Annual Report 2014

For the year ended March 31, 2014

Meiko Electronics Co., Ltd.

Profile

The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 14 subsidiaries (10 consolidated subsidiaries and 4 non-consolidated subsidiaries) (the “Group”). The Group operates a single business segment, engaging in the design, manufacture and sale of PCBs (printed circuit boards) and associated services.

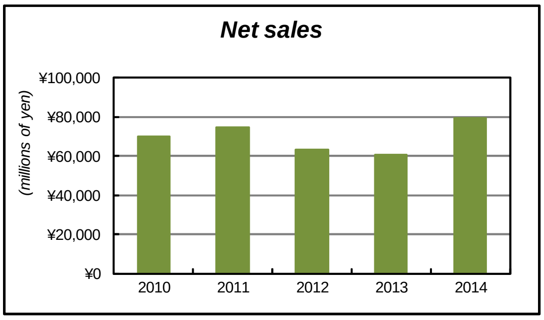
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties.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

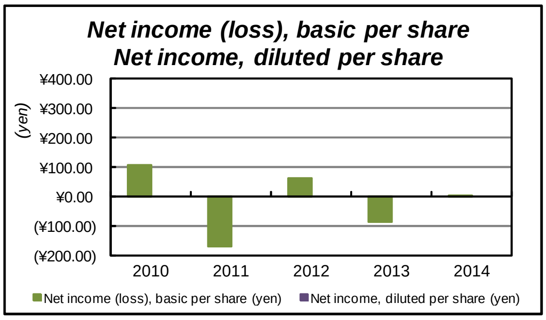
Contents

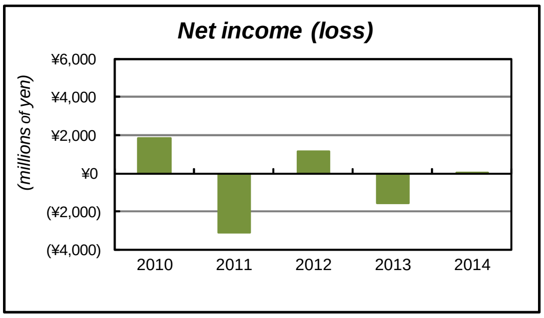
Five-year Financial Summary

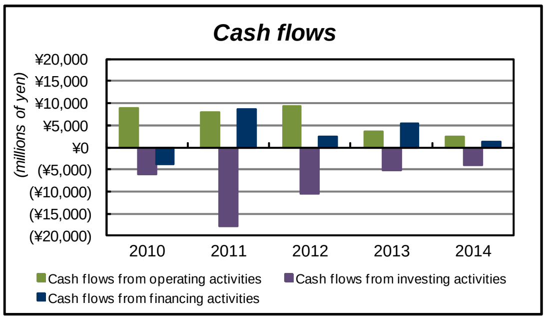
(For the years ended/as of March 31)

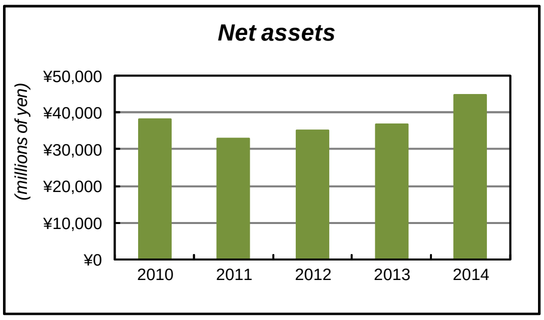
	2010	2011	2012	2013	2014
			(millions of yen, except per share amounts)		
Consolidated financial indicators:					
Net sales	¥69,823	¥74,724	¥62,973	¥60,709	¥79,232
Ordinary income (loss)	2,695	2,127	222	(387)	1,932
Net income (loss)	1,828	(3,095)	1,159	(1,568)	23
Comprehensive income	—	(5,307)	2,048	1,822	3,522
Net assets	38,167	32,980	35,028	36,727	44,708
Total assets	84,728	89,816	91,105	102,046	115,427
Net assets per share *(yen)*	2,067.25	1,756.65	1,865.71	1,956.24	1,708.09
Net income (loss) per share *(yen)*	107.39	(166.32)	61.73	(83.52)	1.11
Net income per share (diluted) *(yen)*	—	—	—	—	—
Equity ratio	45.0%	36.7%	38.4%	36.0%	38.7%
Return on equity (ROE)	5.0%	-8.7%	3.4%	-4.4%	0.1%
Price earnings ratio (PER) *(times)*	18.5	—	19.4	—	583.5
Cash flows from operating activities	8,841	7,916	9,252	3,594	2,426
Cash flows from investing activities	(6,059)	(17,911)	(10,377)	(5,075)	(4,021)
Cash flows from financing activities	(3,742)	8,677	2,360	5,358	1,187
Cash and cash equivalents at the end of the period	4,009	2,509	3,752	8,788	8,759
Number of employees	10,149	13,161	9,948	9,966	11,858
[Average number of temporary staff]	[565]	[597]	[397]	[528]	[700]

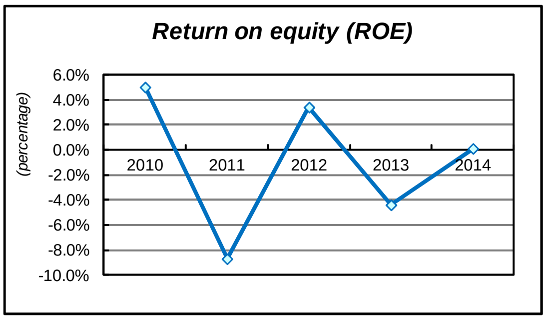

Net sales
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2010
2011
2012
2013
2014

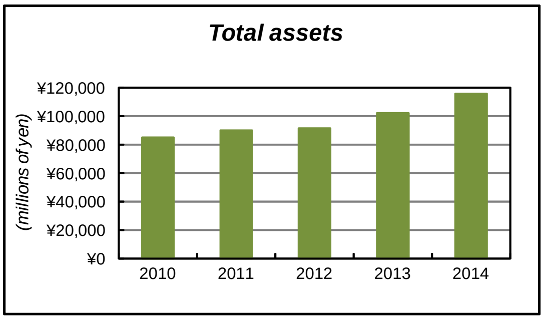

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥400.00
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
(¥200.00)
2010
2011
2012
2013
2014
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

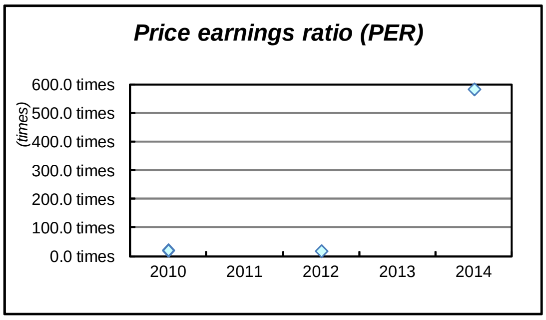

Net income (loss)
(millions of yen)
¥6,000
¥4,000
¥2,000
¥0
(¥2,000)
(¥4,000)
2010
2011
2012
2013
2014

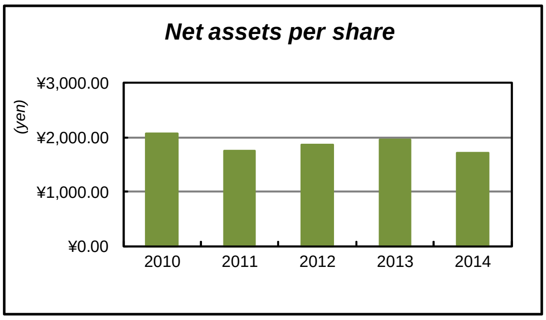

Cash flows
(millions of yen)
¥20,000
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2010
2011
2012
2013
2014
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2010
2011
2012
2013
2014


Return on equity (ROE)
(percentage)
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
2010
2011
2012
2013
2014


Total assets
(millions of yen)
¥120,000
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2010
2011
2012
2013
2014


Price earnings ratio (PER)
(times)
600.0 times
500.0 times
400.0 times
300.0 times
200.0 times
100.0 times
0.0 times
2010
2011
2012
2013
2014


Net assets per share
(yen)
¥3,000.00
¥2,000.00
¥1,000.00
¥0.00
2010
2011
2012
2013
2014

Financial Review: Management's Discussion and Analysis

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

(1) Significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). Prior to the presentation of these consolidated financial statements, the Company used its best judgement along with past results and conditions of the Group to generate estimates and forecasts.

(2) Analysis of the Group's financial position

1) Assets

(Current assets)

The balance of current assets as of March 31, 2014 was ¥42,740 million, up ¥7,639 million from ¥35,101 million for the previous fiscal year. This change mainly comprised an increase of ¥5,414 million in trade notes and accounts receivable from ¥12,129 million to ¥17,543 million, and an increase of ¥1,114 million in inventories from ¥10,487 million to ¥11,601 million.

(Noncurrent assets)

The balance of noncurrent assets as of March 31, 2014 was ¥72,687 million, up ¥5,742 million from ¥66,945 million for the previous fiscal year. Major factors for this increase were a ¥5,807 million increase in property, plant and equipment from ¥61,772 million to ¥67,579 million due to capital investments, and a ¥674 million increase in investment securities from ¥1,041 million to ¥1,715 million.

