Annual Report 2013

For the year ended March 31, 2013

Meiko Electronics Co., Ltd.

Profile

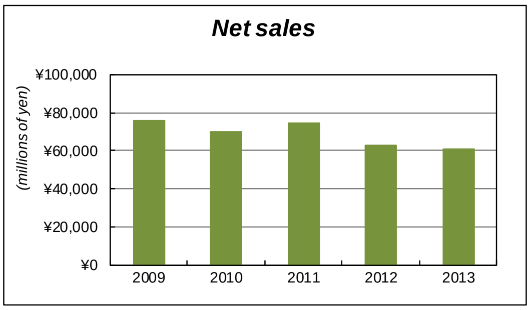
The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), and its 12 subsidiaries (10 consolidated subsidiaries and 2 non-consolidated subsidiaries) (the “Group”). The Group operates a single business segment, engaging in the design, manufacture and sale of PCBs (printed circuit boards) and associated services.

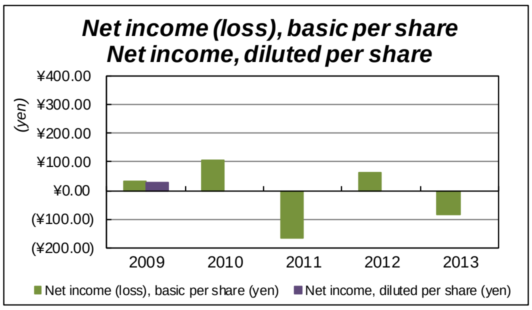
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties.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

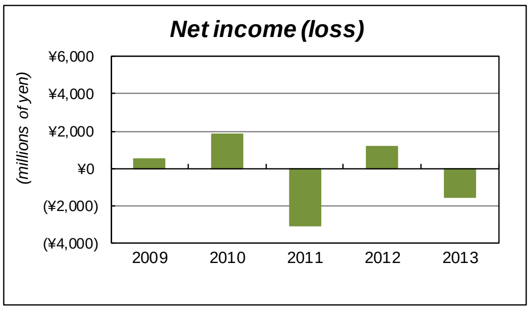
Contents

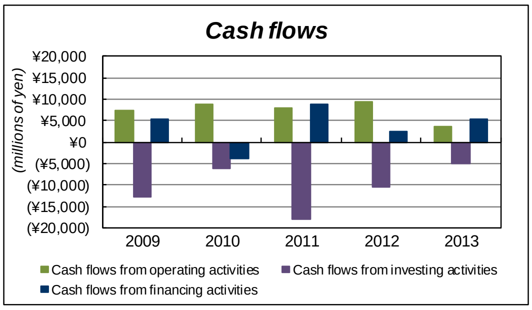
Five-year Financial Summary

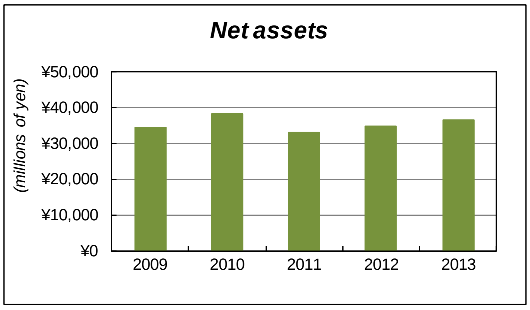
	2009	2010	2011	2012	2013
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥75,806	¥69,823	¥74,724	¥62,973	¥60,709
Ordinary income	953	2,695	2,127	222	(386)
Net income (loss)	522	1,828	(3,095)	1,159	(1,568)
Comprehensive income	—	—	(5,307)	2,048	1,822
Net assets	34,576	38,167	32,980	35,028	36,727
Total assets	85,611	84,728	89,816	91,105	102,046
Net assets per share *(yen)*	2,062.17	2,067.25	1,756.65	1,865.71	1,956.24
Net income (loss) per share *(yen)*	30.71	107.39	(166.32)	61.73	(83.52)
Net income per share (diluted) *(yen)*	29.38	—	—	—	—
Equity ratio	40.4%	45.0%	36.7%	38.4%	36.0%
Return on equity (ROE)	1.5%	5.0%	(8.7%)	3.4%	(4.4%)
Price earnings ratio (PER) *(times)*	31.2	18.5	—	19.4	—
Cash flows from operating activities	7,479	8,841	7,916	9,252	3,594
Cash flows from investing activities	(12,929)	(6,059)	(17,911)	(10,377)	(5,075)
Cash flows from financing activities	5,338	(3,742)	8,677	2,360	5,358
Cash and cash equivalents at the end of the period	5,146	4,009	2,509	3,752	8,788
Number of employees	7,623	10,149	13,161	9,948	9,966
[Average number of temporary staff]	[815]	[565]	[597]	[397]	[528]

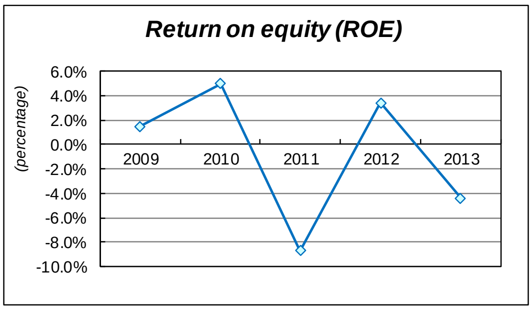

Net sales
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2009
2010
2011
2012
2013

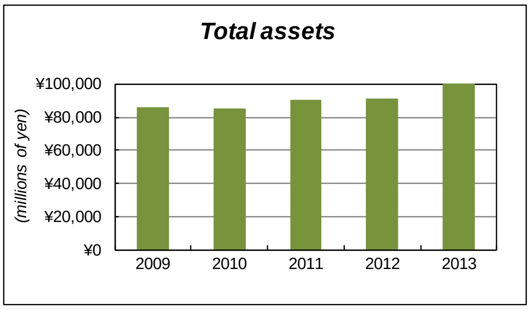

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥400.00
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
(¥200.00)
2009
2010
2011
2012
2013
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

