



40th

MEIKO REPORT

(April 1, 2014 to March 31, 2015)

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40th

MEIKO REPORT

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.



Actively tackling management issues, we will strive to strengthen our management base.

I would like to express my sincere gratitude to all shareholders and investors for their outstanding support for our business.

And I am pleased to take the opportunity of presenting our MEIKO REPORT for the 40th fiscal term (year ended March 31, 2015) to explain the business conditions of FY2014 and our future business strategy.



Please describe the business environment and operating results for the fiscal year ended March 31, 2015.



Meiko saw a sales increase reflecting the signs of recovery in both domestic and overseas markets, but posted losses due to worsened earnings.

In the business environment surrounding the Meiko Group, economies in BRICs countries lost momentum, while economies in the U.S., and nations of Europe and Asia continued to recover and expand, though moderately. Meanwhile, the Japanese economy in the second half was supported by a pickup in consumer spending, a recovery in companies' earnings, and an improvement in the

employment and income environment.

In the automobile industry, which represents one of the Meiko Group's main business partners, the market continued to be steady on the back of globally vigorous demand for vehicles. In the electronics industry, smartphone-related markets mainly in China remained strong.

Under such circumstances, the Group concentrated its management resources on the production of PCBs for car-mounted equipment and overseas smartphones, for which demand is strong, and endeavored to increase sales through an active cultivation of new customers. However, its earnings

Key points in FY2014

Overview of operating results (year-on-year)	Increase in sales and decrease in earnings on a year-on-year basis Net sales: up 11.7 billion yen, Operating income: down 3.8 billion yen
Positive factors	Strong growth in sales Steady increase in sales of automotive PCBs and smartphone PCBs
Negative Factors	Worsening profit margins due to a decrease in the yield of products and a rise in unprofitable products <ul style="list-style-type: none"> Increases in variable and fixed costs Rise in irregular transportation expenses in order to meet the delivery timeline Increase in unit labor costs

were weighed on significantly by a decrease in the yield of products and resultant rises in abandonment loss and fixed costs, a drop in orders received from some of our overseas customers, and a rise in import costs impacted by foreign exchange movements.

To cope with this, on the production front, the Group forcefully implemented various measures for improving production yields, optimally deployed human resources and provided them with thoroughgoing education, reviewed the production system, as well as reduced fixed and variable expenses by cutting costs for materials through global procurement. On the sales front, we worked hard to reduce selling, general and administrative expenses and other costs by ensuring the appropriateness of products to be ordered, reviewing logistics costs and administrative expenses, and cutting directors' remuneration. Such a group-wide effort to improve earnings began to pay off late in the

fiscal year under review; however, this was not enough to offset a decline in earnings. As a result, the Group saw sales increase, but incurred substantial losses due to weakened earnings caused by a rise in scrap ratio to be disposed, an increase in unprofitable products and a hike in unit labor costs.



What is your management strategy for the future?



We will establish a structure under which we can achieve sustainable growth while overcoming intense competition.

As for the future business environment of the Group, the use of electronics is expected to further grow in the automotive market, given possible pursuit of automated driving, safety, reliability, and environment. Meanwhile, in the mobile device market, the use of smartphones, etc. is likely to spread in emerging countries. Given these factors,

our business is projected to continuously grow.

By surely capturing these markets, the Group will expand business on a global-scale and raise its profitability, aiming to achieve sustainable growth. However, competition is projected to further intensify in these growth markets, which rival companies in Japan and abroad are expected to enter by using their upgraded technology and cost competitive edge.

Under such circumstances, the Group will actively tackle the following management issues and achieve business growth, under the basic management policy "To contribute to society by providing customers with the highest value and superior service."


By doing our utmost to implement these measures, we will establish a structure which enables us to create corporate value and achieve sustainable growth.

Overview of consolidated operating results for FY2014

Operating results for FY2014 (in 100 million yen)		Year-on-year change (in 100 million yen)
Net sales	909.0	+116.6
Operating income	(28.7)	(37.9)
Ordinary income	10.8	(8.6)
Net income	(95.7)	(96.0)

Management issues Meiko will tackle

Strengthening of the production system	<ul style="list-style-type: none"> • Enhancement of quality control at manufacturing sites in Japan, China and Vietnam • Cost reduction through the development of cost-cutting technologies
Acquisition of new customers and expansion of transactions with existing customers	<ul style="list-style-type: none"> • Winning of promising overseas customers that are expanding their market share • Increase of transactions with European customers in cooperation with Schweizer Electronic of Germany
Strengthening of the management structure	<ul style="list-style-type: none"> • Promotion of management by objective, and sweeping review of fixed costs and selling, general and administrative expenses • Optimization of the global sales system

 Please provide your forecasts for the full-year operating performances of FY2015.