2) Liabilities

(Current liabilities)

The balance of current liabilities as of March 31, 2014 was ¥36,910 million, down ¥3,268 million from ¥40,178 million for the previous fiscal year. This change mainly consisted of a ¥2,690 million increase in trade notes and accounts payable from ¥7,243 million to ¥9,933 million, a ¥5,609 million decrease in short-term borrowings from ¥13,971 million to ¥8,362 million, and a ¥1,241 million decrease in the current portion of long-term borrowings from ¥13,108 million to ¥11,867 million.

(Long-term liabilities)

The balance of long-term liabilities as of March 31, 2014 was ¥33,809 million, up ¥8,668 million from ¥25,141 million for the previous fiscal year. Major factors for this increase were a ¥6,659 million in long-term borrowings from ¥22,557 million to ¥29,216 million, and a ¥1,126 million increase in long-term other payable from ¥506 million to ¥1,632 million.

3) Net assets

The balance of net assets as of March 31, 2014 was ¥44,708 million, up ¥7,981 million from ¥36,727 million for the previous fiscal year. Major factors for this increase were a ¥2,343 million increase in capital stock and capital surplus, respectively, as a result of new share issues, and a ¥3,162 million increase in foreign currency translation adjustments.

(3) Analysis of business results

1) Net sales

The Group's business performance during the fiscal year under review was boosted by its efforts to concentrate management resources on automotive products and overseas smartphone-related products, which have been demonstrating strong sales, and its focus on the expansion of production systems, as well as an increase in new orders. As a result, net sales were ¥79,232 million, up ¥18,523 million, or 30.5%, from the previous fiscal year.

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

Cost of sales increased ¥15,867 million, or 29.9%, from the previous fiscal year to ¥69,023 million, reflecting an increase in variable cost following a rise in orders received. As a result, gross profit increased ¥2,656 million, or 35.1%, from the previous fiscal year to ¥10,209 million. The gross margin increased 12.9%, or 0.5 percentage point, from the previous fiscal year.

Selling, general and administrative expenses increased ¥1,127 million, or 13.8%, from the previous fiscal year to ¥9,286 million, primarily due to an increase in packing and freight expenses.

3) Operating income

Operating income increased ¥1,529 million from the previous fiscal year to ¥923 million, mainly due to an increase in net sales, compared with operating loss of ¥606 million for the previous fiscal year. The operating margin was 1.2% compared with -1.0% for the previous fiscal year.

4) Non-operating income and Non-operating expenses

Non-operating income decreased ¥285 million from the previous fiscal year to ¥2,343 million, primarily due to a decline in foreign exchange gains.

Non-operating expenses decreased ¥1,076 million from the previous fiscal year to ¥1,333 million, mainly due to a decline in depreciation and amortization.

5) Ordinary income

Ordinary income increased ¥2,319 million from the previous fiscal year to ¥1,932 million, due primarily to the recording of foreign exchange gains, compared with an ordinary loss of ¥387 million for the previous fiscal year.

6) Extraordinary income (loss)

Extraordinary income decreased ¥513 million from the previous fiscal year to ¥700 million. This primarily reflected the recording of gain on sales of noncurrent assets of ¥413 million and compensation income of ¥287 million from Tokyo Electric Power Company, Incorporated, for the fiscal year under review.

Extraordinary loss improved by ¥889 million from the previous fiscal year to ¥384 million. This mainly reflected the recording of loss on sales and retirement of noncurrent assets of ¥232 million and business structure improvement expenses totaling ¥64 million for the fiscal year under review.

7) Net income

The total amount of income taxes-current and Income taxes-deferred increased ¥1,103 million from the previous fiscal year to ¥2,224 million, primarily due to the reversal of deferred tax assets.

As a result of the above, net income increased ¥1,591 million from the previous fiscal year to ¥23 million, compared with a net loss of ¥1,568 million for the previous fiscal year.

(4) Analysis of source of funds and liquidity

1) Cash flows

Cash and cash equivalents (hereafter, “net cash”) as of March 31, 2014 decreased ¥29 million from the previous fiscal year, to ¥8,759 million.

Net cash provided by operating activities for the fiscal year under review was ¥2,426 million, down ¥1,168 million from the previous fiscal year.

Increases were mainly from income before income taxes and minority interests of ¥2,247 million, depreciation and amortization of ¥6,182 million, an increase in notes and accounts payable-trade of ¥2,000 million, and proceeds from insurance income of ¥1,206 million. The major decreases comprised foreign exchange gain of ¥2,054 million, an increase in notes and accounts receivable-trade of ¥5,871 million, and income taxes paid of ¥1,731 million.

Net cash used in investing activities was ¥4,021 million, down ¥1,054 million from the previous fiscal year. The major outflow was ¥4,724 million for the purchase of property, plant and equipment.

Net cash provided by financing activities was ¥1,187 million, down ¥4,171 million from the previous fiscal year. The major inflows comprised proceeds from long-term loans payable of ¥18,303 million and proceeds from new share issues of ¥4,686 million. The major outflows comprised net decrease in short-term loans payable of ¥6,265 million and repayment of long-term loans payable of ¥15,021 million.

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

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio *(%)*	38.4	36.0	38.7
Market value equity ratio *(%)*	24.7	11.8	14.7
Cash flows versus Interest-bearing debt ratio	4.4	13.8	21.2
Interest coverage ratio *(times)*	11.1	3.9	2.5

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).
3. The operating cash flow represents the cash flow provided by (used in) operating activities as indicated in the consolidated statements of cash flows. Of the liabilities posted on the consolidated balance sheets, the interest-bearing debt covers all the liabilities for which interest was paid. The interest payment represents the payment of interest indicated in the consolidated statements of cash flows.

2) Financial policy

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

Business Risks

Below are some of the major risks from among those described in the securities report (provided/filed in Japanese only) which may significantly affect any decisions made by investors.

Forward-looking statements are based on the Group's best judgment during the consolidated fiscal year under review.

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

The Group's major customers are manufacturers of automobile electronic control equipment, communications equipment and devices, digital household appliances, and personal computers, among others. The Group's major business is the manufacture and sale of PCBs, which are parts that constitute a core function of finished products. Should a natural disaster or global economic turmoil occur and thus influence the economic outlook and consumer spending and adversely impact the markets of the industries in which the Group's major customers operate, or lead to sluggish sales of their finished products, such factors could impact the volume of orders received by the Group and affect the Group's business performance.

(2) Risks related to the timing of capital investments

The Group conducts appropriate capital investment to enhance productivity and maintain product competitiveness. Although overseas and domestic capital investments are carefully determined considering brand manufacturers' business performance and market trends, should manufacturers change strategies or the Group's capital investments become excessive upon a downturn in the economy, or the operation of new facilities be delayed, factors such as the burden of depreciation costs could adversely affect the Group's business results and financial position.

(3) Possibility of product defects

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

(4) Technological development and price competition

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

(5) Impact of disasters

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

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

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

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

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

The following difficulties might occur in these countries:

1: Hygiene-related issues such as infectious diseases
2: Change or introduction of environmental regulations, legal restrictions and the tax system
3: Failure of infrastructure such as electricity, water and transportation
4: Political uncertainty and public security-related issues
5: Anti-Japanese demonstrations and/or labor disputes

Should unexpected events such as changes in the political or legal environment, economic situation or environmental regulations occur, the Group's business performance and financial position could be adversely affected as a result of the issues which might arise in the management of production facilities and equipment and in the execution of other operations, or a large amount of liabilities or obligations associated with the compliance of environmental conservation and other regulations.

(7) Foreign currency exchange rate fluctuation risk

To operate plants in China and Vietnam, we need to hold U.S. dollars and other foreign currency-denominated assets. Therefore, the Group is exposed to yen-to-yuan and yen-to-U.S. dollar exchange rate fluctuations. These fluctuations could result in losses.

(8) Raw materials market fluctuation risk

The Group purchases the raw materials necessary for manufacturing from external materials manufacturers and trading companies. The surge in prices of crude oil, copper, gold, etc., in recent years could influence the prices of the raw materials the Group purchases and adversely affect the Group's business performance and financial position.

(9) Financial risks

The Group has made aggressive capital investments of amounts higher than the funds it has acquired from operating activities to prepare for the anticipated medium- and long-term increase in demand for digital household appliances and automobiles, as well as demand for new products in line with technological innovation.

As a result, the ratio of borrowings to total assets as of March 31, 2014, was 42.8%. Should we make further aggressive capital investments to fulfill our business strategies, an increase in borrowings and/or interest rates could affect the Group's business performance and financial position.

(10) Intellectual property rights

The Group recognizes intellectual properties as its significant management resources and seeks to acquire intellectual property rights by applying for patents, etc. for proprietary technologies, etc. developed by the Group with the aim of protecting intellectual properties. However, not all applications may be approved and it is also possible that obtained rights may be rendered void due to objections by third parties.

Although the Company's legal department manages obtained intellectual properties and pays attention to violation of rights by external parties, anticipated profits could be lost in the event of illegal use, etc.

Meanwhile, should a lawsuit be filed against the Group with regard to a violation of intellectual property rights of third parties, the Group's business performance and financial position could be adversely affected as a result of the compensation or damages paid to customers due to the suspension of production and payment of license fees, etc., related to patent use in order to resume production.