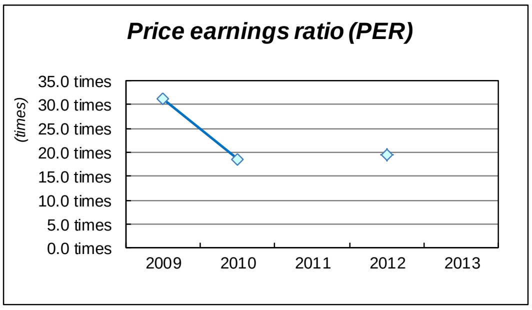

Net income (loss)
(millions of yen)
¥6,000
¥4,000
¥2,000
¥0
(¥2,000)
(¥4,000)
2009
2010
2011
2012
2013

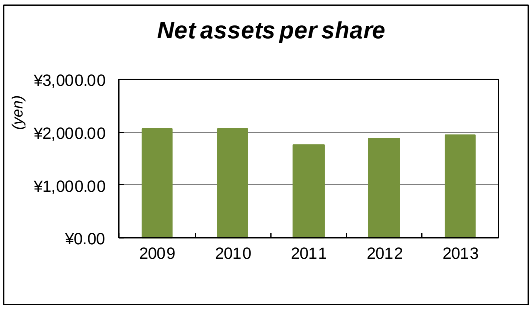

Cash flows
(millions of yen)
¥20,000
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2009
2010
2011
2012
2013
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2009
2010
2011
2012
2013


Return on equity (ROE)
(percentage)
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
2009
2010
2011
2012
2013


Total assets
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2009
2010
2011
2012
2013


Price earnings ratio (PER)
(times)
35.0 times
30.0 times
25.0 times
20.0 times
15.0 times
10.0 times
5.0 times
0.0 times
2009
2010
2011
2012
2013


Net assets per share
(yen)
¥3,000.00
¥2,000.00
¥1,000.00
¥0.00
2009
2010
2011
2012
2013

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, 2013 was ¥35,101 million, up ¥6,657 million from ¥28,444 million for the previous fiscal year. This change mainly comprised an increase of ¥5,036 million in cash and cash equivalents from ¥3,752 million to ¥8,788 million, a decline of ¥506 million in trade notes and accounts receivable from ¥12,635 million to ¥12,129 million and an increase of ¥1,416 million in inventories from ¥9,071 million to ¥10,487 million.

(Noncurrent assets)

The balance of noncurrent assets as of March 31, 2013 was ¥66,945 million, up ¥4,284 million from ¥62,661 million for the previous fiscal year. A major factor for this increase was a ¥5,345 million increase in property, plant and equipment from ¥56,427 million to ¥61,772 million due to capital investments.

2) Liabilities

(Current liabilities)

The balance of current liabilities as of March 31, 2013 was ¥40,178 million, up ¥13,562 million from ¥26,616 million for the previous fiscal year. This change mainly consisted of a ¥946 million increase in trade notes and accounts payable from ¥6,297 million to ¥7,243 million, a ¥10,873 million increase in short-term borrowings from ¥3,098 million to ¥13,971 million and an increase of ¥2,740 million in the current portion of long-term borrowings from ¥10,368 million to ¥13,108 million.

(Long-term liabilities)

The balance of long-term liabilities as of March 31, 2013 was ¥25,141 million, down ¥4,320 million from ¥29,461 million for the previous fiscal year. A major factor for this increase was a decrease of ¥4,192 million in long-term borrowings from ¥26,749 million to ¥22,557 million.

3) Net assets

(Net assets)

The balance of net assets as of March 31, 2013 was ¥36,727 million, up ¥1,699 million from ¥35,028 million for the previous fiscal year. Major factors for this increase were a ¥1,691 million decrease in retained earnings and an increase of ¥3,443 million 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 greatly affected by the growth in auto-related sales which, however, failed to offset stagnant demand in the domestic electronics industry and the adverse effect of production adjustments by manufacturers focused on smartphones. As a result, net sales were ¥60,709 million, down ¥2,264 million, or 3.6%, from the previous fiscal year.

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

Cost of sales decreased ¥1,614 million, or 2.9%, from the previous fiscal year to ¥53,156 million, reflecting a decline in variable cost following the decrease in net sales. As a result, gross profit decreased ¥650 million, or 7.9%, from the previous fiscal year to ¥7,553 million, and the gross margin declined to 12.4%.

Selling, general and administrative expenses increased ¥768 million, or 10.4%, from the previous fiscal year to ¥8,159 million, primarily due to increases in labor costs and depreciation and amortization.

3) Operating loss

Operating loss was ¥606 million mainly due to a decrease in the volume of orders compared with operating income of ¥812 million for the previous year.

4) Non-operating income and Non-operating expenses

Non-operating income increased ¥1,704 million from the previous fiscal year to ¥2,628 million, primarily due to a foreign exchange gain of ¥2,366 million for the fiscal year under review.

Non-operating expenses increased ¥895 million from the previous fiscal year to ¥2,409 million. This was mainly because depreciation and amortization increased ¥656 million.

5) Ordinary loss

Ordinary loss was ¥386 million, due primarily to the recording of operating loss compared with ordinary income of ¥222 million for the previous fiscal year.

6) Extraordinary income (loss)

Extraordinary income was ¥1,212 million, which consisted of subsidy income of ¥500 million and compensation income of ¥620 million from Tokyo Electric Power Company, Incorporated.

Extraordinary loss was ¥1,272 million, which mainly consisted of a ¥478 million loss on abandonment of inventories, environmental expenses of ¥292 million, and the cost of suspending operations at a factories resulting from anti-Japan protests in China of ¥243 million.

7) Net loss

Loss before income taxes and minority interests was ¥447 million compared with an income of ¥534 million for the previous fiscal year. The total amount of income taxes after adoption of tax-effect accounting was ¥1,121 million compared with minus ¥625 million for the previous fiscal year

As a result of the above, a net loss of ¥1,568 million was recorded for the fiscal year under review compared with a net income of ¥1,159 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, 2013 increased ¥5,036 million from the previous fiscal year, to ¥8,788 million.

Of the amount above, cash increased as a result of a merger with a non-consolidated subsidiary amounting to ¥690 million.