 We will establish a structure under which we can achieve sustainable growth while overcoming intense competition.

Looking at the management environment surrounding the Group for the next fiscal year, in the automobile industry, not only car sales are expected to rise, but also sales of car-mounted equipment are likely to steadily expand given the growing demand for the functions concerning automated driving and safety. As for smartphone-related devices, the markets are forecast to expand, mainly in China, but the Group is expected to face downward pressure on costs due to such factors as the emergence of small and midsize manufacturers and a decline in products' unit prices.

To cope with such a market environment, the Group, while implementing the following priority measures, will actively cultivate new customers in growth markets and

endeavor to increase orders received from existing customers. However, in some markets whose growth is unclear, we will conduct business while closely monitoring the market trends. With regard to earnings, we will promote improvement in product yield and productivity, which we have been focusing on, as the most critical issues. We will also aim to strengthen the management structure by promoting management by objective and sweeping review of fixed costs and selling, general and administrative expenses.

 Please give a message to the shareholders

 We will focus on maintaining stable dividends to shareholders and increasing sustainable corporate value

We at Meiko regard returning profits to shareholders as one of our top management priorities, and take business results and other matters comprehensively into

consideration for profit sharing as we work to maintain stable dividends. In order to secure profits for shareholders in the future, we are making it a basic policy to allocate internal reserves to investments to further strengthen and improve our business base, and to use them to further expand our business.

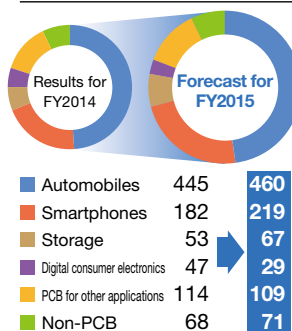
We regret to inform you that the distribution of year-end dividends will be postponed, as was the case for the interim dividend, in consideration of the consolidated financial results for the fiscal year.

Although the business environment surrounding the Company remains difficult, we are committed to doing our utmost in carrying out measures to reward the support we receive from and meet the expectations of all stakeholders, including shareholders, striving to increase corporate value and achieve sustainable growth. We look forward to your continued support and encouragement in the future.

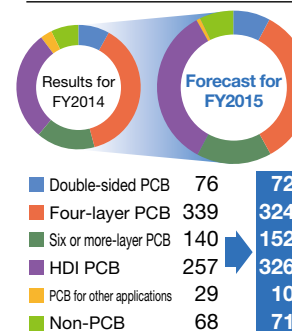
Consolidated earnings forecast for FY2015

Earnings forecast for FY2015 (in 100 million yen)		Year-on-year change (in 100 million yen)
Net sales	955.0	+46.0
Operating income	20.0	+48.7
Ordinary income	6.0	(4.8)
Net income	(6.0)	+89.7

Forecast by application
(in 100 million yen)



Forecast by product
(in 100 million yen)



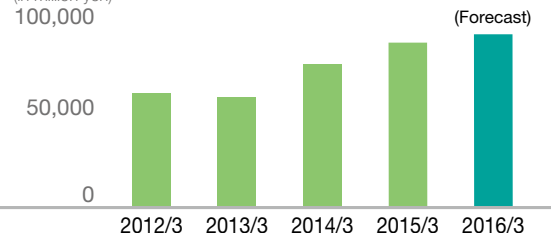
Priority measures for FY2015

1	Improvement in product yield
2	Increase in orders received for automotive HDI PCBs
3	Reduction in the fixed cost ratio and the selling, general and administrative expenses ratio
4	Improvement in labor productivity (including investments related to automation)
5	Reduction in process variable costs through improvement of processes
6	Acceleration of localization

Net sales

90,895 million yen

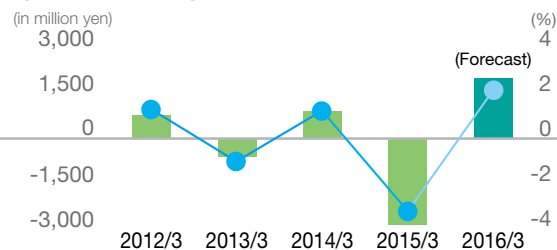
(in million yen)
100,000



Operating income / Operating margin

(2,865) million yen

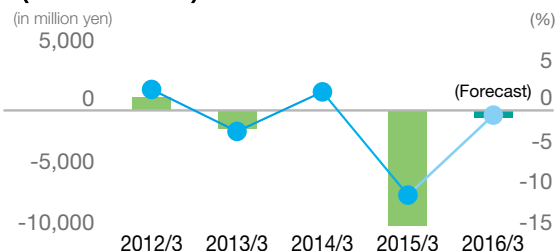
(in million yen)
3,000



Net income / Net margin

(9,573) million yen

(in million yen)
5,000



Consolidated balance sheet

(JPY in million)