(11) Risks associated with production activities

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

Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2014**	2013	**2014**
Current Assets:			
Cash and cash equivalents (Notes 6, 15 and 25)	¥ **8,759**	¥ 8,788	$ **85,140**
Receivables ―			
Trade notes and accounts receivable (Notes 6 and 15)	**17,543**	12,129	**170,523**
Other receivables	**2,009**	1,152	**19,525**
Less: Allowance for doubtful accounts	**(15)**	(15)	**(146)**
Inventories ―			
Merchandise and finished goods	**4,573**	3,418	**44,445**
Work in process	**2,604**	2,597	**25,307**
Raw materials and supplies	**4,424**	4,472	**43,000**
Deferred tax assets (Note 14)	**1,181**	1,866	**11,484**
Other	**1,662**	694	**16,161**
Total current assets	**42,740**	35,101	**415,439**
Property, Plant and Equipment, at Cost:			
Land	**1,702**	1,944	**16,545**
Buildings and structures	**39,977**	34,992	**388,581**
Machinery and vehicles	**71,962**	63,092	**699,470**
Construction in progress	**7,335**	6,588	**71,295**
Other	**3,351**	2,902	**32,568**
	124,327	109,518	**1,208,459**
Less: Accumulated depreciation	**(56,748)**	(47,746)	**(551,590)**
Net property, plant and equipment	**67,579**	61,772	**656,869**
Intangible Assets	**455**	469	**4,420**
Investments and Other Assets:			
Investment securities (Notes 5 and 15)	**1,715**	1,041	**16,673**
Long-term loans receivable	**121**	131	**1,172**
Deferred tax assets (Note 14)	**1,161**	1,619	**11,286**
Other	**1,677**	1,953	**16,303**
Less: Allowance for doubtful accounts	**(21)**	(40)	**(205)**
Total investments and other assets	**4,653**	4,704	**45,229**
Total	¥ **115,427**	¥ 102,046	$ **1,121,957**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current Liabilities:			
Trade notes and accounts payable (Notes 6 and 15)	¥ **9,933**	¥ 7,243	$ **96,552**
Short-term borrowings (Notes 8 and 15)	**8,362**	13,971	**81,279**
Current portion of long-term borrowings (Notes 4, 8 and 15)	**11,867**	13,108	**115,349**
Income taxes payable (Note 14)	**165**	739	**1,605**
Accrued bonuses	**500**	440	**4,864**
Other (Notes 6, 8 and 15)	**6,083**	4,677	**59,123**
Total current liabilities	**36,910**	40,178	**358,772**
Long-term Liabilities:			
Long-term borrowings (Notes 4, 8 and 15)	**29,216**	22,557	**283,979**
Provision for employees' retirement benefits (Note 9)	**-**	1,517	**-**
Long-term other payable (Notes 8 and 15)	**1,632**	506	**15,859**
Provision for directors' retirement benefits	**261**	261	**2,537**
Net defined benefit liability (Note 9)	**1,942**	-	**18,875**
Other	**758**	300	**7,372**
Total long-term liabilities	**33,809**	25,141	**328,622**
Commitments and Contingent Liabilities (Note 11) :			
Net Assets (Note 10):			
Shareholders' Equity:			
Common stock, authorized - 63,200,000 shares issued - 26,803,320 shares in 2014 and 19,403,320 in 2013	**12,889**	10,546	**125,277**
Capital surplus	**14,810**	12,467	**143,954**
Retained earnings	**13,756**	13,827	**133,717**
Less: Treasury stock, at cost; Common stock, 629,244 shares in 2014 and 2013	**(396)**	(396)	**(3,853)**
Total shareholders' equity	**41,059**	36,444	**399,095**
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	**98**	(115)	**951**
Deferred gains (losses) on hedges	**(82)**	(206)	**(794)**
Foreign currency translation adjustments	**3,766**	604	**36,605**
Remeasurements of defined benefit plans (Note 9)	**(133)**	-	**(1,294)**
Total accumulated other comprehensive income	**3,649**	283	**35,468**
Total net assets	**44,708**	36,727	**434,563**
Total	¥ **115,427**	¥ 102,046	$ **1,121,957**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Net Sales	¥ **79,232**	¥ 60,709	¥ 62,973	$ **770,136**
Cost of Sales (Note 12)	**69,023**	53,156	54,770	**670,913**
Gross profit	**10,209**	7,553	8,203	**99,223**
Selling, General and Administrative Expenses (Note 12)	**9,286**	8,159	7,391	**90,256**
Operating income (loss)	**923**	(606)	812	**8,967**
Other Income (Expenses):				
Interest expense, net	**(932)**	(898)	(812)	**(9,057)**
Dividend income	**18**	13	13	**171**
Compensation expenses	-	-	(45)	-
Foreign exchange gain (loss)	**2,049**	2,366	587	**19,916**
Subsidy income	**93**	26	109	**904**
Net gain (loss) on sales and disposal of property, plant and equipment (Note 13)	**181**	(36)	117	**1,756**
Reversal of allowance for investment loss	-	69	-	-
Subsidy income for reconstruction (Note 18)	-	500	-	-
Compensation income (Note 19)	**287**	620	744	**2,793**
Loss on valuation of investment securities (Note 5)	**(27)**	(30)	-	**(263)**
Loss on disaster (Note 17)	-	(170)	(105)	-
Loss on valuation of inventories (Note 20)	-	-	(160)	-
Loss on abandonment of inventories (Note 21)	-	(478)	-	-
Loss on abolishment of retirement benefit plan	-	-	(65)	-
Environmental expenses (Note 22)	-	(292)	(219)	-
Loss from suspension of plant operations (Note 23)	-	(243)	-	-
Impairment loss	**(62)**	-	-	**(604)**
Expenses for business structure improvement	**(64)**	-	-	**(615)**
Other, net	**(219)**	(1,288)	(442)	**(2,123)**
Total	**1,324**	159	(278)	**12,878**
Income (Loss) before Income Taxes and Minority Interests	**2,247**	(447)	534	**21,845**
Income Taxes (Note 14):				
Current	**1,056**	1,320	687	**10,261**
Refund	-	-	(413)	-
Deferred	**1,168**	(199)	(899)	**11,359**
Total income taxes	**2,224**	1,121	(625)	**21,620**
Income (Loss) before Minority Interests	**23**	(1,568)	1,159	**225**
Net Income (Loss)	¥ **23**	¥ (1,568)	¥ 1,159	$ **225**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Net income (loss)	¥ **1.11**	¥ (83.52)	¥ 61.73	$ **0.01**
Cash dividends applicable to the year	**10.00**	-	5.00	**0.10**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Income (Loss) before Minority Interests	¥ **23**	¥ (1,568)	¥ 1,159	$ **225**
Other Comprehensive Income (Note 24):				
Unrealized gains (losses) on available-for-sale securities	**213**	63	(72)	**2,071**
Deferred gains (losses) on hedges	**124**	(116)	114	**1,205**
Foreign currency translation adjustments	**3,162**	3,443	847	**30,737**
Total other comprehensive income	**3,499**	3,390	889	**34,013**
Comprehensive Income	**3,522**	1,822	2,048	**34,238**
Comprehensive Income Attributable to:				
Owners of the Company	¥ **3,522**	¥ 1,822	¥ 2,048	$ **34,238**

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, 2014, 2013 and 2012

		Millions of yen										
		Shareholders' Equity					Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock	Common 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	Total Net Assets
Balance at April 1, 2011	19,403,320	¥ 10,546	¥ 12,467	¥ 14,359	¥ (396)	¥ 36,976	¥ (106)	¥ (204)	¥ (3,686)	¥ -	¥ (3,996)	¥ 32,980
Net income	-	-	-	1,159	-	1,159	-	-	-	-	-	1,159
Purchase of treasury stock	-	-	-	-	(0)	(0)	-	-	-	-	-	(0)
Net increase (decrease)	-	-	-	-	-	-	(72)	114	847	-	889	889
Balance at March 31, 2012	19,403,320	¥ 10,546	¥ 12,467	¥ 15,518	¥ (396)	¥ 38,135	¥ (178)	¥ (90)	¥ (2,839)	¥ -	¥ (3,107)	¥ 35,028
Net loss	-	-	-	(1,568)	-	(1,568)	-	-	-	-	-	(1,568)
Cash dividends paid	-	-	-	(94)	-	(94)	-	-	-	-	-	(94)
Increase by merger	-	-	-	(29)	-	(29)	-	-	-	-	-	(29)
Net increase (decrease)	-	-	-	-	-	-	63	(116)	3,443	-	3,390	3,390
Balance at March 31, 2013	19,403,320	¥ 10,546	¥ 12,467	¥ 13,827	¥ (396)	¥ 36,444	¥ (115)	¥ (206)	¥ 604	¥ -	¥ 283	¥ 36,727
Net income	**-**	**-**	**-**	**23**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**23**
Issuance of new shares	**7,400,000**	**2,343**	**2,343**	**-**	**-**	**4,686**	**-**	**-**	**-**	**-**	**-**	**4,686**
Cash dividends paid	**-**	**-**	**-**	**(94)**	**-**	**(94)**	**-**	**-**	**-**	**-**	**-**	**(94)**
Net increase (decrease)	**-**	**-**	**-**	**-**	**-**	**-**	**213**	**124**	**3,162**	**(133)**	**3,366**	**3,366**
Balance at March 31, 2014	**26,803,320**	**¥ 12,889**	**¥ 14,810**	**¥ 13,756**	**¥ (396)**	**¥ 41,059**	**¥ 98**	**¥ (82)**	**¥ 3,766**	**¥ (133)**	**¥ 3,649**	**¥ 44,708**

