

MEIKO REPORT

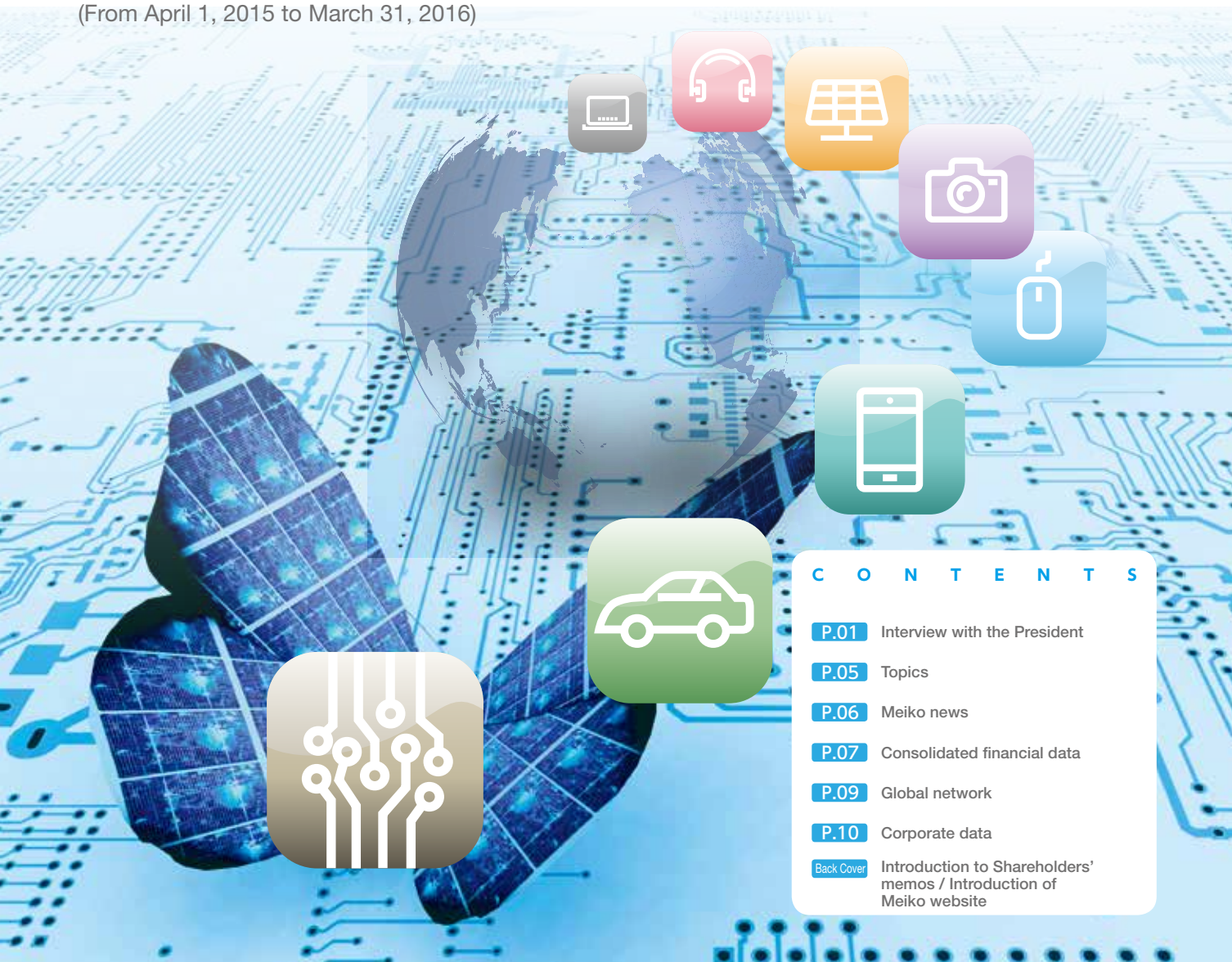


MEIKO ELECTRONICS CO., LTD.