Net cash provided by operating activities for the fiscal year under review was ¥3,594 million, down ¥5,658 million from the previous fiscal year. Increases were mainly from depreciation and amortization of ¥6,283 million and a decrease in trade notes and accounts receivable of ¥1,428 million. The major decreases comprised a decrease in foreign exchange gain of ¥2,243 million and income taxes paid of ¥1,099 million.

Net cash used in investing activities was ¥5,075 million, down ¥5,302 million. The major outflow was ¥5,732 million for the purchase of property, plant and equipment.

Net cash provided by financing activities was ¥5,358 million, up ¥2,998 million from the previous fiscal year. The inflow was mainly from an increase in short-term borrowings of ¥9,963 million. The major outflow was ¥11,050 million for the repayment of long-term borrowings.

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

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio *(%)*	36.7	38.4	36.0
Market value equity ratio *(%)*	18.5	24.7	11.8
Cash flows versus Interest-bearing debt ratio	4.8	4.4	13.8
Interest coverage ratio *(times)*	11.0	11.1	3.9

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 lawsuit 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) Natural disaster

The Group's major manufacturing bases are the Yamagata Factory (Yamagata Meiko Electronics Co., Ltd.), the Fukushima Factory and the Miyagi Factory (currently 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.

(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 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 or the economic situation occur, issues might arise in the management of production facilities and equipment and in the execution of other operations, and adversely affect the Group's business performance and financial position.

(7) Foreign currency exchange rate fluctuation risk

To operate plants in China, 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, 2013, was 48.6%. 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.

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Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2013 and 2012

		Millions of yen			Thousands of U.S. dollars (Note 1)
ASSETS		**2013**		2012		**2013**
Current Assets:						
Cash and cash equivalents (Notes 6, 15 and 25)	¥	**8,788**	¥	3,752	$	**93,484**
Receivables —						
Trade notes and accounts receivable (Notes 6 and 15)		**12,129**		12,635		**129,016**
Other receivables		**1,152**		920		**12,256**
Less: Allowance for doubtful accounts		**(15)**		(17)		**(159)**
Inventories —						
Merchandise and finished goods		**3,418**		2,954		**36,355**
Work in process		**2,597**		2,774		**27,626**
Raw materials and supplies		**4,472**		3,343		**47,574**
Deferred tax assets (Note 14)		**1,866**		1,362		**19,847**
Other		**694**		721		**7,381**
Total current assets		**35,101**		28,444		**373,380**
Property, Plant and Equipment, at Cost:						
Land		**1,944**		1,944		**20,682**
Buildings and structures		**34,992**		28,867		**372,211**
Machinery and vehicles		**63,092**		55,611		**671,122**
Construction in progress		**6,588**		5,263		**70,076**
Other		**2,902**		2,498		**30,871**
		109,518		94,183		**1,164,962**
Less: Accumulated depreciation		**(47,746)**		(37,756)		**(507,883)**
Net property, plant and equipment		**61,772**		56,427		**657,079**
Intangible Assets		**469**		590		**4,982**
Investments and Other Assets:						
Investment securities (Notes 5 and 15)		**1,041**		1,516		**11,071**
Long-term loans receivable		**131**		129		**1,389**
Deferred tax assets (Note 14)		**1,619**		1,716		**17,226**
Other		**1,953**		2,398		**20,771**
Less: Allowance for doubtful accounts		**(40)**		(46)		**(423)**
Allowance for investment loss		**-**		(69)		**-**
Total investments and other assets		**4,704**		5,644		**50,034**
Total	¥	**102,046**	¥	91,105	$	**1,085,475**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current Liabilities:			
Trade notes and accounts payable (Notes 6 and 15)	¥ **7,243**	¥ 6,297	$ **77,043**
Short-term borrowings (Notes 8 and 15)	**13,971**	3,098	**148,616**
Current portion of long-term borrowings (Notes 4, 8 and 15)	**13,108**	10,368	**139,429**
Income taxes payable (Note 14)	**739**	510	**7,859**
Accrued bonuses	**440**	460	**4,683**
Provision for loss on disaster	**-**	528	**-**
Other (Note 6)	**4,677**	5,355	**49,748**
Total current liabilities	**40,178**	26,616	**427,378**
Long-term Liabilities:			
Long-term borrowings (Notes 4, 8 and 15)	**22,557**	26,749	**239,943**
Provision for employees' retirement benefits (Note 9)	**1,517**	1,324	**16,140**
Long-term other payable	**506**	903	**5,385**
Provision for directors' retirement benefits	**261**	261	**2,777**
Other	**300**	224	**3,184**
Total long-term liabilities	**25,141**	29,461	**267,429**
Commitments and Contingent Liabilities (Note 11) :			
Net Assets (Note 10):			
Shareholders' Equity:			
Common stock, authorized - 63,200,000 shares issued - 19,403,320 shares in 2013 and 2012	**10,546**	10,546	**112,176**
Capital surplus	**12,467**	12,467	**132,615**
Retained earnings	**13,827**	15,518	**147,085**
Less: Treasury stock, at cost; Common stock, 629,244 shares in 2013 and 2012	**(396)**	(396)	**(4,216)**
Total shareholders' equity	**36,444**	38,135	**387,660**
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	**(115)**	(178)	**(1,226)**
Deferred gains (losses) on hedges	**(206)**	(90)	**(2,188)**
Foreign currency translation adjustments	**604**	(2,839)	**6,422**
Total accumulated other comprehensive income	**283**	(3,107)	**3,008**
Total net assets	**36,727**	35,028	**390,668**
Total	¥ **102,046**	¥ 91,105	$ **1,085,475**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Net Sales	¥ **60,709**	¥ 62,973	¥ 74,724	$ **645,775**
Cost of Sales (Note 12)	**53,156**	54,770	63,219	**565,426**
Gross profit	**7,553**	8,203	11,505	**80,349**
Selling, General and Administrative Expenses (Note 12)	**8,159**	7,391	8,207	**86,792**
Operating income (loss)	**(606)**	812	3,298	**(6,443)**
Other Income (Expenses):				
Interest expense, net	**(898)**	(812)	(737)	**(9,555)**
Dividend income	**13**	13	2	**137**
Compensation expenses	**-**	(45)	(33)	**-**
Foreign exchange gain (loss)	**2,366**	587	(252)	**25,171**
Subsidy income	**26**	109	87	**273**
Net gain (loss) on sales and disposal of property, plant and equipment (Note 13)	**(36)**	117	(110)	**(385)**
Reversal of allowance for investment loss	**69**	-	-	**734**
Subsidy income for reconstruction (Note 18)	**500**	-	-	**5,319**
Compensation income (Note 19)	**620**	744	-	**6,597**
Loss on valuation of investment securities	**(30)**	-	-	**(319)**
Gain on investment of securities	**-**	-	33	**-**
Loss on disaster (Note 17)	**(170)**	(105)	(4,943)	**(1,812)**
Expenses for business structure improvement	**-**	-	(483)	**-**
Loss on valuation of inventories (Note 20)	**-**	(160)	-	**-**
Loss on abandonment of inventories (Note 21)	**(478)**	-	-	**(5,084)**
Loss on abolishment of retirement benefit plan	**-**	(65)	-	**-**
Environmental expenses (Note 22)	**(292)**	(219)	-	**(3,102)**
Loss from suspension of plant operations (Note 23)	**(243)**	-	-	**(2,588)**
Depreciation	**(941)**	(285)	(33)	**(10,014)**
Other, net	**(347)**	(157)	(238)	**(3,682)**
Total	**159**	(278)	(6,707)	**1,690**
Income (Loss) before Income Taxes and Minority Interests	**(447)**	534	(3,409)	**(4,753)**
Income Taxes (Note 14):				
Current	**1,320**	687	212	**14,041**
Refund	**-**	(413)	-	**-**
Deferred	**(199)**	(899)	(526)	**(2,115)**
Total income taxes	**1,121**	(625)	(314)	**11,926**
Income (Loss) before Minority Interests	**(1,568)**	1,159	(3,095)	**(16,679)**
Minority Interests	**-**	-	0	**-**
Net Income (Loss)	¥ **(1,568)**	¥ 1,159	¥ (3,095)	$ **(16,679)**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Net income (loss)	¥ **(83.52)**	¥ 61.73	¥ (166.32)	$ **(0.89)**
Cash dividends applicable to the year	**-**	5.00	12.00	**-**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Income (Loss) before Minority Interests	**¥ (1,568)**	¥ 1,159	¥ (3,095)	**$ (16,679)**
Other Comprehensive Income (Note 24):				
Unrealized gains (losses) on available-for-sale securities	**63**	(72)	(121)	**672**
Deferred gains (losses) on hedges	**(116)**	114	(106)	**(1,233)**
Foreign currency translation adjustments	**3,443**	847	(1,985)	**36,621**
Total other comprehensive income	**3,390**	889	(2,212)	**36,060**
Comprehensive Income	**1,822**	2,048	(5,307)	**19,381**
Comprehensive Income Attributable to:				
Owners of the Company	**¥ 1,822**	¥ 2,048	¥ (5,307)	**$ 19,381**
Minority interests	**-**	-	0	**-**