	Thousands of U.S. dollars (Note 1)										
	Shareholders' Equity					Accumulated Other Comprehensive Income					
	Common 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	Total Net Assets
Balance at April 1, 2013	$ 102,504	$ 121,181	$ 134,404	$ (3,853)	$ 354,236	$ (1,120)	$ (1,999)	$ 5,868	$ -	$ 2,749	$ 356,985
Net income	**-**	**-**	**225**	**-**	**225**	**-**	**-**	**-**	**-**	**-**	**225**
Issuance of new shares	**22,773**	**22,773**	**-**	**-**	**45,546**	**-**	**-**	**-**	**-**	**-**	**45,546**
Cash dividends paid	**-**	**-**	**(912)**	**-**	**(912)**	**-**	**-**	**-**	**-**	**-**	**(912)**
Net increase (decrease)	**-**	**-**	**-**	**-**	**-**	**2,071**	**1,205**	**30,737**	**(1,294)**	**32,719**	**32,719**
Balance at March 31, 2014	**$ 125,277**	**$ 143,954**	**$ 133,717**	**$ (3,853)**	**$ 399,095**	**$ 951**	**$ (794)**	**$ 36,605**	**$ (1,294)**	**$ 35,468**	**$ 434,563**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Operating Activities:				
Income (loss) before income taxes and minority interests	¥ **2,247**	¥ (447)	¥ 534	$ **21,845**
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,182**	6,283	6,423	**60,089**
Impairment loss	**62**	-	-	**604**
Decrease in allowance for doubtful accounts	**(19)**	(8)	(3)	**(181)**
Decrease in allowance for investment loss	**-**	(69)	-	**-**
Increase (decrease) in provision for employees' retirement benefits	**(1,517)**	191	124	**(14,749)**
Increase in net defined benefit liability	**1,735**	-	-	**16,866**
Decrease in provision for directors' retirement benefits	**-**	-	(8)	**-**
Increase (decrease) in accrued bonuses	**60**	(19)	24	**584**
Interest income and dividend income	**(38)**	(33)	(30)	**(372)**
Loss on valuation of investment securities	**27**	30	-	**263**
Interest expenses	**952**	919	828	**9,258**
Foreign exchange gain	**(2,054)**	(2,243)	(781)	**(19,968)**
Net loss (gain) on sales and disposal of property, plant and equipment	**(181)**	36	(117)	**(1,756)**
Subsidy income for reconstruction	**-**	(500)	-	**-**
Compensation income	**(287)**	(620)	(744)	**(2,793)**
Loss on disaster	**-**	170	105	**-**
Business structure improvement expenses	**64**	-	-	**615**
Decrease (increase) in trade notes and accounts receivable	**(5,871)**	1,428	1,578	**(57,071)**
Decrease (increase) in inventories	**(616)**	(350)	2,237	**(5,992)**
Increase (decrease) in trade notes and accounts payable	**2,000**	266	(2,342)	**19,439**
Decrease (increase) in other assets	**(281)**	292	1,072	**(2,731)**
Increase in other liabilities	**631**	331	788	**6,138**
Subtotal	**3,096**	5,657	9,688	**30,088**
Interest and dividend received	**39**	32	30	**383**
Interest paid	**(971)**	(917)	(834)	**(9,439)**
Proceeds from compensation income	**287**	620	744	**2,793**
Proceeds from subsidy income	**500**	-	-	**4,860**
Proceeds from insurance income	**1,206**	-	-	**11,719**
Payments for loss on disaster	**-**	(699)	(645)	**-**
Income taxes refund	**-**	-	468	**-**
Income taxes paid	**(1,731)**	(1,099)	(199)	**(16,822)**
Net cash provided by operating activities	**2,426**	3,594	9,252	**23,582**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(4,724)**	(5,732)	(10,439)	**(45,914)**
Proceeds from sales of property, plant and equipment	**662**	25	153	**6,432**
Payments for purchases of intangible assets	**(101)**	(41)	(144)	**(985)**
Payments for purchases of investment securities	**(325)**	(4)	(0)	**(3,162)**
Payments for insurance policies	**(13)**	(21)	(51)	**(127)**
Proceeds from maturity of insurance funds	**357**	170	94	**3,467**
Other, net	**123**	528	10	**1,205**
Net cash used in investing activities	**(4,021)**	(5,075)	(10,377)	**(39,084)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**(6,265)**	9,963	(1,150)	**(60,895)**
Proceeds from long-term borrowings	**18,303**	6,617	13,732	**177,905**
Payments for long-term borrowings	**(15,021)**	(11,050)	(9,733)	**(146,006)**
Payments for installment liabilities	**(406)**	(78)	(488)	**(3,946)**
Payments for purchase of treasury stock	**-**	-	(0)	**-**
Proceeds from issuance of common stock	**4,686**	-	-	**45,546**
Cash dividends paid	**(94)**	(94)	(1)	**(915)**
Other	**(16)**	-	-	**(154)**
Net cash provided by financing activities	**1,187**	5,358	2,360	**11,535**

See notes to consolidated financial statements.

		Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Effect of exchange rate changes on Cash and Cash Equivalents	**379**	469	8	**3,683**
Net Increase (Decrease) in Cash and Cash Equivalents	**(29)**	4,346	1,243	**(284)**
Cash and Cash Equivalents at Beginning of Year	**8,788**	3,752	2,509	**85,424**
Increase in Cash and Cash Equivalents resulting from Merger with Unconsolidated Subsidiaries (Note 25)	**-**	690	-	**-**
Cash and Cash Equivalents at End of Year	**¥ 8,759**	¥ 8,788	¥ 3,752	**$ 85,140**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2014, 2013 and 2012

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.
In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is more familiar to readers outside Japan.
In addition, the notes to the consolidated financial statements include information which is not required under Japanese GAAP, but is presented herein as additional information.
The consolidated financial statements are denominated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.88 to $1, the approximate rate of exchange at March 31, 2014. 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.

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 cost method due to immateriality in view of consolidation.

(b) Equity Method

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

(c) Cash Equivalents

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

(d) Translation of Foreign Currency Accounts

Current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in the consolidated statements of operations.
Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate at the balance sheet date, except that shareholders' equity accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.
Foreign currency translation adjustments resulting from translation of foreign currency financial statements prepared by consolidated overseas subsidiaries are presented in net assets in the consolidated balance sheets.

(e) Inventories

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

(f) Depreciation and Amortization

Depreciation of buildings, property, plant and equipment for the Company and its domestic subsidiaries is computed on the following method over their estimated useful lives:
For buildings:
- acquired before March 31, 1998 : declining balance method under pre-2007 tax reform
- acquired between April 1, 1998 and March 31, 2007 : straight-line method under pre-2007 tax reform
- acquired after April 1, 2007 : straight-line method

For assets other than buildings:
- acquired before March 31, 2007 : declining balance method under pre-2007 tax reform
- acquired between April 1, 2007 and March 31, 2012 : declining balance method (250%)
- acquired after April 1, 2012 : declining balance method (200%)

For assets acquired before March 31, 2007 that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition costs. Depreciation of buildings, property, plant and equipment for foreign consolidated subsidiaries is computed on the straight-line method over their estimated useful lives.
Software for company use is carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives (five years).

(Change in accounting estimates)
The Company revised useful lives of production equipment of consolidated overseas subsidiaries based on the fact that durability of equipment has improved by recent innovation in technology and repairs and maintenance enable long-term stable operations of those equipment.
Accordingly, useful lives were changed from 8 to 9 years to 10 to 20 years from the fourth quarter ended March 31, 2013.
As a result of this change, depreciation expense decreased by ¥405 million and operating loss and loss before income taxes and minority interests decreased by the same amounts for the year ended March 31, 2013.

(Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates)
Effective from the year ended March 31, 2013, in accordance with the amendment in Corporate Tax Law, the Company and its domestic subsidiaries changed its depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in amended Corporate Tax Law.
The impact of this change on operating loss and loss before income taxes and minority interests for the year ended March 31, 2013, was immaterial.

(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) 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.

(j) Investment Securities

The Company has classified all the equity securities as available-for-sale securities based on management's intention. Available-for-sale securities other than non-marketable are reported at fair value with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets.
Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

(k) 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.

(l) Leases
All finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet, except for leases which existed at April 1, 2008 and do not transfer ownership of the leased property to the lessee and are accounted for as operating lease transactions.

(m) Derivative Financial Instruments
The Group uses foreign currency forward contracts, interest rate swaps and copper price swaps as a means of hedging exposure to foreign currencies, interest risks and market fluctuation. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on transactions arising from derivative except for hedge purposes are recognized in the consolidated statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
However, if the foreign currency forward contracts qualify for hedge accounting, hedged items such as foreign currency receivables and payables are translated at the contracted rates.
Also, if interest rate swap contracts are used as hedge and meet certain criteria, the net amount to be paid or received under the swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(n) Retirement benefits for employees
The straight-line 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 13 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.