Securities code: 6787

41st Report to Shareholders

(From April 1, 2015 to March 31, 2016)



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

I am pleased to take the opportunity of presenting our MEIKO REPORT for the 41st fiscal term (year ended March 31, 2016) to explain the business conditions of this period and our future business strategy.

President & CEO **Yuichiro Naya**

Summary of consolidated operating results for FY2015

(in 100 million yen)

	Results of FY2015	Results of FY2014	Year-on-year change
Net sales	952.9	909.0	+43.9
Operating income	33.3	(28.7)	+61.9
Ordinary income	(4.9)	10.8	(15.7)
Loss attributable to owners of parent	(112.5)	(95.7)	(16.8)

We will continue to meet needs manufacturer that provides the



Please describe the business environment and operating results for this period.

Operating income will be significantly improved thanks to improved production yields and reduced expenses in addition to increased sales.

Within the business environment surrounding the Meiko Group, the U.S. economy experienced a trend of continuous expansion particularly in consumer spending backed by improved employment, while Europe is recovering gradually due to steady consumer spending regardless of geographical risks. On the other hand, in the Asian markets, the Chinese economy has clearly showed a slowdown, and its growth has slowed partly due to local currency depreciation and a decline in resource prices. When it comes to the Japanese economy, the recovery of consumer spending was at a standstill while corporate business results and employment improved, and

Key points of the financial results of FY2015

Summary	<ol style="list-style-type: none"> 1. Sales increased by 104% year on year to 95.3 billion yen 2. Operating income improved by 6.2 billion yen year on year to 3.3 billion yen 3. Recorded a deficit of 11.3 billion yen due to the booking of impairment losses
Key points	<ol style="list-style-type: none"> 1. Strong momentum from sales of products for vehicles and smartphones 2. Significant improvement in operating income resulting from improved production yields and implementation of structural reforms 3. Improved financial strength due to capital increase through preferred shares issued by allocation to third parties

as the PCB best value and services.

business conditions remained almost unchanged.

In the automobile industry, which is one of the Meiko Group's main business partners, the market remained firm on the back of active global automobile demand. In the smartphone market, the global markets including India and other emerging markets enjoyed steady growth, while China saw a slower growth rate.

Under such market circumstances, in order to expand our businesses, the Group continued actively offering sophisticated and high value-added products such as high-heat dissipation substrates and high-frequency substrates supporting extended usage in the automobile substrate business including Advanced Driver Assistance Systems (ADAS), in the second half as well as the first half. The Company achieved stable sales growth as a result. The smartphone substrate business also boosted sales due to strong sales to Chinese manufacturers in addition to favorable orders received from major customers operating globally.

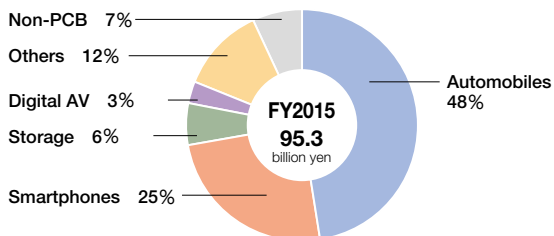
In terms of profits, the Company improved its

operating income significantly due to improved marginal profit ratio and reduced fixed costs and selling, general and administrative expenses, because the problem of production yields has been resolved and structural reforms, which have thus far been promoted, made progress as scheduled. With those measures, we worked to improve our performance by drastically streamlining business management and promoting measures to become a supplier trusted by our customers based on our product quality and costs.

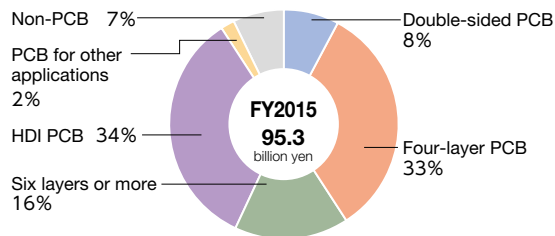
As a result, sales for the current period were 95,287 million yen, an increase of 4,391 million yen (+4.8%) from the previous period. Regarding profit and loss, operating income was 3,325 million yen (compared with the operating loss of 2,865 million yen in the previous period) and ordinary loss was 491 million yen (compared with ordinary income of 1,075 million yen for the previous period). Impairment loss for fixed assets, 7,978 million yen, was recorded as extraordinary loss, and a corporate tax adjustment of 1,265 million yen was booked due to disposal of differed tax assets. As a result, loss attributable to owners of parent amounted to 11,250 million yen (compared with the loss attributable to owners of parent of 9,573 million yen for the previous period).