	End of FY2013 (As of March 31, 2014)	End of FY2014 (As of March 31, 2015)
Assets		
Current assets	42,740	51,547
Noncurrent assets	72,686	71,416
Property, plant and equipment	67,578	64,914
Intangible assets	454	293
Investments and other assets	4,653	6,208
Total assets	115,426	122,963
Liabilities		
Current liabilities	36,910	47,119
Noncurrent liabilities	33,808	37,222
Total liabilities	70,719	84,341
Net assets		
Shareholders' equity	41,058	31,354
Capital	12,888	12,888
Capital surplus	14,809	14,809
Retained earnings	13,756	4,052
Treasury stocks	(396)	(396)
Cumulative other comprehensive income	3,648	7,267
Valuation difference on available-for-sale securities	97	131
Deferred gains or losses on hedges	(81)	(161)
Foreign currency translation adjustment	3,765	7,453
Remeasurements of defined benefit plans	(133)	(155)
Total net assets	44,707	38,622
Total liabilities and net assets	115,426	122,963

Consolidated statement of income

(JPY in million)

	FY2013 (April 1, 2013 to March 31, 2014)	FY2014 (April 1, 2014 to March 31, 2015)
Net sales	79,231	90,895
Cost of sales	69,023	83,063
Gross profit	10,208	7,832
Selling, general and administrative expenses	9,285	10,697
Operating income/losses	922	(2,865)
Non-operating income	2,342	5,347
Non-operating expenses	1,333	1,406
Ordinary income/losses	1,931	1,075
Extraordinary income	700	260
Extraordinary losses	384	9,695
Income (losses) before income taxes	2,247	(8,360)
Income taxes	2,224	1,213
Income (losses) before minority interests	23	(9,573)
Net income/losses	23	(9,573)