(Change in pension plan)
The Company and Yamagata Meiko electronics Co., Ltd., a consolidated subsidiary, abolished qualified pension plan as of October 1, 2011 and transferred to lump-sum retirement plan. “Accounting for Transfers between Retirement Benefit Plans” (Accounting Standards Board of Japan (“ASBJ”) Guidance No.1) was applied to this change.
As a result, loss on abolishment of retirement benefit plan of ¥65 million was recognized for the year ended March 31, 2012.

(o) Provision for Directors' Retirement Benefits
The Company and its domestic consolidated subsidiaries account for the provision for directors' retirement benefits at balance sheet date in accordance with internal regulations.

(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 available to common shareholders by the weighted-average number of common shares outstanding for the period.
The diluted net income per share is omitted as the Company had no potential dilutive shares.

(r) Application of “Accounting Standard for Retirement Benefits”
Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued on May 17, 2012 (hereinafter, the “Statement No.26”)) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 201 (hereinafter, the “Guidance No.25”)) except the article 35 of the Statement No.26 and the articl of the Guidance No.25 and actuarial gains and losses and past service cost that are yet to be recognized have been recognized and the difference between projected benefit obligation and plan assets has been recognized as net defined benefit liability.
In accordance with the article 37 of the Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in remesurements of defined benefi plans in accumulated other comprehensive income.
As a result of the application, net defined benefit liability in the amount of ¥1,942 million ($18, thousand) has been recognized, and accumulated other comprehensive income has decreased by ¥133 million ($1,294 thousand), at the end of the current fiscal year.

(s) Application of “Accounting Standard for Accounting Changes and Error Corrections”
Effective from the year ended March 31, 2012, the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) for changes in accounting policies and corrections of figures on and after the beginning of the fiscal year ended March 31, 2012.

(t) Reclassifications
Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2014.

3. Accounting Standard Issued But Not Yet Effective
"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(1) Summary
These accounting standards are revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) accounting method of unrecognized actuarial gains and losses and past service costs, (b) the calculation formula for retirement benefit obligations and current service costs, and (c) enhancement of disclc
(2) Effective dates
Amendments relating to determination of projected benefit obligation and service cost are effective from the beginning of fiscal year ending on or after March 31, 2015.
(3) Effect of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. Restrictive Financial Covenants

The Company's borrowings with restrictive financial covenants which includes an acceleration clause (primary terms are listed below, as terms vary for each agreement) on obligations under the financing contract if the borrowings come in conflict with any of the below are ¥25,213 million (including current portion) as of March 31, 2013.

(1) Ordinary income (loss) in the consolidated statements of operations cannot be a loss for each fiscal year (Excluding the year ended March 31, 2013).
(2) Ordinary income (loss) in the consolidated statements of operations cannot be a loss for two consecutive fiscal years.
(3) Total net assets in the consolidated balance sheets as of each fiscal year-end need to exceed the higher of (i) the amount equal to 75% of total net assets in the consolidated balance sheet as of the previous fiscal year end or (ii) the amount equal to 75% of total net assets in the consolidated balance sheet as of March 31, 2011.
(4) The total of interest-bearing debts at each fiscal year-end in the consolidated balance sheet cannot exceed the amount, the calculation of which is the net sales (in the consolidated statements of operations) divided by 12 and multiplied by 8, of the corresponding fiscal year (Excluding the year ended March 31, 2013).

5. 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, 2014 and 2013 are as follows:

	2014					
	Millions of yen			**Thousands of U.S. dollars**		
	Fair Value	**Acquisition Cost**	**Unrealized Gains (Losses)**	**Fair Value**	**Acquisition Cost**	**Unrealized Gains (Losses)**
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 846**	**¥ 684**	**¥ 162**	**$ 8,223**	**$ 6,645**	**$ 1,578**
Securities whose carrying value doesn't exceed their acquisition cost:						
Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
Total	**¥ 846**	**¥ 684**	**¥ 162**	**$ 8,223**	**$ 6,645**	**$ 1,578**

	2013		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 176	¥ 131	¥ 45
Securities whose carrying value doesn't exceed their acquisition cost:			
Equity securities	331	547	(216)
Other	18	26	(8)
Total	¥ 525	¥ 704	¥ (179)

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2014 and 2013 are described in Note 15.

The Company recognized impairment losses of ¥27 million ($263 thousand) and ¥30 million on available-for-sale securities during the years ended March 31, 2014 and 2013. The Company did not recognize impairment loss on available-for-sale securities for the year ended March 31, 2012.

6. Notes Matured at End of Fiscal Year

March 31, 2013, 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
	2013
Notes receivable	¥ 31
Notes payable	¥ 49
Notes payable for equipments	¥ 2

7. Leases

The Group leases certain machinery, computer equipment, software and other assets.

As described in Note 2 (l), lease assets under finance leases that do not transfer ownership to lessees are capitalized and amortized to residual value of zero using the straight line method with useful life defined by the terms of the contract effective from the fiscal year beginning April 1, 2008.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation and net book value for property held under finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2014 and 2013 is not disclosed since there are no such leases as of March 31, 2014 and 2013.

Depreciation expense and interest expense, which are not reflected in the accompanying statements of operations, computed by straight-line method and the interest method are as follows:

	Millions of yen
	2012
Lease payments	¥ 53
Depreciation expense	¥ 46
Interest expense	¥ 1

Information for the years ended March 31, 2014 and 2013 is not disclosed since there are no finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee as of March 31, 2014 and 2013.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2014 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term borrowings with average interest rate of 2.08% for 2014 and 1.65% for 2013	¥ **8,362**	¥ 13,971	$ **81,279**
Current portion of long-term borrowings with average interest rate of 1.48% for 2014 and 1.65% for 2013	**11,867**	13,108	**115,349**
Current portion of other liabilities with average interest rate of 1.74% for 2014 and 2.13% for 2013	**410**	58	**3,989**
Total short-term	**20,639**	27,137	**200,617**
Long-term borrowings with average interest rate of 1.43% for 2014 and 1.51% for 2013, less current portion	**29,216**	22,557	**283,979**
Long-term other payable, less current portion	**1,510**	1	**14,681**
Total long-term	**30,726**	22,558	$ **298,660**
Total	¥ **51,365**	¥ 49,695	**499,277**

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances at March 31, 2014 and 2013. Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances at April 1, 2013 and March 31, 2014.

The aggregate annual maturities of long-term debt as of March 31, 2014 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ **12,277**	$ **119,338**
2016	**11,410**	**110,903**
2017	**8,069**	**78,433**
2018	**6,462**	**62,807**
2019 and thereafter	**4,785**	**46,517**
Total	¥ **43,003**	$ **417,998**

9. Retirement Benefits

For the year ended March, 31 2014

The Company and its certain consolidated subsidiaries provide a lump-sum retirement plan as defined benefit pension plan for employees' retirement benefits. Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and benefit costs for their lump-sum retirement plans. Although the Company and certain domestic consolidated subsidiaries also contribute to a multi-employer pension plan, related benefit obligation, plan assets and benefit costs are excluded from the following calculation because it is difficult to assess the plan assets reasonably.

Defined benefit pension plans, except plan applying the simplified method

(1) Movement in projected benefit obligations

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 1,405	$ 13,653
Service cost	144	1,400
Interest cost	14	137
Actuarial gain	(15)	(142)
Benefits paid	(28)	(274)
Balance at March 31, 2014	¥ 1,520	$ 14,774

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

	Millions of yen	Thousands of U.S. dollars
Unfunded projected benefit obligations	¥ 1,520	$ 14,774
Total liability at March 31, 2014	¥ 1,520	$ 14,774
Net defined benefit liability	¥ 1,520	$ 14,774
Total liability at March 31, 2014	¥ 1,520	$ 14,774

(3) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 144	$ 1,400
Interest cost	14	137
Amortization of actuarial loss	30	294
Amortization of past service cost	8	78
Total benefit costs	¥ 196	$ 1,909

(4) Remeasurements of defined benefit plans

	Millions of yen	Thousands of U.S. dollars
Unrecognized past service cost	¥ 65	$ 632
Unrecognized actuarial loss	142	1,377
Total	¥ 207	$ 2,009

(5) Actuarial assumptions

Discount rate	1.0%

Defined benefit pension plan applying the simplified method

(1) Movement in net defined benefit liability

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 372	$ 3,620
Benefit costs	58	561
Benefits paid	(8)	(80)
Balance at March 31, 2014	¥ 422	$ 4,101

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

	Millions of yen	Thousands of U.S. dollars
Unfunded projected benefit obligations	¥ 422	$ 4,101
Total liability at March 31, 2014	¥ 422	$ 4,101
Net defined benefit liability	¥ 422	$ 4,101
Total liability at March 31, 2014	¥ 422	$ 4,101

Retirement benefit costs calculated using the simplified method are ¥58 million ($561 thousand) for the year ended March 31, 2014.

Multi-employer pension plan

The amount to be required to contribute to the multi-employer pension plan is ¥127 million ($1,231 thousand).

