ltd.
※3 Yoon Ho Shin, director of the Company, directly owns 60.0% of voting rights in Dapara Tech Co., Ltd.
※4 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.
The terms and conditions of the sales commission are determined through negotiations considering those with other companies.

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 ※3	Transaction amount ※1	Balance as at March 31, 2019
M.D. Systems Co., Ltd. ※2	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥242 million	¥31 million in accounts payable
						Sales of products	¥16 million	¥2 million 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 in M. D. Systems Co., Ltd.

※3 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.

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 ※4	Transaction amount ※1	Balance as at March 31, 2019
M.D. Systems Co., Ltd. ※2	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥16 million	¥2 million in accounts payable
						Sales of products	¥5 million	¥0 million in accounts receivable
Dapara Tech Co., Ltd. ※3	Seoul City, South Korea	₩50 million	Sales of board and its related facilities	Directly own (%) -	Business relationship/ Concurrent positions of director	Sales commission	¥398 million	¥29 million in other payable
						Sales of products	¥74 million	¥9 million 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 in M. D. Systems Co., Ltd.

※3 Yoon Ho Shin, director of the Company, directly owns 60.0% of voting rights in Dapara Tech Co., Ltd.

※4 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.

The terms and conditions of the sales commission are determined through negotiations considering those with other companies.

KPMG

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Meiko Electronics Co., Ltd.("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income for the years ended March 31, 2020, 2019 and 2018, the consolidated statements of comprehensive income for the years ended March 31, 2020, 2019 and 2018, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2020, 2019 and 2018, and a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years ended March 31, 2020, 2019 and 2018 accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

櫻井 紀彰

Noriaki Sakurai

Designated Engagement Partner

Certified Public Accountant

會田 大央

Daio Aida

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Yokohama Office, Japan

October 9, 2020

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	50	PCBs for electronics	100.0
Meiko Elec. Hong Kong. Co., Ltd.	Hong Kong	US$391,179 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
Meiko Towada Vietnam Co., Ltd.	Hai Duong Province, Vietnam	US$21,000 thousand	PCBs for electronics	60.0

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)	2,650	10.12
The Master Trust Bank of Japan, Ltd. (trust account)	1,114	4.26
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	1,080	4.13
JP MORGAN CHASE BANK 385632 (Standing Agent: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	684	2.62
Meiko Kosan Co., Ltd.	608	2.32
Trust & Custody Services Bank, Ltd. (securities investment trust account)	551	2.11
Yuho, Ltd.	521	1.99
STATE STREET BANK AND TRUST COMPANY 505019 (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	484	1.85
Seiichi Naya	435	1.66
Total	12,832	49.03

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 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.
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.
November 2019	Acquired equity interests in EMS (Electronic Manufacturing Services) in Vietnam and turned it into a subsidiary (currently consolidated subsidiary), Meiko Towada Vietnam Co., Ltd.

Corporate Data (As of March 31, 2020)

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:
4,504

Securities Code:
6787

Stock Exchange Listing:
Tokyo Stock Exchange, JASDAQ standard market

Number of Employees:
12,232 (Consolidated)

Number of Subsidiaries:
22

Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

Accounting Auditor:
KPMG AZSA LLC

Headquarters:
5-14-15, Ogami, Ayase, Kanagawa Prefecture, Japan 252-1104

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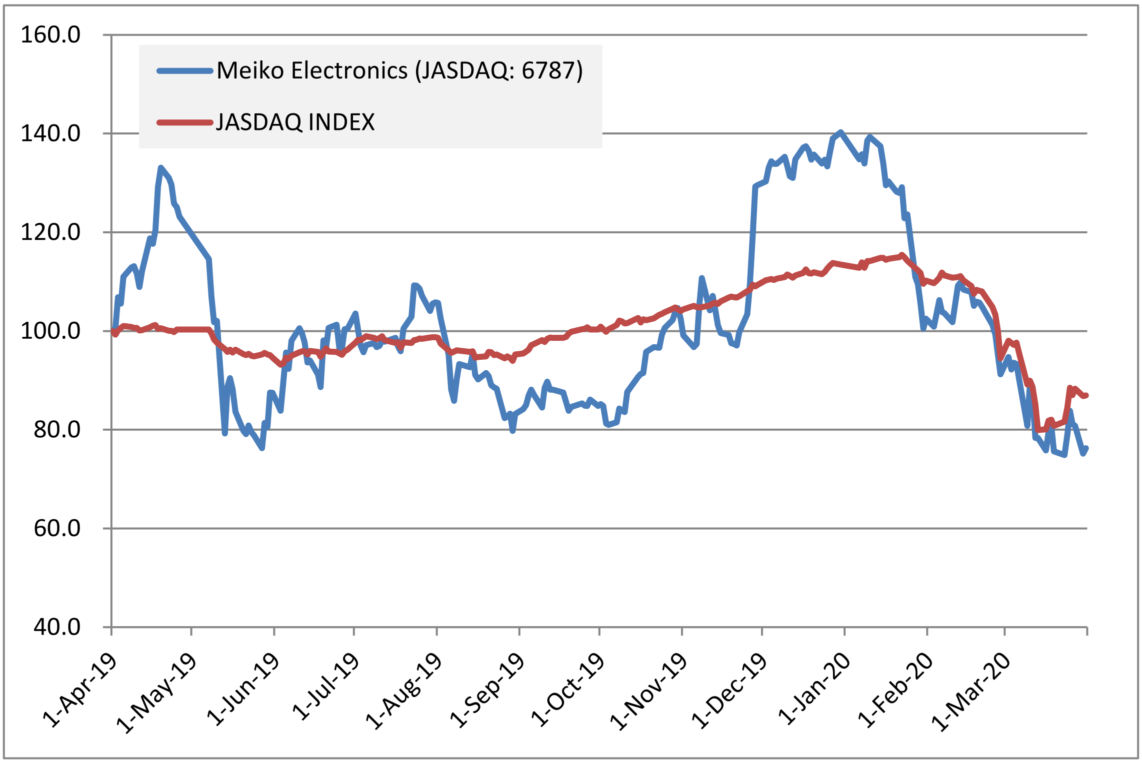
- Tel: +81-(0)467-76-6001
- E-mail: Meiko_Eng@meiko-elec.com
- URL: https://www.meiko-elec.com/

Meiko Share Performance in FY2020 Compared with Indices



Fiscal year ended March 31, 2020

Index

In %