Sales composition by PCB sales

By application :



By product :



Q2 Please tell us about the prospects for the next period.

We will continue providing offers to meet customer needs and aim to expand our profitability, keeping an eye on the market trends.

Regarding the business environment for the next period, we expect that the automobile substrate market for the automobile industry will expand strongly due to an increased sales volume and steady growth in new areas including automatic driving and ADAS. In the smartphone market, the markets are expected to expand particularly for low-end and mid-range models primarily in emerging economies. On the other hand, concerns include risks of declining product unit prices, foreign exchange fluctuation and surging resource prices.

In response to such an environment, the Group will promote cultivating new customers and increasing orders received from existing customers through new technology development and active offering of new products while keeping an eye on market trends.

In terms of profitability, we solved the problem of production yields, which we have addressed as a

priority issue, and have had some successes in reducing fixed costs and selling, general and administrative expenses. We will further our commitment to strengthening the management base further by continuing to reduce fixed costs and selling, general and administrative expenses, with productivity reforms defined as our top priority issue.

In so doing, bearing in mind the Group's basic management philosophy, "To contribute to society by providing customers with the highest value and superior service," we will aim to achieve our plan by ensuring we implement the following key business initiatives.

Based on the above, for FY2016 we expect sales of 91.2 billion yen (-4.3% from this period), operating income of 3.8 billion yen (+14.3% from this period), ordinary income of 2 billion yen (+2,491 million yen from this period) and profit attributable to owners of parent of 1.3 billion yen (+12.555 billion yen from this period).

Consolidated financial prospect for FY2016

(in 100 million yen)

	Full-year prospect	Results for FY2015
Net sales	912.0	952.9
Operating income	38.0	33.3
Ordinary income	20.0	(4.9)
Net income (loss) attributable to owners of parent	13.0	(112.5)

Key business initiatives planned for FY2016

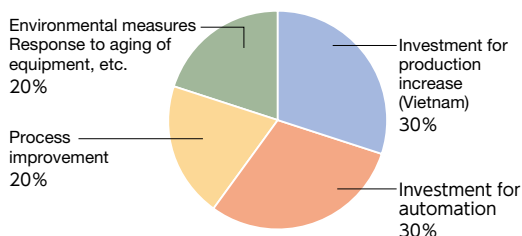
- Setting target of becoming the No. 1 plant in terms of quality, costs, and delivery** — Offering the best value suitable to each customer
- Further strengthening the business in Vietnam** — Production increase at Vietnam Factory and strengthening of the EMS business
- Continuing structural reforms** — Continuing improvement of labor productivity and reduction of process change expenses
- Improving financial strength** — Cash flow consolidation

Q3 Please tell us about the investment plan.

We will make appropriate capital investments by ensuring we implement the ongoing medium-term investment plan.

As we promote structural reforms, we are also currently expanding capital investment under the medium-term investment strategies. As a capital investment measure whose final year is FY2017, we plan capital investment of 9.2 billion yen in three years. With the focus on investment in overseas, we will ensure automation and process improvement for more efficient production, and investment in the Vietnam Factory for greater production, in addition to environmental measures and response to equipment aging.

Breakdown of the medium-term investment plan



*On the basis of acceptance

Q4 Please give a message to the shareholders.

The Group as a whole will strive to maintain stable dividends to shareholders and focus on sustainable enhancement of our 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.

Regarding the year-end dividend payment for the current fiscal period, we regret to say that it will be postponed in consideration of the financial results for the fiscal year.

For the next period, the Group as a whole will continue focusing on expanding profitability. We will make a decision on the dividends of the surplus by taking our performance and financial position comprehensively into consideration. We will let the shareholders know the amount as soon as possible once it has been fixed.