(1) Funded status (as of March 31, 2013)		Millions of yen		Thousands of U.S. dollars
Fair value of plan assets	¥	**54,319**	$	**527,985**
Benefit obligation on the basis of pension financing		**57,853**		**562,338**
Funded status	¥	**(3,534)**	$	**(34,353)**

(2) Contribution share ratio of the Company for the year ended March 31, 2013 is 6.51%.

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

(3) Supplementary information

The funded status described in above (1) was calculated as follows:		Millions of yen		Thousands of U.S. dollars
Accumulated deficit of the fund	¥	**(6,298)**	$	**(61,221)**
Current year reserve		**3,965**		**38,541**
Less:				
Balance of unrecognized past service cost		**1,201**		**11,673**
Funded status	¥	**(3,534)**	$	**(34,353)**

Balance of unrecognized past service cost is recognized by equal payment method over 6 years and 4 months and the remaining period is 3 years and 4 months as of March 31, 2013.

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries had a lump-sum retirement plan.
Although the Company and certain domestic consolidated subsidiaries also contributed to a multi-employer pension plan, related benefit obligation, plan assets and benefit costs were excluded from the following calculation because it was difficult to assess the plan assets reasonably.

The provision for employees' retirement benefits at March 31, 2013 consisted of the following:

		Millions of yen
Projected benefit obligation	¥	(1,777)
Unrecognized actuarial loss		187
Unrecognized past service cost		73
Net liability	¥	(1,517)

The components of net periodic benefit costs for the year ended March 31, 2013 were as follows:

		Millions of yen
Service cost	¥	188
Interest cost		22
Expected return on plan assets		-
Amortization of past service cost		8
Amortization of actuarial loss		7
Net periodic retirement benefit costs	¥	225

Note: Net periodic retirement benefit costs of the Company's domestic consolidated subsidiaries which adopt simplified method were included in service cost.

Assumptions used for the year ended March 31, 2013 were set forth as follows:

Discount rate	1.0%
Amortization of past service cost	10 years
Amortization of period of actuarial gain/loss	13 years

Descriptions of the multi-employer pension plan to which contributions were recognized as expense were as follows:

(1) Funded status (as of March 31, 2012)		Millions of yen
Fair value of plan assets	¥	45,789
Benefit obligation on the basis of pension financing		53,683
Funded status	¥	(7,894)

(2) Contribution share ratio of the Company as of March 31, 2012 is 6.57%.

(3) Supplement remarks

The funded status described in above (1) was calculated as follows:		Millions of yen
General reserve	¥	585
Less:		
Current year shortage	¥	6,884
Balance of unrecognized past service cost		1,595
Funded status	¥	(7,894)

Balance of unrecognized past service cost is recognized by equal payment method over 6 years and 4 months and the remaining period is 4 years and 4 months as of March 31, 2012.

10. Net assets

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

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

11. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Trade notes discounted	¥ **38**	¥ 38	$ **372**

12. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥1,013 million ($9,846 thousand), ¥1,032 million and ¥961 million for the years ended March 31, 2014, 2013 and 2012, respectively.

13. Net Gain (Loss) on Sales and Disposal of Property, Plant and Equipment

Significant components of net gain (loss) on sales and disposal of property, plant and equipment for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen			Thousands of U.S. dollars
Gain:	**2014**	2013	2012	**2014**
Buildings and structures	¥ **30**	¥ -	¥ 0	$ **288**
Machinery and vehicles	**4**	3	59	**41**
Land	**379**	-	-	**3,680**
Construction in progress	**-**	2	76	**-**
Long-term prepaid expenses	**-**	17	-	**-**
Others	**0**	1	0	**2**
Total gain	**413**	23	135	**4,011**
Loss:				
Buildings and structures	**15**	0	0	**147**
Machinery and vehicles	**114**	38	15	**1,104**
Land	**1**	-	-	**11**
Construction in progress	**91**	5	0	**881**
Intangible assets	**6**	15	-	**54**
Others	**5**	1	3	**58**
Total loss	**232**	59	18	**2,255**
Net gain (loss)	¥ **181**	¥ (36)	¥ 117	$ **1,756**

14. 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 38.0% for the years ended March 31, 2014 and 2013, and approximately 40.6% for the year ended March 31, 2012.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred Tax Assets:			
Elimination of unrealized profits	**¥ 64**	¥ 37	**$ 624**
Accrued bonuses	**180**	169	**1,751**
Liability for employees' retirement benefits	**-**	541	**-**
Net defined benefit liability	**688**	-	**6,683**
Provision for directors' retirement benefits	**93**	93	**903**
Accrued enterprise tax	**46**	53	**453**
Allowance for doubtful accounts	**12**	18	**114**
Tax loss carryforwards	**1,558**	1,535	**15,142**
Valuation loss of inventories	**60**	39	**581**
Difference on depreciation period	**774**	1,110	**7,522**
Loss on valuation of investment securities	**15**	11	**148**
Loss on revaluation of golf club memberships	**23**	36	**225**
Deferred losses on hedges	**47**	94	**453**
Valuation difference on available-for-sale securities	**-**	64	**-**
Other	**168**	248	**1,638**
Less: valuation allowance	**(1,052)**	(384)	**(10,225)**
Total	**¥ 2,676**	¥ 3,664	**$ 26,012**

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred Tax Liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**¥ (135)**	¥ (179)	**$ (1,313)**
Retained earnings of foreign subsidiaries	**(250)**	-	**(2,434)**
Deferred gains on hedges	**(6)**	-	**(58)**
Other	**(54)**	-	**(524)**
Total	**¥ (445)**	¥ (179)	**$ (4,329)**
Deferred Tax Assets, Net:	**¥ 2,231**	¥ 3,485	**$ 21,683**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for years ended March 31, 2014 and 2012 are as follows:

	2014	2012
Statutory tax rate	**38.0%**	40.6%
Expenses not deductible for tax purpose	**0.4%**	2.8%
Non-taxable dividend income	**-**	(2.7)%
Per capita inhabitant tax	**0.8%**	3.4%
Foreign tax credit	**(7.1)%**	-
Special tax credit for income tax	**(6.7)%**	-
Tax rate difference in foreign subsidiaries	**14.1%**	154.1%
Retained earnings of foreign subsidiaries	**17.2%**	-
Decrease of tax loss carryforwards	**30.0%**	-
Refund of income taxes	**-**	(77.4)%
Reduction of deferred tax assets due to income tax rates change	**0.8%**	24.0%
Valuation allowance	**9.9%**	(257.5)%
Other, net	**1.6%**	(4.3)%
Actual effective tax rate	**99.0%**	(117.0)%

The reconciliation for the year ended March 31, 2013 is omitted due to pre-tax loss.

Amendments to the amount of deferred tax assets and liabilities for enacted changes in tax laws and rates

The Partial Revision of Income Tax Act (Act No.10, 2014) was enacted on March 31, 2014. Accordingly, the Special CorporationTax for Reconstruction will be abolished for fiscal years beginning on or after April 1, 2014. As a result, the statutory tax rate used to calculate deferred tax assets and liabilities decreased from 38.0% to 35.6% at March 31, 2014.
The impact of this change is immaterial.

15. Financial Instruments

(a) Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group finances necessary funds mainly through bank loans and bond issues according to the capital investment plan for the production and sales of PCB. Temporary and excessive funds are operated by highly stable financial instruments and the Group finances short-term operating capital by bank loans. Derivative transactions are only utilized to hedge the risks mentioned in (2) below.

(2) Details of financial instruments used and exposures to risk and how they arise

Operating receivables such as trade notes and accounts receivable are exposed to credit risk. Some operating receivables, which are denominated in foreign currencies due to global operations, are exposed to foreign currency fluctuation risk. The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating payables dominated in the same foreign currency. Investments securities mainly consist of securities of companies in which a business relationship has been established and they are exposed to market fluctuation risk.

Operating payables such as trade notes and accounts payable are due within one year.
Some of the operating payables relating to imports of raw materials are dominated in foreign currencies and are exposed to foreign currency fluctuation risk.
The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating receivables dominated in the same foreign currency. Loans are mainly used for the purpose of financing capital investments. Some of them are variable interest loans and are exposed to interest fluctuation risk.
The Group utilizes interest rate swaps to hedge the risk. Regarding derivative transactions, the Group utilizes foreign exchange forward contracts to hedge foreign currency fluctuation risk of operating receivables and payables dominated in foreign currencies and interest rate swaps to hedge interest fluctuation risk.
The Group utilizes commodity forward contracts to hedge copper price fluctuation risk.

(3) Policies and processes for managing the risk

(i) Credit risk management (risk of default by the counterparties)

The sales management department in the Company follows sales management rules, monitors the customers' credit conditions periodically and manages the due date and balance per customer. The Company keeps track of the adverse financial conditions of its customers in the early stage to mitigate the uncollectible risk.
The Company enters into derivative transactions only with the credit worthy financial institutions to mitigate the credit risk.

(ii) Market risk management (risk of foreign currency fluctuations and interests)

Regarding the trade receivables and trade payables dominated in foreign currencies, the Company utilizes foreign exchange forward contracts if necessary to hedge the foreign currency fluctuation risk, which is controlled by each currency and on a monthly basis. For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjust Company's portfolio on an ongoing basis considering the business relationship with counterparties. Derivative transactions are based on the internal rules and executed after getting the approval from the approver and managed by Finance Dept. Contents of the derivative transactions are reported to Board of Directors' meeting periodically.