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, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Shareholders' Equity:				
Common Stock (Note 10):				
Beginning balance	¥ **10,546**	¥ 10,546	¥ 10,546	$ **112,176**
Ending balance	¥ **10,546**	¥ 10,546	¥ 10,546	$ **112,176**
Capital Surplus (Note 10):				
Beginning balance	¥ **12,467**	¥ 12,467	¥ 12,135	$ **132,615**
Gain on disposal of treasury stock	**-**	-	332	**-**
Ending balance	¥ **12,467**	¥ 12,467	¥ 12,467	$ **132,615**
Retained Earnings (Note 10):				
Beginning balance	¥ **15,518**	¥ 14,359	¥ 17,860	$ **165,066**
Net income	**(1,568)**	1,159	(3,095)	**(16,679)**
Cash dividends paid	**(94)**	-	(406)	**(999)**
Increase by merger	**(29)**	-	-	**(303)**
Ending balance	¥ **13,827**	¥ 15,518	¥ 14,359	$ **147,085**
Treasury Stock, at cost; Common Stock:				
Beginning balance	¥ **(396)**	¥ (396)	¥ (594)	$ **(4,216)**
Purchase of treasury stock	**-**	(0)	(0)	**-**
Disposal of treasury stock	**-**	-	198	**-**
Ending balance	¥ **(396)**	¥ (396)	¥ (396)	$ **(4,216)**
Total shareholders' equity	¥ **36,444**	¥ 38,135	¥ 36,976	$ **387,660**
Accumulated Other Comprehensive Income:				
Unrealized Gains (Losses) on Available-for-sale Securities:				
Beginning balance	¥ **(178)**	¥ (106)	¥ 15	$ **(1,898)**
Net increase (decrease)	**63**	(72)	(121)	**672**
Ending balance	¥ **(115)**	¥ (178)	¥ (106)	$ **(1,226)**
Deferred Gains (Losses) on Hedges:				
Beginning balance	¥ **(90)**	¥ (204)	¥ (98)	$ **(955)**
Net increase (decrease)	**(116)**	114	(106)	**(1,233)**
Ending balance	¥ **(206)**	¥ (90)	¥ (204)	$ **(2,188)**
Foreign Currency Translation Adjustments:				
Beginning balance	¥ **(2,839)**	¥ (3,686)	¥ (1,701)	$ **(30,199)**
Net increase (decrease)	**3,443**	847	(1,985)	**36,621**
Ending balance	¥ **604**	¥ (2,839)	¥ (3,686)	$ **6,422**
Total accumulated other comprehensive income	¥ **283**	¥ (3,107)	¥ (3,996)	$ **3,008**
Minority Interests:				
Beginning balance	¥ **-**	¥ -	¥ 5	$ **-**
Net increase (decrease)	**-**	-	(5)	**-**
Ending balance	¥ **-**	¥ -	¥ -	$ **-**
Total Net Assets	¥ **36,727**	¥ 35,028	¥ 32,980	$ **390,668**
	Number of Shares			
Number of outstanding shares:				
Beginning balance	**19,403,320**	19,403,320	19,403,320	
Repurchase of treasury stock	**(629,244)**	(629,244)	(629,170)	
Ending balance	**18,774,076**	18,774,076	18,774,150	