We are committed to doing our utmost to carry out measures that reward the support we receive from all stakeholders and meet their expectations, as well as improve operating performance and raise our corporate value.

We look forward to your continued support and encouragement in the future.



Our plants overseas and in Japan are working on improving quality of products and services to meet customer needs. In addition, our R&D division offers unique technologies and products by realizing innovative ideas through industry-academia cooperation.

2015

Fuji Xerox selected us as a Premier Partner

April

In the Fuji Xerox Procurement Partners' Forum 2015, we were selected as a Premier Partner. We are the only PCB manufacturer selected.



2015

The Excellent Performance Award from DENSO Manufacturing Tennessee

July

Our Guangzhou Plant won the Excellent Performance Award from the electronics division and the information communication division for its performance in QCD (quality, costs and delivery).



2015

The METI Minister's Prize of the 6th Monodzukuri Nippon Grand Award

November

The Research and Development Department won the METI Minister's Prize of the 6th Monodzukuri Nippon Grand Award for "The Development and Mass Production of Innovative Flexible Printed Circuit Boards Jointed at the Molecular Level" together with the co-winners from Toshiba Semiconductor & Storage and Sulfur Chemical Laboratory.

2015

The Best Partner In 2015 Award from Samsung Electronics Vietnam

December

Our Vietnam Factory was ranked first in the environment & safety section among Samsung Electronics Vietnam's 60 partners and won the Best Partner Award.



2016

Lecture on the latest development trend in the technology of built-in electronics component at the 17th Printed Wiring Board Expo

January

In the seminar titled "Technology of Built-in Electronics Component: Market Needs and its Latest Technology" in the 17th Printed Wiring Expo, the Research and Development Department provided a lecture titled "The Introduction of Mass Production and the Latest Development Trend of Circuit Boards with Built-in Components Using Plating Connection."

2016

Panasonic AIS selected us as the Best Suppliers

March

Our Guangzhou and Wuhan Plants were selected by Panasonic AIS as the Best Suppliers for their quality improvement measures in FY2015.



Automatic Driving and Meiko

— Meiko has a wide range of technologies to support evolving future vehicles

1 Various moves toward the realization of automatic driving

Since 2016, automakers have conducted research and development toward automatic driving and are currently working on the development of safety technologies assisting drivers. These technologies can also eliminate concerns of drivers by not only realizing safe driving but also assisting driving on complicated roads including junctions of the Metropolitan Expressway.

In addition, the Japanese government started legislation to realize pick-up services using unmanned driving (completely automatic driving) during the 2020 Tokyo Olympics.



2 Providing various substrates for vehicles

We occupy a superior position in the global on-vehicle substrate market. About half of our sales comes from vehicle-related PCBs, and we are primarily producing products related to engines/ECU, car navigation systems and in-car audio. Moreover, as we are at a turning point where vehicles' head lamps are shifting from traditional electric lamps to LEDs, we are preparing for mass production of high-heat dissipation metal-based substrates for head lamps.

3 Meiko's substrates required for automatic driving

Because the realization of automatic driving requires the installation of various communication devices, the demand for so-called build-up substrates, those with high-density extra-thin wiring used for motherboards of smartphones and other small communication devices, is expected to increase. Because our second most important products are substrates for smartphones, we can take advantage of the technologies we have cultivated for them.

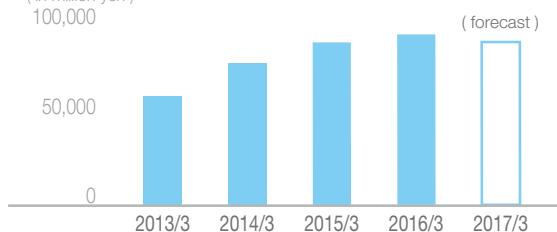
In addition, we have a diversified product portfolio including thick copper substrates supporting large current for electric vehicles, metal-based substrates adapted to high-heat dissipation and flexible substrates that achieve a connectorless connection. This portfolio enables us to provide offers that meet each automaker's needs.