(iii) Liquidity risk management (risk of default at the due dates)

The Company prepares and updates the cash management plan based on the reports from each department to manage liquidity risk on a timely basis.

(4) Supplemental information on fair values

As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist.
As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.
Also, for the contract amount regarding derivative transactions described in Note 16, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2014 and 2013 are as follows:

	2014					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Total Assets						
Cash and cash equivalents	**¥ 8,759**	**¥ 8,759**	**¥ -**	**$ 85,140**	**$ 85,140**	**$ -**
Time deposits	**219**	**219**	**-**	**2,129**	**2,129**	**-**
Trade notes and accounts receivable	**17,543**	**17,543**	**-**	**170,523**	**170,523**	**-**
Investment securities:						
Available-for-sale securities	**846**	**846**	**-**	**8,223**	**8,223**	**-**
Total Liabilities						
Trade notes and accounts payable	**¥ 9,933**	**¥ 9,933**	**¥ -**	**$ 96,552**	**$ 96,552**	**$ -**
Short-term borrowings	**8,362**	**8,362**	**-**	**81,279**	**81,279**	**-**
Long-term borrowings	**41,083**	**41,163**	**80**	**399,328**	**400,109**	**781**
Long-term other payable	**1,920**	**1,947**	**27**	**18,670**	**18,926**	**256**
Derivative financial instruments	**¥ -**	**¥ -**	**¥ -**	**$ -**	**$ -**	**$ -**

	2013		
	Millions of yen		
	Book Value	Fair Value	Difference
Total Assets			
Cash and cash equivalents	¥ 8,788	¥ 8,788	¥ -
Time deposits	219	219	-
Trade notes and accounts receivable	12,129	12,129	-
Investment securities:			
Available-for-sale securities	525	525	-
Total Liabilities			
Trade notes and accounts payable	¥ 7,243	¥ 7,243	¥ -
Short-term borrowings	13,971	13,971	-
Long-term borrowings	35,665	35,967	302
Derivative financial instruments	¥ -	¥ -	¥ -

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

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

(i). Cash and cash equivalents, (ii). Time deposits, (iii). Trade notes and accounts receivable
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
(iv). Investment securities
Fair value of equity securities is based on the quoted price on stock exchange. Please refer to Note 5 regarding the information of the fair value for the investment in securities by classification.
(v). Trade notes and accounts payable, (vi) Short-term borrowings
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
(vii). Long-term borrowings, (viii). Long-term other payable
The fair values are measured as the net present value of estimated future cash flows by discounting the principal and interest value using the loan interest rate applied to the new loans or the installment contracts. If the variable interest rate loans meet certain criteria for the short cut method (If interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not remeasured at market price and the amount to be received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed), the sum of principal and the interest processed as interest rate swaps are discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.
(ix). Derivative transactions
Please refer to Note 16.

(2) Unlisted securities of ¥869 million yen ($8,450 thousand) and ¥516 million yen, for which fair value is extremely difficult to be determined because the securities without fair market value as of March 31, 2014 and 2013 are not included in the above table.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2014 and 2013 is as follows:

	2014			
	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	¥ **8,759**	¥ **-**	¥ **-**	¥ **-**
Time deposits	**219**	**-**	**-**	**-**
Trade notes and accounts receivable	**17,543**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	¥ **26,521**	¥ **-**	¥ **-**	¥ **-**

	2014			
	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	$ **85,140**	$ **-**	$ **-**	$ **-**
Time deposits	**2,129**	**-**	**-**	**-**
Trade notes and accounts receivable	**170,523**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	$ **257,792**	$ **-**	$ **-**	$ **-**

	2013			
	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	¥ 8,788	¥ -	¥ -	¥ -
Time deposits	219	-	-	-
Trade notes and accounts receivable	12,129	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-
Total	¥ 21,136	¥ -	¥ -	¥ -

16. Derivatives

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2014 and 2013 are as follows:

		2014					
		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**	**¥ 15,671**	**¥ 10,035**	**¥ (139)**	**$ 152,322**	**$ 97,539**	**$ (1,353)**
Special Method							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 2,550**	**¥ 2,460**	**¥ (29)**	**$ 24,786**	**$ 23,911**	**$ (285)**
Commodity related :							
Benchmark Method							
Copper price swap contracts							
	Raw materials	**¥ 642**	**¥ -**	**¥ 17**	**$ 6,242**	**$ -**	**$ 162**

		2013		
		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	¥ 21,100	¥ 13,553	¥ (299)

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

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2014 and 2013.

17. Loss on Disaster

Loss on disaster is due to the Great East Japan Earthquake that occurred on March 11, 2011.
Loss on disaster for the year ended March 31, 2013 mainly consists of restoration of Miyagi plant (current Ishinomaki-plant).
Loss on disaster for the year ended March 31, 2012 mainly consists of disposal of inventories and the relief money.

18. Subsidy income for reconstruction

Subsidy income for reconstruction consists of subsidy payments from Miyagi prefecture based on “Assistance program for small and medium-sized enterprises in restoration and maintenance of group facilities” for the reconstruction of the Miyagi plant in Ishinomaki, which shut down due to the influence of the Great East Japan Earthquake.

19. Compensation Income

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

20. Loss on Valuation of Inventories

Loss on valuation of inventories mainly consists of disposal costs of inventories expected in the future for prolonged temporary shutdown of the 2nd Plant of Meiko Electronics (Wuhan) Co., Ltd. due to problem on permitting process regarding environmental assessment.

21. Loss on abandonment of inventories

Loss on abandonment of inventories mainly consists of disposal costs of inventories for prolonged temporary shutdown of the 2nd Plant of Meiko Electronics (Wuhan) Co., Ltd. due to problem on permitting process regarding environmental assessment.

22. Environmental Expenses

Environmental expenses consist of environmental costs incurred in the 2nd Plant of Meiko Electronics (Wuhan) Co., Ltd. which was temporarily shut down due to problem on permitting process regarding environmental assessment.

23. Loss from suspension of plant operations

Loss from suspension of plant operations consists of plants shutdown costs due to anti-Japanese demonstrations which took place in China.

24. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	**2014**
Unrealized gains (losses) on available-for-sale securities:				
Gains (losses) arising during the year	¥ **331**	¥ 98	¥ (171)	$ **3,216**
Reclassifications and adjustments	**-**	-	-	**-**
Before income tax effects	**331**	98	(171)	**3,216**
Income tax effects	**(118)**	(35)	99	**(1,145)**
Total	¥ **213**	¥ 63	¥ (72)	$ **2,071**
Deferred gains (losses) on hedges:				
Gains (losses) arising during the year	¥ **(2)**	¥ (337)	¥ 247	$ **(16)**
Reclassifications and adjustments	**179**	175	(195)	**1,735**
Before income tax effects	**177**	(162)	52	**1,719**
Income tax effects	**(53)**	46	62	**(514)**
Total	¥ **124**	¥ (116)	¥ 114	$ **1,205**
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ **3,162**	¥ 3,443	¥ 847	$ **30,737**
Total	¥ **3,162**	¥ 3,443	¥ 847	$ **30,737**
Total other comprehensive income	¥ **3,499**	¥ 3,390	¥ 889	$ **34,013**

25. Supplementary Cash Flow Information

Due to the merger of Meiko High-End Electronic Circuit Board (Wuhan), Co., Ltd., an unconsolidated subsidiary, and Meiko Electronics (Wuhan), Co., Ltd., a consolidated subsidiary of the Company and surviving company, the Company assumed the following assets and liabilities for the year ended March 31, 2013:

	2013
	Millions of yen
Current assets	¥ 2,866
Non-current assets	10
Total assets	¥ 2,876
Current liabilities	¥ -
Non-current liabilities	-
Total liabilities	¥ -

26. 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 solely printed circuit boards ("PCB") and the related business.

(Supplementary information)
(1) Information about products and services
Information about products and services is not disclosed since sales amount of single unit of product or service to external customers accounted for more than 90% of consolidated net sales.

(2) Information about geographical areas
(a) Net sales

	2014					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**¥ 24,919**	**¥ 42,452**	**¥ 7,848**	**¥ 4,013**	**¥ -**	**¥ 79,232**

	2014					
	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**$ 242,210**	**$ 412,639**	**$ 76,284**	**$ 39,003**	**$ -**	**$ 770,136**

	2013					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 24,086	¥ 27,780	¥ 5,099	¥ 3,744	¥ -	¥ 60,709

	2012					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 27,694	¥ 27,225	¥ 4,870	¥ 3,180	¥ 4	¥ 62,973

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

(b) Property, plant and equipment

	2014			
	Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	**¥ 6,161**	**¥ 61,417**	**¥ 1**	**¥ 67,579**

	2014			
	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property, plant and equipment	**$ 59,881**	**$ 596,980**	**$ 8**	**$ 656,869**

	2013			
	Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	¥ 6,529	¥ 55,242	¥ 1	¥ 61,772

(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.

27. Business Combination

On January 28, 2013, the Company's consolidated subsidiary in China, Meiko Electronics (Wuhan) Co., Ltd. merged with the Company's unconsolidated subsidiary, Meiko High-End Electronic Circuit Board (Wuhan), Co., Ltd. based on the resolution of the Board of Directors' meeting held on January 7, 2013.