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Operating Activities:				
Income (loss) before income taxes and minority interests	¥ **(447)**	¥ 534	¥ (3,409)	$ **(4,753)**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,283**	6,423	6,533	**66,832**
Increase (decrease) in allowance for doubtful accounts	**(8)**	(3)	5	**(85)**
Decrease in allowance for investment loss	**(69)**	-	(16)	**(734)**
Increase in provision for employees' retirement benefits	**191**	124	110	**2,036**
Decrease in provision for directors' retirement benefits	**-**	(8)	-	**-**
Increase (decrease) in accrued bonuses	**(19)**	24	(130)	**(205)**
Decrease in accrued bonuses to directors and corporate auditors	**-**	-	(24)	**-**
Interest income and dividend income	**(33)**	(30)	(20)	**(353)**
Loss on valuation of investment securities	**30**	-	-	**319**
Interest expenses	**919**	828	755	**9,771**
Foreign exchange gain	**(2,243)**	(781)	(707)	**(23,863)**
Net loss (gain) on sales and disposal of property, plant and equipment	**36**	(117)	110	**385**
Subsidy income for reconstruction	**(500)**	-	-	**(5,319)**
Compensation income	**(620)**	(744)	-	**(6,597)**
Loss on disaster	**170**	105	4,943	**1,812**
Business structure improvement expenses	**-**	-	483	**-**
Decrease in trade notes and accounts receivable	**1,428**	1,578	2,694	**15,189**
Decrease (increase) in inventories	**(350)**	2,237	(3,832)	**(3,719)**
Increase (decrease) in trade notes and accounts payable	**266**	(2,342)	713	**2,835**
Decrease (increase) in other assets	**292**	1,072	(181)	**3,107**
Increase in other liabilities	**331**	788	878	**3,512**
Subtotal	**5,657**	9,688	8,905	**60,170**
Interest and dividend received	**32**	30	20	**341**
Interest paid	**(917)**	(834)	(717)	**(9,754)**
Proceeds from compensation income	**620**	744	-	**6,597**
Payments for loss on disaster	**(699)**	(645)	(6)	**(7,432)**
Income taxes refund	**-**	468	-	**-**
Income taxes paid	**(1,099)**	(199)	(286)	**(11,687)**
Net cash provided by operating activities	**3,594**	9,252	7,916	**38,235**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(5,732)**	(10,439)	(16,104)	**(60,973)**
Proceeds from sales of property, plant and equipment	**25**	153	23	**263**
Payments for purchases of intangible assets	**(41)**	(144)	(228)	**(441)**
Payments for purchases of investment securities	**(4)**	(0)	(1,256)	**(43)**
Payments for insurance policies	**(21)**	(51)	(59)	**(225)**
Proceeds from maturity of insurance funds	**170**	94	-	**1,806**
Other, net	**528**	10	(287)	**5,625**
Net cash used in investing activities	**(5,075)**	(10,377)	(17,911)	**(53,988)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**9,963**	(1,150)	112	**105,983**
Proceeds from long-term borrowings	**6,617**	13,732	15,896	**70,385**
Payments for long-term borrowings	**(11,050)**	(9,733)	(6,817)	**(117,542)**
Payments for installment liabilities	**(78)**	(488)	(637)	**(832)**
Payments for purchase of treasury stock	**-**	(0)	(0)	**-**
Proceeds from disposal of treasury stock	**-**	-	529	**-**
Cash dividends paid	**(94)**	(1)	(406)	**(1,001)**
Net cash provided by financing activities	**5,358**	2,360	8,677	**56,993**

See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
Effect of exchange rate changes on Cash and Cash Equivalents	**469**	8	(182)	**4,992**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,346**	1,243	(1,500)	**46,232**
Cash and Cash Equivalents at Beginning of Year	**3,752**	2,509	4,009	**39,907**
Increase in Cash and Cash Equivalents resulting from Merger with Unconsolidated Subsidiaries (Note 25)	**690**	-	-	**7,345**
Cash and Cash Equivalents at End of Year	**¥ 8,788**	¥ 3,752	¥ 2,509	**$ 93,484**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2013, 2012 and 2011

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.
Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25, issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010). As a result of the adoption of the standard, the Company has prepared the consolidated statement of comprehensive income from the year ended March 31, 2011.
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 ¥94.01 to $1, the approximate rate of exchange at March 31, 2013. 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 (10 in 2012 and 11 in 2011) subsidiaries (together, the "Group").
The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries ("goodwill") is amortized over a period of five years. 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 after April 1, 2007 : declining balance method

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 are 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 ($4,308 thousand) 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 have 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, is 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) Allowance for Investment Loss

The Company provides for investment loss principally at an amount computed based on the evaluation of individual financial and other conditions of subsidiaries.
There was no balance in allowance for investment loss as of March 31, 2013.

(i) 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.

(j) Impairment Losses on Fixed Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.
The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is higher of asset's or cash-generating unit's fair value less costs to sell and its value in use.

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

(l) Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are measured by applying currently enacted tax laws to the temporary differences.

(m) 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.

(n) 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.

(o) Goodwill
Goodwill on purchases of specific businesses and consolidation goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

(p) Provision for Employees' Retirement Benefits
The Company and its domestic consolidated subsidiaries have a funded defined benefit pension plan covering substantially all employees.
The Company and its domestic consolidated subsidiaries account for the provision for retirement benefits based on projected benefit obligations and fair value of plan assets at the balance sheet date.
Actuarial gain or loss is amortized using the straight-line 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.
Prior 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.

(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" (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.

(q) 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.

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

(s) 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.

(t) Asset Retirement Obligations
Effective from the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008). The effect of this adoption to net income (loss) was immaterial.

(u) Business Combination
Effective from the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, 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).

(v) Income before Minority Interests
Effective from the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries adopted "Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24, 2009), based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008). The account of "Income (Loss) before Minority Interests" was separately presented due to the adoption.