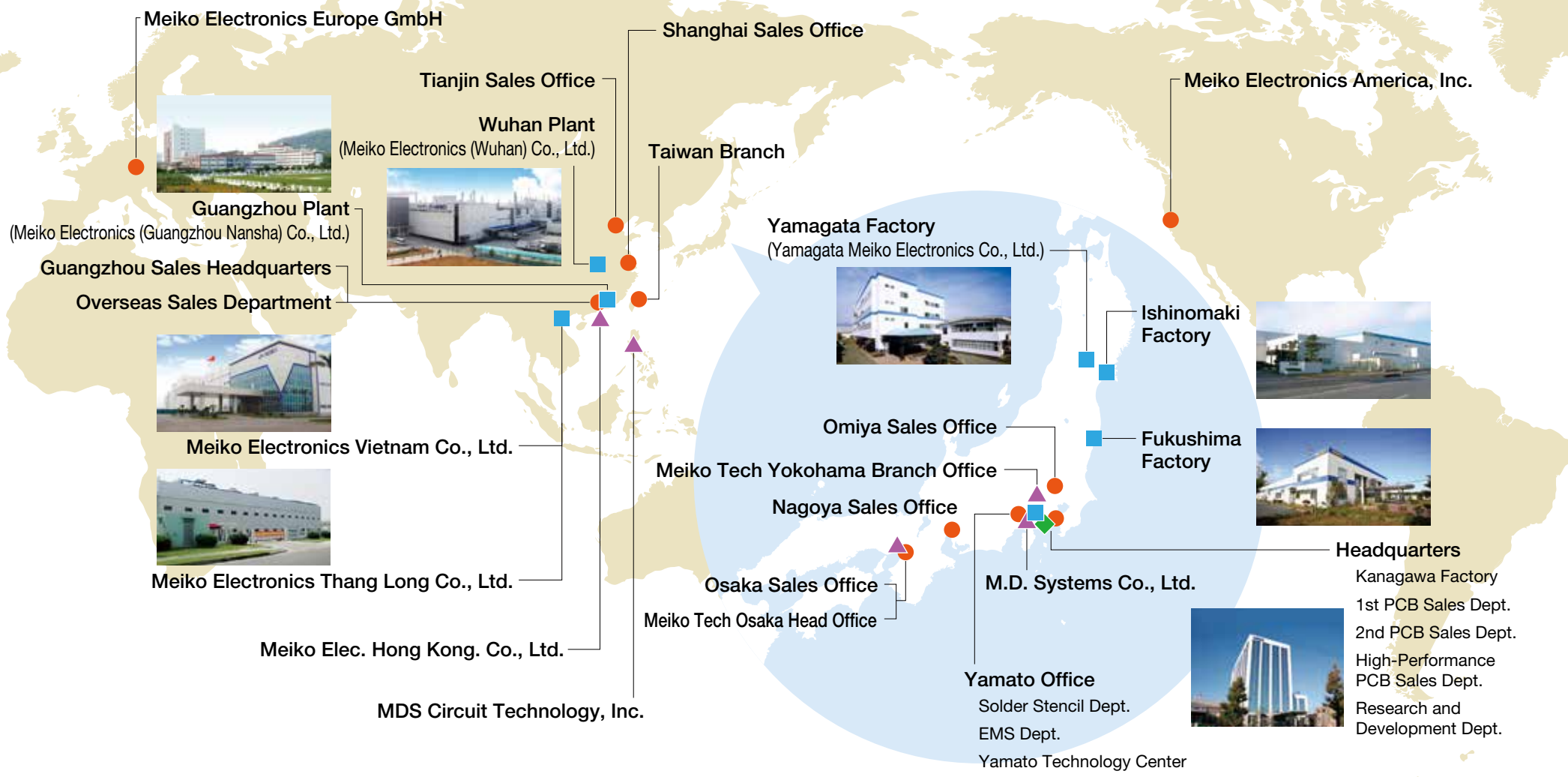
Consolidated statement of cash flows

(JPY in million)

	FY2013 (April 1, 2013 to March 31, 2014)	FY2014 (April 1, 2014 to March 31, 2015)
Net cash generated from operating activities	2,426	2,238
Net cash expended in investment activities	(4,020)	(6,986)
Net cash generated from financing activities	1,186	4,860
The effect of changes in the exchange rate on cash and cash equivalents	378	619
Net increase (decrease) in cash and cash equivalents	(29)	731
Cash and cash equivalents at the beginning of the period	8,788	8,759
Cash and cash equivalents at the end of the period	8,759	9,490

Meiko's production and sales systems that meet global customer needs

- Production base
- ◆ R&D base
- Sales Bases
- ▲ Affiliated Companies



Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Headquarters	5-14-15 Ogami, Ayase, Kanagawa
Capital	12,888 million yen
No. of Employees	10,895 (consolidated) (Japan: 862; overseas: 10,033)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives (As of March 31, 2015)

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Seiichi Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director	Kunihiko Sato
Director	Marc Schweizer
Director	Yoon Ho, Shin
Senior Corporate Auditor	Hitoshi Iyomoto
Audit & Supervisory Board Member	Hiroshi Tsukii
Audit & Supervisory Board Member	Yasunobu Koshimura

Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Manufacturing of PCBs
M.D. Systems Co., Ltd.	Design of PCBs
Meiko Tech Co., Ltd.	Sales of PCBs
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Electronics (Wuhan) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Elec. Hong Kong. Co., Ltd.	Sales of PCBs
Meiko Electronics Vietnam Co., Ltd.	Manufacturing and sales of PCBs
Meiko Electronics Thang Long Co., Ltd.	Manufacturing of PCBs
MDS Circuit Technology, Inc.	Design of PCBs
Meiko Electronics America, Inc.	Sales of PCBs
Meiko Electronics Europe GmbH	Sales of PCBs

Stock Information

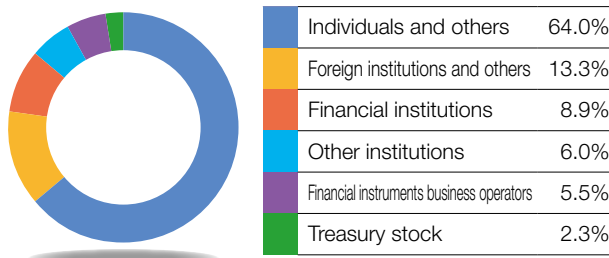
Number of Shares Authorized	63,200,000 shares
Number of Shares Issued	26,174,076 shares (excluding treasury stock of 629,244 shares)
Number of Shareholders	6,936

Principal Shareholders

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,699	18.0
PLEASANT VALLEY	631	2.4
Meiko Kosan Co., Ltd.	608	2.3
Yuho, Ltd.	521	2.0
Haruyuki Naya	488	1.9
SBI SECURITIES Co., Ltd.	482	1.8
Seiichi Naya	442	1.7
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	437	1.7
HILLCREST, L. P.	379	1.5
Sumitomo Mitsui Banking Corporation	377	1.4

*The Company owns treasury stock of 629,244 shares and is excluded from the above principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock.