1. Outline of merger
(a) Names and description of the business of the company acquired:
Acquired company:

Company name	Meiko Electronics Co., Ltd
Description of the business	Designing, manufacturing and sales of PCB

(b) Date of the business combination
January 28, 2013

(c) Legal form of the business combination
Merger to make Meiko Electronics (Wuhan) Co., Ltd. a surviving company and Meiko High-End Electronic Circuit Board (Wuhan), Co., Ltd. a dissolved company.

(d) Name of company after business combination
Meiko Electronics (Wuhan) Co., Ltd

(e) Purpose of merger
The merger is conducted to increase the efficiency of the business and decrease administrative costs by merging Meiko Electronics (Wuhan), Co., Ltd. and Meiko High-End Electronic Circuit Board (Wuhan), Co., Ltd.

2. Overview of accounting procedures implemented
This merger was accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on December 26, 2008).

28. Significant Subsequent Events

(Establishment of subsidiary)
The Company established the following subsidiary based on a resolution of the Board of Directors at a meeting held on May 12, 2014.

1. Objective of the subsidiary's establishment
As the demand for automobile related circuit boards and smart phone related devices, mainly from China, has steadily grown in the electronic circuit board market, the Company founded the production base and has deployed its business in China and Vietnam. The new subsidiary has been established to further boost the Company's production capacity and also complement the production of the current plant inVietnam.

2. Outline of the subsidiary
Name: Meiko Electronics Thang Long Co., Ltd.
Location: Plot J1, J2 Thang Long Industrial Park, Dong Anh District, Hanoi, Vietnam
Representative: Yuichiro Naya (the president and C.E.O of the Company)
Business activities: manufacturing and selling of electronics circuit board
Capital: $15,000 thousand
Major shareholders and ownership ratio: Meiko Electronics Co., Ltd. 100%
Established: August, 2014

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Meiko Electronics Co., Ltd. and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of operations for the years ended March 31, 2014, 2013 and 2012, the consolidated statements of comprehensive income for the years ended March 31, 2014, 2013 and 2012, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meiko Electronics Co., Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years ended March 31, 2014, 2013 and 2012 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 12, 2014
Tokyo, Japan

Principal Subsidiaries and Affiliates

Name or Trade Name	Address	Paid-in Capital (Millions of yen)	Principal Business	Investment Ratio (%)
Meiko Tech Co., Ltd.	Ayase City, Kanagawa Prefecture	20	PCBs for electronics	100.0
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PCBs for electronics	100.0
M.D. Systems Co., Ltd.	Atsugi City, Kanagawa Prefecture	15	PCBs for electronics	100.0
Meiko Elec. Hong Kong. Co., Ltd.	Hong Kong	US$72,669 thousand	PCBs for electronics	100.0
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$120,800 thousand	PCBs for electronics	100.0 (66.3)
Meiko Electronics (Wuhan) Co., Ltd.	Wuhan, Hubei Province, P.R.C.	US$148,800 thousand	PCBs for electronics	100.0 (47.6)
MDS Circuit Technology, Inc.	Manila, Philippines	12,000 PH peso thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics America, Inc.	CA, U.S.A.	US$1,500 thousand	PCBs for electronics	100.0
Guangzhou Meiko PCB Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$10,000 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics Vietnam Co., Ltd.	Hanoi, Vietnam	US$90,000 thousand	PCBs for electronics	100.0 (100.0)

Principal Shareholders

As of March 31, 2014

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (%)
Yuichiro Naya	4,697	17.53
The Master Trust Bank of Japan, Ltd. (trust account)	1,440	5.38
Japan Trustee Services Bank, Ltd. (trust account)	1,354	5.05
Trust & Custody Services Bank, Ltd. (securities investment trust account)	675	2.52
PLEASANT VALLEY (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	631	2.36
Meiko Kosan Co., Ltd.	608	2.27
BNYML-NON TREATY ACCOUNT (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	561	2.10
Yuho, Ltd.	521	1.94
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE–AC) (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	507	1.89
Haruyuki Naya	488	1.82
Total	11,488	42.86

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 Yamato Technology Center/ Meiko Tech Co., Ltd.) to develop electronics application products.
October 1978	Developed in-house use PCB Testers for the PCB final inspection process.
September 1980	Constructed a new headquarters and factory, establishing an integrated production system for the entire process from design to finished product.
December 1980	Introduced a multi-layer press machine and started manufacturing multi-layer PCBs.
December 1981	Developed the world's first multi-video processor.
March 1982	Established Multitech Co., Ltd. (currently Meiko Tech Co., Ltd.) to manufacture single-sided PCBs (currently a consolidated subsidiary of the Company).
September 1982	Established Yamagata Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PCBs.
August 1984	Completed construction to expand the headquarters/factory in Ayase, Kanagawa Prefecture, and started operations.
July 1988	Established M.D. Systems Co., Ltd. to design PCBs (currently a consolidated subsidiary of the Company).
June 1990	Constructed the Fukushima Factory.
April 1991	Changed company name to Meiko Electronics Co., Ltd.
November 1997	Constructed a new manufacturing building on the premises of the Yamagata Factory (Yamagata Meiko Electronics Co., Ltd.) to manufacture PCBs using the new PCB Build-Up technology.
August 1998	Established Meiko Elec. Hong Kong. Co., Ltd. in Hong Kong, China (currently a consolidated subsidiary of the Company), mainly to expand transactions with overseas manufacturers and purchase materials locally.
December 1998	Established Meiko Electronics (Panyu Nansha) Co., Ltd. in Guangzhou, Guangdong, China [currently Meiko Electronics (Guangzhou Nansha) Co., Ltd., a consolidated subsidiary of the Company], to manufacture PCBs.
June 1999	Changed the name of the PCB manufacturing department of headquarters to Kanagawa Factory.
December 2000	Stock listed on the Japan Securities Dealers Association.
January 2001	Started operations at the Guangzhou Plant [Meiko Electronics (Guangzhou Nansha) Co., Ltd.].
June 2001	Established MDS Circuit Technology, Inc. (currently a consolidated subsidiary of the Company) in Manila, the Philippines, to design PCBs.

December 2004	Stock listed on JASDAQ Securities Exchange, Inc.
July 2005	Established Meiko Electronics (Wuhan) Co., Ltd. in Wuhan, Hubei, China (currently a consolidated subsidiary of the Company) to manufacture PCBs.
November 2005	Constructed a new factory building at Miyagi Factory (currently the Ishinomaki 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 a suburb of 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 exchange.

Corporate Data (As of March 31, 2014)

Corporate Name:
Meiko Electronics Co., Ltd.

Date of Establishment:
November 25, 1975

Paid-in Capital:
¥12,889 million

Fiscal Year:
April 1 to March 31

Number of Shares Authorized:
63,200,000

Number of Shares Issued:
26,803,320

Number of Shareholders:
6,558

Securities Code:
6787

Stock Exchange Listing:
Tokyo Stock Exchange, JASDAQ standard market

Number of Employees:
11,858 (Consolidated)

Number of Subsidiaries:
14

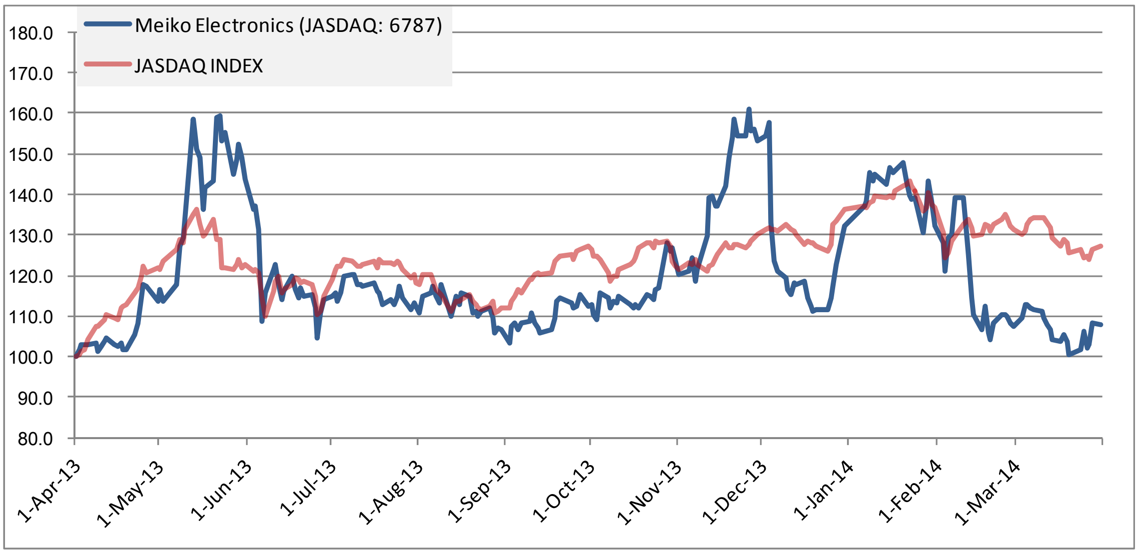
Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

Accounting Auditor:
KPMG AZSA LLC

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

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

Meiko Share Performance in FY2014 Compared with Indices



Fiscal year 2014 ended March 31, 2014

Index

In %