We are also developing low-cost high-frequency hybrid substrates with the high frequency property, which will be used for the rear-end collision avoidance assistance system of Advanced Driver Assistance Systems (ADAS).

Net sales

95,287 million yen

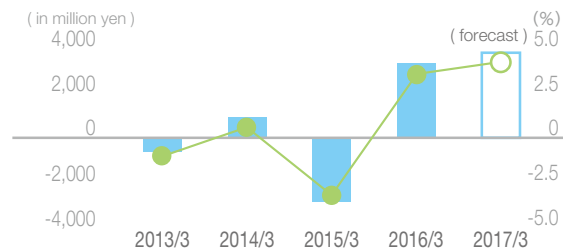
(in million yen)



Operating income/Operating margin

3,325 million yen

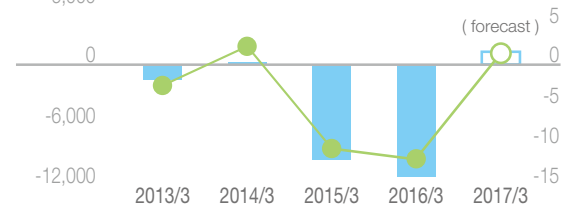
(in million yen)



Net income*/Net margin

-11,250 million yen

(in million yen)



*Net income represents profit attributable to owners of parent.

Consolidated balance sheet

(in million yen)

	End of FY2014 (As of March 31, 2015)	At the end of this period (As of March 31, 2016)
Assets		
Current assets	51,547	55,329
Noncurrent assets	71,416	54,275
Property, plant and equipment	64,914	50,733
Intangible assets	293	212
Investments and other assets	6,208	3,329
Total assets	122,963	109,605
Liabilities		
Current liabilities	47,119	41,990
Noncurrent liabilities	37,222	38,851
Total liabilities	84,341	80,841
Net assets		
Shareholders' equity	31,354	24,578
Capital	12,888	12,888
Capital surplus	14,809	19,745
Retained earnings	4,052	(7,659)
Treasury stocks	(396)	(396)
Cumulative other comprehensive income	7,267	3,925
Valuation difference on available-for-sale securities	131	32
Deferred gains or losses on hedges	(161)	(337)
Foreign currency translation adjustment	7,453	4,475
Remeasurements of defined benefit plans	(155)	(246)
Non-controlling interests	0	260
Total net assets	38,622	28,764
Total liabilities and net assets	122,963	109,605

Key points in the financial results

• Consolidated balance sheet

Total assets were 109,605 million yen, a decline of 13,358 million yen from the end of the previous period. The primary causes include reduction in property, plant and equipment due to impairment.

Liabilities were 80,841 million yen, a decline of 3.5 billion yen from the end of the previous period. The major causes include reduction in accounts payable and loans payable.

Net assets were 28,764 million yen, a decline of 9,858 million yen from the end of the

Consolidated statement of income

(in million yen)

	Previous period (April 1, 2014 to March 31, 2015)	Current period (April 1, 2015 to March 31, 2016)
Net sales	90,895	95,287
Cost of sales	83,063	82,101
Gross profit	7,832	13,185
Selling, general and administrative expenses	10,697	9,860
Operating income / loss	(2,865)	3,325
Non-operating income	5,347	300
Non-operating expenses	1,406	4,117
Ordinary income / loss	1,075	(491)
Extraordinary income	260	32
Extraordinary losses	9,695	9,074
Loss before income taxes	(8,360)	(9,532)
Income taxes	1,213	1,717
Net income (loss)	(9,573)	(11,250)
Profit (loss) attributable to non-controlling interests	0	(0)
Loss attributable to owners of parent	(9,573)	(11,250)

previous period. The primary causes include reduction in retained earnings due to loss attributable to owners of parent, regardless of increase in capital surplus due to class-A preferred shares issued by allocation to third parties.

• Consolidated statement of income

In the consolidated statement of income, net sales amounted to 95.3 billion yen, an increase of 4.4 billion yen from the end of the previous period, due to steady increase in the sales volume of products for vehicles and smartphones.