Distribution of Ownership among Shareholders



Shareholders' Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	June
Record date	Year-end dividends: March 31 Interim dividends: September 30

Method of public notice Electronic public notice. In the event of an accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei. Official page: <http://www.meiko-elec.com/ir/pa.shtml>

Stock exchange JASDAQ (Standard), Tokyo Stock Exchange

Administrator of shareholders register and special account management institution 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Sumitomo Mitsui Trust Bank, Limited

Handling office of Administrator of shareholders register 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

(Mailing Address) 168-0063
2-8-4, Izumi, Suginami-ku, Tokyo
Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

(Inquiries by telephone) ☎ 0120-782-031

(Website) <http://www.smtb.jp/personal/agency/index.html>

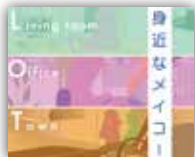
Inquiries about notices such as a change of address concerning shareholdings

Shareholders who have accounts with securities companies are advised to contact the securities company with regard to notices, such as a change of address. Shareholders who do not hold accounts with a securities company are advised to contact the above telephone number for inquiries.

Introduction of Meiko Website



Top page



CSR Report



Introduction of our products
(A Lot of MEIKO around You)

For our latest IR information, news releases, and other information including details on our products and CSR activities, please visit the Company website.

You can visit the Company website to find other useful information as well.

MEIKO

Search

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



Future Cars and Meiko

Comfort

When car navigation systems first appeared, some people were surprised at the convenience of a system that enabled the driver to drive a vehicle even in unfamiliar places without consulting a map. But these days, it is not surprising for a car navigation system to show the driver the road ahead and at the same time distribute in real-time the information that the driver seems to be interested in.

Environment

As a result of the further development of eco-friendly cars, automakers have now begun to sell electric vehicles and hydrogen-fueled vehicles to replace fuel-efficient hybrid vehicles.

Safety

The pursuit of safety has led to making a drive-support system the standard equipment, and thus, drivers can enjoy a safe drive without depending on their driving technique.



The evolution of cars is unlikely to end. It is expected that in 10 years or less, the day will come when automobiles will be driven fully automatically. Then cars will become a tool to convey people safely according to the driver's will, as well as serve as a multi-functional communication device similar to a smartphone.

Toward the future

Meiko will support cars for the future that will continue to evolve, with a wide range of extensive new PCB technologies, domestic and overseas plants with high production capacity, and its 40-year history and extensive know-how.

Introduction of new technologies

“High-frequency hybrid PCB”

■ Cars that do not collide – ADAS technology

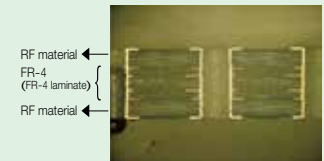
Advanced driver assistance systems, or ADAS, provide the following functions: stopping a car by applying the automatic brake just before a rear-end collision with another vehicle, etc.; maintaining a certain distance between a car and the vehicle ahead of it; and controlling the steering so that the vehicle is prevented from drifting out of the driving lane.

■ PCBs for ADAS

The ADAS necessitate various technologies, ranging from sensors to image processing engines. The obstacle detection radar uses a PCB that employs a special high-frequency material. Featuring excellent transmission characteristics, the high-frequency material is highly resistant to bad weather, and can be used for high-performance car-mounted devices, such as radar that can detect an object in the distance.

■ Meiko's new technologies – Reduced costs and improved wiring flexibility

Meiko has added a further improvement to the high-frequency material PCB, resulting in the development of a “high-frequency hybrid PCB⁽¹⁾”. The Company has realized lower costs and better wiring flexibility for high-frequency hybrid PCBs, by laminating an expensive high-frequency material and an ordinary material using its proprietary technology and forming a non-through hole structure⁽²⁾.



¹ RF Hybrid PWB



² Non-TH construction

Meiko will conduct R&D and support your future while considering your varied needs.

Notes on Forecasts

The information in this report contains future forecasts, such as the plans and business results of the Company. These forecasts are based on information available at the time when these forecasts were made and certain preconditions that the Company believes to be reasonable. Please note that actual business results may differ from the forecasts herein due to a variety of factors.