(w) 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.

(x) Reclassifications
Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2013.

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

This accounting standard is revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how actuarial gains and losses and past service costs should be accounted for, (b) how retirement benefit obligations and current service costs should be determined and (c) enhancement of disclosures.

(2) Effective dates

Effective for the end of fiscal years ending on or after March 31, 2014. However amendments relating to determination of projected benefit obligation and service cost are effective from the beginning of fiscal years ending on or after March 31, 2015.

(3) Effect of the application of the standard

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 ($268,194 thousand) (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, 2013 and 2012 are as follows:

	2013					
	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 ¥	**176**	¥ **131**	¥ **45**	$ **1,874**	$ **1,389**	$ **485**
Securities whose carrying value doesn't exceed their acquisition cost:						
Equity securities	**331**	**547**	**(216)**	**3,515**	**5,813**	**(2,298)**
Other	**18**	**26**	**(8)**	**189**	**282**	**(93)**
Total ¥	**525**	¥ **704**	¥ **(179)**	$ **5,578**	$ **7,484**	$ **(1,906)**

	2012		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities ¥	43	¥ 26	¥ 17
Securities whose carrying value doesn't exceed their acquisition cost:			
Equity securities	363	651	(288)
Other	18	24	(6)
Total ¥	424	¥ 701	¥ (277)

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2013 and 2012 are described in Note 15.

The Company recognized impairment losses of ¥30 million ($319 thousand) on available-for-sale securities during the year ended March 31, 2013.
The Company did not recognize impairment loss on available-for-sale securities for the years ended March 31, 2012 and 2011.

6. Notes Matured at End of Fiscal Year

March 31, 2013 and 2012, the end of fiscal years coincided with a bank holiday and the following notes that matured at the end of the fiscal years were accounted for as if they are settled on their dates of maturity.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Notes receivable	**¥ 31**	¥ 73	**$ 330**
Notes payable	**¥ 49**	¥ 44	**$ 518**
Notes payable for equipments	**¥ 2**	¥ 1	**$ 16**

7. Leases

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

As described in Note 2 (m), 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, 2013 and 2012 is not disclosed since there are no such leases as of March 31, 2013 and 2012.

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	2011
Lease payments	¥ 53	¥ 74
Depreciation expense	¥ 46	¥ 68
Interest expense	¥ 1	¥ 3

Information for the year ended March 31, 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, 2013.

8. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term borrowings with average interest rate of 1.65% for 2013 and 3.18% for 2012	**¥ 13,971**	¥ 3,098	**$ 148,616**
Current portion of long-term borrowings with average interest rate of 1.65% for 2013 and 1.73% for 2012	**13,108**	10,368	**139,429**
Current portion of other liabilities with average interest rate of 2.13% for 2013 and 2.17% for 2012	**58**	73	**612**
Total short-term	**27,137**	13,539	**288,657**
Long-term borrowings with average interest rate of 1.51% for 2013 and 1.57% for 2012, less current portion	**22,557**	26,749	**239,943**
Long-term other payable, less current portion	**1**	59	**11**
Total long-term	**22,558**	26,808	**239,954**
Total	**¥ 49,695**	¥ 40,347	**$ 528,611**

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances at March 31, 2013 and 2012. Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances at April 1, 2012 and March 31, 2013.

The aggregate annual maturities of long-term debt as of March 31, 2013 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	**¥ 13,166**	**$ 140,041**
2015	**9,226**	**98,141**
2016	**7,014**	**74,609**
2017	**3,888**	**41,356**
2018 and thereafter	**2,430**	**25,848**
Total	**¥ 35,724**	**$ 379,995**

9. Provision for Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have a lump-sum retirement plan.
Although the Company and certain domestic consolidated subsidiaries also contribute to a jointly sponsored employee pension fund, related benefit obligation, plan assets and benefit costs are excluded from the following calculation because it is difficult to assess the plan assets reasonably.

The provision for employees' retirement benefits at March 31, 2013 and 2012 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ (1,777)**	¥ (1,366)	**$ (18,902)**
Unrecognized actuarial loss	**187**	45	**1,984**
Unrecognized prior service cost	**73**	(3)	**778**
Net liability	**¥ (1,517)**	¥ (1,324)	**$ (16,140)**

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service cost	**¥ 188**	¥ 159	**$ 1,994**
Interest cost	**22**	23	**238**
Expected return on plan assets	**-**	(1)	**-**
Amortization of prior service cost	**8**	(0)	**86**
Amortization of actuarial loss	**7**	6	**79**
Net periodic retirement benefit costs	**¥ 225**	¥ 187	**$ 2,397**

Note 1: In addition, loss on abolishment of retirement benefit plan of ¥65 million was recognized for the year ended March 31, 2012.
2: Prior service cost was recognized following to abolishment of qualified pension plan and transition to a lump-sum retirement plan for the year ended March 31, 2012.
3: Net periodic retirement benefit costs of the Company's domestic consolidated subsidiaries which adopt simplified method are included in service costs.

Assumptions used for the years ended March 31, 2013 and 2012 are set forth as follows:

	2013	2012
Discount rate	**1.0%**	2.0%
Expected rate of return on plan assets	**-**	1.0%
Amortization of prior service cost	**10 years**	10 years
Amortization of period of actuarial gain/loss	**13 years**	13 years

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

(1) Funded status (as of March 31, 2012)	Millions of yen	Thousands of U.S. dollars
Fair value of plan assets	**¥ 45,789**	**$ 487,065**
Benefit obligation on the basis of pension financing	**53,683**	**571,034**
Funded status	**¥ (7,894)**	**$ (83,969)**

(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	Thousands of U.S. dollars
General reserve	**¥ 585**	**$ 6,224**
Less:		
Current year shortage	**¥ 6,884**	**$ 73,222**
Balance of unrecognized prior service cost	**1,595**	**16,971**
Funded status	**¥ (7,894)**	**$ (83,969)**

Balance of unrecognized prior 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, 2013 are as follows:

	2013	
	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 38	$ 405

12. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥1,032 million ($10,982 thousand), ¥961 million and ¥1,215 million for the years ended March 31, 2013, 2012 and 2011, 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, 2013, 2012 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Gain:				
Buildings and structures	¥ **-**	¥ 0	¥ 8	$ **-**
Machinery and vehicles	**3**	59	2	**34**
Construction in progress	**2**	76	-	**26**
Long-term prepaid expenses	**17**	-	-	**182**
Others	**1**	0	-	**6**
Total gain	**23**	135	10	**248**
Loss:				
Buildings and structures	**0**	0	9	**1**
Machinery and vehicles	**38**	15	104	**406**
Construction in progress	**5**	0	2	**52**
Intangible assets	**15**	-	-	**161**
Others	**1**	3	5	**13**
Total loss	**59**	18	120	**633**
Net gain (loss)	¥ **(36)**	¥ 117	¥ (110)	$ **(385)**

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 year ended March 31, 2013 and approximately 40.6% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred Tax Assets:			
Elimination of unrealized profits	**¥ 37**	¥ 10	**$ 390**
Accrued bonuses	**169**	176	**1,797**
Liability for employees' retirement benefits	**541**	473	**5,756**
Provision for directors' retirement benefits	**93**	93	**988**
Accrued enterprise tax	**53**	48	**565**
Allowance for doubtful accounts	**18**	18	**190**
Tax loss carryforwards	**1,535**	971	**16,330**
Valuation loss of inventories	**39**	17	**413**
Difference on depreciation period	**1,110**	872	**11,805**
Loss on valuation of investment securities	**11**	-	**114**
Allowance for investment loss	**-**	25	**-**
Loss on revaluation of golf club memberships	**36**	36	**384**
Loss on disaster	**-**	172	**-**
Deferred losses on hedges	**94**	80	**996**
Valuation difference on available-for-sale securities	**64**	98	**680**
Other	**248**	298	**2,647**
Less: valuation allowance	**(384)**	(276)	**(4,076)**
Total	**¥ 3,664**	¥ 3,111	**$ 38,979**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred Tax Liabilities:			
Reserve for advanced depreciation of property, plant and equipment	**¥ (179)**	¥ -	**$ (1,906)**
Deferred gains on hedges	**-**	(33)	**-**
Total	**¥ (179)**	¥ (33)	**$ (1,906)**
Deferred Tax Assets, Net:	**¥ 3,485**	¥ 3,078	**$ 37,073**

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

A reconciliation for the years ended March 31, 2013 and 2011 are omitted due to pre-tax loss.

	2012
Statutory tax rate	40.6%
Expenses not deductible for tax purpose	2.8%
Non-taxable dividend income	(2.7)%
Per capita inhabitant tax	3.4%
Tax rate difference in foreign subsidiaries	154.1%
Refund of income taxes	(77.4)%
Reduction of deferred tax assets due to income tax rates change	24.0%
Valuation allowance	(257.5)%
Other, net	(4.3)%
Actual effective tax rate	(117.0)%

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the statutory tax rates used to calculate deferred tax assets and liabilities will be changed from 40.63% to 37.96% for temporary differences expected to reverse in the consolidated fiscal years beginning from April 1, 2012 to April 1, 2014, and 35.58% for those expected to reverse in the consolidated fiscal years beginning from April 1, 2015 and thereafter.

As a result of this change, deferred tax assets, net of deferred tax liabilities, decreased by ¥151 million. Income taxes - deferred, unrealized securities gains (losses) on available-for-sale and deferred gains (losses) on hedges increased by ¥128 million, ¥14 million, and ¥9 million, respectively for the year ended March 31, 2012.

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, 2013 and 2012 are as follows:

	2013					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Cash and cash equivalents	**¥ 8,788**	**¥ 8,788**	**¥ -**	**$ 93,484**	**$ 93,484**	**$ -**
Time deposits	**219**	**219**	**-**	**2,330**	**2,330**	**-**
Trade notes and accounts receivable	**12,129**	**12,129**	**-**	**129,016**	**129,016**	**-**
Investment securities:						
Available-for-sale securities	**525**	**525**	**-**	**5,578**	**5,578**	**-**
Trade notes and accounts payable	**¥ 7,243**	**¥ 7,243**	**¥ -**	**$ 77,043**	**$ 77,043**	**$ -**
Short-term borrowings	**13,971**	**13,971**	**-**	**148,616**	**148,616**	**-**
Long-term borrowings	**35,665**	**35,967**	**302**	**379,372**	**382,583**	**3,211**
Derivative financial instruments	**¥ -**	**¥ -**	**¥ -**	**$ -**	**$ -**	**$ -**

	2012		
	Millions of yen		
	Book Value	Fair Value	Difference
Cash and cash equivalents	¥ 3,752	¥ 3,752	¥ -
Time deposits	219	219	-
Trade notes and accounts receivable	12,635	12,635	-
Investment securities:			
Available-for-sale securities	424	424	-
Trade notes and accounts payable	¥ 6,297	¥ 6,297	¥ -
Short-term borrowings	3,098	3,098	-
Long-term borrowings	37,117	37,262	145
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). 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
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. 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.
(viii). Derivative transactions
Please refer to Note 16.

(2) Unlisted securities of ¥516 million yen ($5,493 thousand) and ¥1,092 million yen, for which fair value is determined to be extremely difficult to determine because the securities without fair market value as of March 31, 2013 and 2012 are not included in the above table.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2013 and 2012 is as follows:

	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**	¥ **-**	¥ **-**	¥ **-**

	2013			
	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	$ **93,484**	$ **-**	$ **-**	$ **-**
Time deposits	**2,330**	**-**	**-**	**-**
Trade notes and accounts receivable	**129,016**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	$ **224,830**	$ **-**	$ **-**	$ **-**

	2012			
	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	¥ 3,752	¥ -	¥ -	¥ -
Time deposits	219	-	-	-
Trade notes and accounts receivable	12,635	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-
Total	¥ 16,606	¥ -	¥ -	¥ -

16. Derivatives

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2013 and 2012 are as follows:

		2013					
		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**	**¥ 21,100**	**¥ 13,553**	**¥ (299)**	**$ 224,446**	**$ 144,168**	**$ (3,184)**

		2012		
		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	¥ 17,242	¥ 11,688	¥ (232)
Commodity related :				
Benchmark Method				
Copper price swaps	Raw materials	¥ 944	¥ -	¥ 1,031

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, 2013 and 2012.