In terms of profit and loss, operating income improved by 6.2 billion yen to 3.3 billion yen from the loss of 2.9 billion yen in the previous fiscal year due to improved production yields and structural reforms.

Consolidated statement of cash flows

(in million yen)

	Previous period (April 1, 2014 to March 31, 2015)	Current period (April 1, 2015 to March 31, 2016)
Net cash generated from operating activities	2,238	9,932
Net cash expended in investment activities	(6,986)	(1,736)
Net cash generated from financing activities	4,860	1,966
The effect of changes in the exchange rate on cash and cash equivalents	619	(703)
Net increase (decrease) in cash and cash equivalents	731	9,458
Cash and cash equivalents at the beginning of the period	8,759	9,490
Net increase (decrease) in cash or cash equivalents due to change in scope of consolidation	0	363
Cash and cash equivalents at the end of the period	9,490	19,312

Ordinary loss was 490 million yen due mainly to foreign exchange loss caused by the strong yen.

Loss attributable to owners of parent was 11,250 million yen due to impairment of fixed assets at Vietnam and Ishinomaki Factories, and disposal of deferred tax assets.

• Consolidated statement of cash flows

Net cash generated from operating activities for this period amounted to 9,932 million yen, an increase of 7,693 million yen from the previous period, while net cash expended in investment activities was -1,736 million yen, a successful decrease of 5,249 million yen from the previous period. Net cash generated from financing activities was 1,966 million yen.

As a result, cash and cash equivalents at the end of the current period were 19,312 million yen, an increase of 9,822 million yen from the previous period.

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



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	9,491 (consolidated) (Japan: 786) (overseas: 8,705)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives (as of March 30, 2016)

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	Maren Schweizer
Director	Yoon Ho, Shin
Director	Hajime Nakano
Senior Corporate Auditor	Hitoshi Iyomoto
Audit & Supervisory Board Member	Hiroshi Tsukii
Audit & Supervisory Board Member	Yasunobu Koshimura
Audit & Supervisory Board Member	Arifumi Sunada

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 Techno Co., Ltd.	Auxiliary electronics business
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 (Common Stock)	70,000,000 shares
(Class-A preferred Stock)	50 shares
Number of Shares Issued (Common Stock)	26,174,076 shares
(excluding treasury stock of 629,244 shares)	
(Class-A preferred Stock)	50 shares
Number of Shareholders (Common Stock)	5,749
(Class-A preferred Stock)	1

Principal Shareholders

(Ordinary shares)

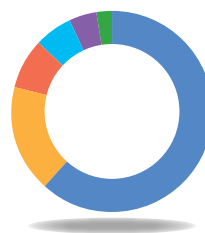
Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,701	18.0
GOLDMAN SACHS INTERNATIONAL	667	2.5
PLEASANT VALLEY	631	2.4
Meiko Kosan Co., Ltd.	608	2.3
Yuho, Ltd.	521	2.0
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	515	2.0
Haruyuki Naya	488	1.9
DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613	454	1.7
BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	452	1.7
Seiichi Naya	443	1.7

*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.

(Class-A preferred Stock)

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Chiiki Chukakugigyō Kasseika Fund	50	100.0

Distribution of Ownership among Shareholders (Ordinary shares)



Individuals and others	61.7%
Foreign institutions and others	17.4%
Financial institutions	8.0%
Other institutions	6.0%
Financial instruments business operators	4.6%
Treasury stock	2.3%

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
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

Stock exchange	JASDAQ (Standard), Tokyo Stock Exchange
Method of public notice	Electronic public notice in our official page 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

Enquiries concerning shareholdings:

- Shareholders who need to update information on shareholdings, including change of address and method of receiving dividends, are advised to contact the securities companies where securities accounts are held.
- Shareholders who do not have accounts with securities companies and need to process payments of dividends are advised to contact Sumitomo Mitsui Trust Bank, Limited, as stated to the left.

Introduction to Meiko Website


TOP page



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



CSR Report

 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/>

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Tel: 0467 (76) 6001 (switchboard)

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

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.