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 plants.
Loss on disaster for the year ended March 31, 2012 mainly consists of disposal of inventories and the relief money.

Loss on disaster for the year ended March 31, 2011 consists of the following:

	2011
	Millions of yen
Inventories	¥ 801
Property, plant and equipment	3,063
Intangible assets	1
Provision for loss on disaster	773
Other	305
Total	¥ 4,943

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 plants 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 Factory 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 Factory 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 for the 2nd Factory of Meiko Electronics (Wuhan) Co., Ltd. which 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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥ **98**	¥ (171)	$ **1,039**
Reclassifications and adjustments	**-**	-	**-**
Before income tax effects	**98**	(171)	**1,039**
Income tax effects	**(35)**	99	**(367)**
Total	¥ **63**	¥ (72)	$ **672**
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	¥ **(337)**	¥ 247	$ **(3,585)**
Reclassifications and adjustments	**175**	(195)	**1,857**
Before income tax effects	**(162)**	52	**(1,728)**
Income tax effects	**46**	62	**495**
Total	¥ **(116)**	¥ 114	$ **(1,233)**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ **3,443**	¥ 847	$ **36,621**
Total	¥ **3,443**	¥ 847	$ **36,621**
Total other comprehensive income	¥ **3,390**	¥ 889	$ **36,060**

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	**Thousands of U.S. dollars**
Current assets	¥ **2,866**	$ **30,492**
Non-current assets	**10**	**105**
Total assets	¥ **2,876**	$ **30,597**
Current liabilities	¥ **-**	$ -
Non-current liabilities	**-**	-
Total liabilities	¥ **-**	$ -

26. Segment Information

Effective from the year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

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

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

	2013					
	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**$ 256,207**	**$ 295,502**	**$ 54,238**	**$ 39,828**	**$ -**	**$ 645,775**

	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

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

	2013			
	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property, plant and equipment	**$ 69,451**	**$ 587,623**	**$ 5**	**$ 657,079**

	2012			
	Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	¥ 6,578	¥ 49,849	¥ 0	¥ 56,427

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).

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, 2013 and 2012, and the consolidated statements of operations for the years ended March 31, 2013, 2012 and 2011, the consolidated statements of comprehensive income for the years ended March 31, 2013 and 2012, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2013, 2012 and 2011, 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, 2013 and 2012, and their financial performance and cash flows for the years ended March 31, 2013, 2012 and 2011 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, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 13, 2013
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 (54.0)
MDS Circuit Technology, Inc.	Manila, Philippines	120 PH peso million	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, 2013

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (%)
Yuichiro Naya	4,697	24.21
PLEASANT VALLEY (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	631	3.26
Meiko Kosan Co., Ltd.	608	3.14
Japan Trustee Services Bank, Ltd. (trust account)	552	2.85
Yuho, Ltd.	521	2.69
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Settlement and Clearing Services Division)	519	2.68
Haruyuki Naya	488	2.52
Seiichi Naya	439	2.27
HILLCREST, L.P. (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	379	1.96
Sumitomo Mitsui Banking Corporation	377	1.94
Total	9,215	47.49

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.

Corporate Data (As of March 31, 2013)

Corporate Name:
Meiko Electronics Co., Ltd.

Date of Establishment:
November 25, 1975

Paid-in Capital:
¥10,545 million

Fiscal Year:
April 1 to March 31

Number of Shares Authorized:
63,200,000

Number of Shares Issued:
19,403,320

Number of Shareholders:
5,899

Securities Code:
6787

Stock Exchange Listing:
Osaka Securities Exchange, JASDAQ standard market

Number of Employees:
9,966 (Consolidated)

Number of Subsidiaries:
12

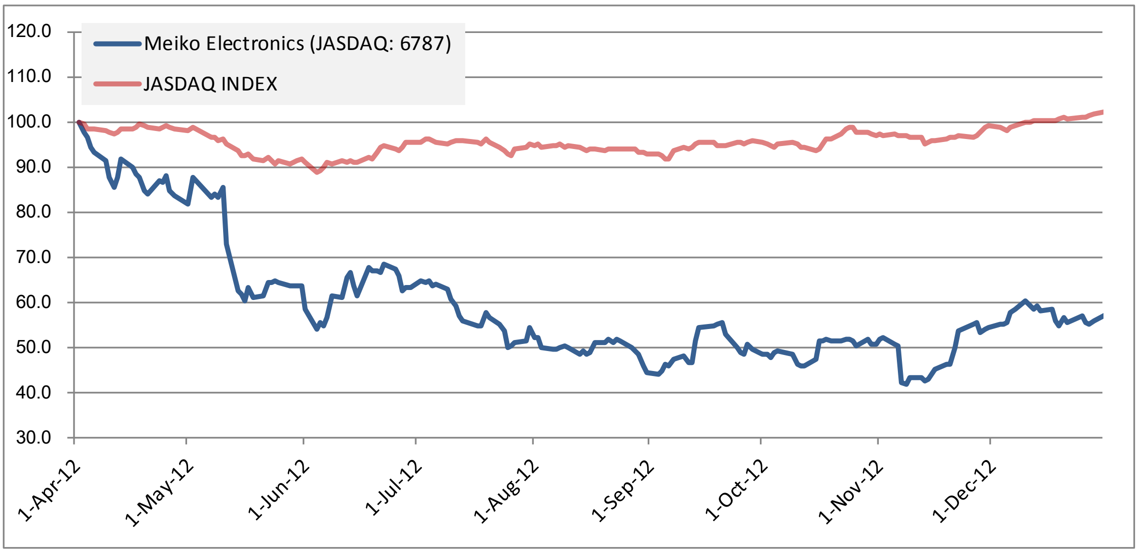
Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

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 FY2013 Compared with Indices



Fiscal year 2013 ended March 31, 2013

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In %