



Nao Tsuchiya,
Outside Director

I was appointed as an outside director at the general meeting of shareholders in June 2018, and have been performing my duties since then. Nowadays, the importance of corporate governance and the roles of independent outside directors are emphasized. I have been thinking over what I can do from the viewpoint of an independent outside director and giving opinions and proposals from an objective viewpoint, to enhance our corporate value and then bring benefits to our stakeholders, including shareholders.

As international situations are rapidly changing, I think that our business environment will be unstable for a while, but I will do my best so that our company will implement necessary measures, including productivity improvement, and grow as a better company.

We would appreciate your continued support.

Corporate data (As of March 31, 2019)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	11,899 (consolidated) (Japan: 815) (overseas: 11,084)

Outline of Business Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director and Managing Executive Officer	Takahiro Matsuda
Director and Managing Executive Officer	Junya Wada
Director	Yoon Ho, Shin
Director	Nao Tsuchiya
Audit & Supervisory Board Member (Standing)	Hitoshi Iyomoto
Audit & Supervisory Board Member	Takashi Harada
Audit & Supervisory Board Member	Takayuki Sato

Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Auxiliary electronics business
Meiko Tech Co., Ltd.	Auxiliary electronics business
Meiko Techno Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Wuhan) Co., Ltd.	Auxiliary electronics business
Meiko Elec. Hong Kong Co., Ltd.	Auxiliary electronics business
Meiko Electronics Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics Thang Long Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business
Meiko Electronics Europe GmbH	Auxiliary electronics business

Stock Information

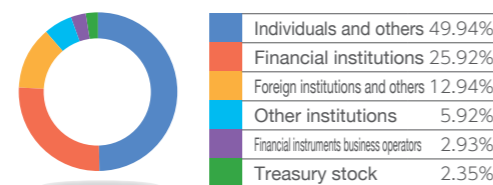
Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	26,173,942 shares (excluding treasury stock of 629,378 share)
Number of Shareholders	6,910

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	17.97
Japan Trustee Services Bank, Ltd. (Trust Account)	1,997	7.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,123	4.29
JAPAN POST BANK Co., Ltd.	780	2.98
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	755	2.88
Meiko Kosan Co., Ltd.	608	2.32
Yuho, Ltd.	521	1.99
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	437	1.67
Seiichi Naya	435	1.66
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	430	1.64

*The Company owns treasury stock of 629,378 shares and is excluded from the above principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock.

Shareholding Structure (Common Stock)



Shareholders' Information

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

Transfer agent Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan

Transfer office Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan

Address for sending mails Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 Japan

Contact Tel: 0120-782-031

Stock exchange JASDAQ (Standard), Tokyo Stock Exchange

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

Enquiries concerning shareholdings

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



MEIKO REPORT

44th Report to Shareholders

(From April 1, 2018 to March 31, 2019)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

118,910
million yen

Operating income

8,926
million yen

Net income attributable to owners of parent

6,743
million yen

Consolidated balance sheet (in million yen)

	End of FY2017 (As of March 31, 2018)	At the end of this period (As of March 31, 2019)
Assets		
Current assets	56,369	56,021
Noncurrent assets	53,946	64,634
Property, plant and equipment	49,732	58,553
Intangible assets	210	269
Investments and other assets	4,003	5,811
Total assets	110,316	120,655
Liabilities		
Current liabilities	48,924	47,932
Noncurrent liabilities	28,349	39,135
Total liabilities	77,274	87,068
Net assets		
Shareholders' equity	29,638	30,446
Capital	12,888	12,888
Capital surplus	11,745	6,464
Retained earnings	5,400	11,489
Treasury stocks	-396	-396
Cumulative other comprehensive income	3,403	3,141
Valuation difference on available-for-sale securities	21	△65
Deferred gains or losses on hedges	298	183
Foreign currency translation adjustment	3,512	3,322
Remeasurements of defined benefit plans	-428	-298
Total net assets	33,042	33,587
Total liabilities and net assets	110,316	120,655

Consolidated statement of income (in million yen)

	Previous period (year to date) (April 1, 2017 to March 31, 2018)	Current period (year to date) (April 1, 2018 to March 31, 2019)
Net sales	108,542	118,910
Cost of sales	90,115	98,862
Gross profit	18,426	20,048
Selling, general and administrative expenses	10,969	11,121
Operating income	7,457	8,926
Non-operating income	1,081	1,752
Non-operating expenses	3,742	2,067
Ordinary income	4,795	8,610
Extraordinary income	344	1
Extraordinary losses	296	750
Net income before income taxes	4,843	7,862
Income taxes	497	1,119
Net income	4,346	6,743
Net income (loss) attributable to non-controlling interests	-26	-
Net income attributable to owners of parent	4,373	6,743

Consolidated statement of cash flows (in million yen)

	Previous period (year to date) (April 1, 2017 to March 31, 2018)	Current period (year to date) (April 1, 2018 to March 31, 2019)
Net cash generated from operating activities	10,429	11,466
Net cash expended in investment activities	-8,868	-17,292
Net cash generated from (expended in) financing activities	-3,530	1,956
The effect of changes in the exchange rate on cash and cash equivalents	-35	98
Cash and cash equivalents at the beginning of the period	17,196	15,190
Cash and cash equivalents at the end of the period	15,190	11,419

Key points of the financial results

Consolidated statement of income

In the automotive PCB field, the sales of through-hole PCBs that have six or more layers, HDI PCBs, and heat dissipation boards have grown as demand increased. In the smartphone PCB field, demand declined, but annual sales were unchanged from the previous term. HDI PCBs performed well, as we received orders for IoT modules and substrates for AI appliances in other fields.

As a result, we posted net sales of 118,910 million yen (+9.6%) year on year, operating income of 8,926 million yen (+19.7%) year on year, ordinary income of 8,610 million yen (+79.6%) year on year and net income attributable to owners of parent of 6,743 million yen (+54.2%) year on year, which means that we hit a record high in net sales and other profits.

Consolidated balance sheet

Total assets stood at 120,655 million yen, an increase of 10,339 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to a decrease of 3,764 million yen in cash and deposits, an increase of 922 million yen in notes and accounts receivable-trade, and an increase of 1,677 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 8,820 million yen in property, plant and equipment and an increase of 1,807 million yen in investments and other assets, which were recorded under noncurrent assets. Net assets totaled 33,587 million yen, an increase of 545 million yen from the end of the previous consolidated fiscal year, due primarily to a decrease of 5,281 million yen in capital surplus after acquisition of class-A preferred stocks and an increase of 6,089 million yen in retained earnings.

Notes on Forecasts

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



To our shareholders

I would like to express my sincere gratitude to all shareholders and investors for the outstanding support. The following is a report summarizing the operating results for the term ended March 2019.

Yuichiro Naya, President & CEO

Consolidated results for FY2018 (in 100 million yen)

	Results for FY2018		Year on year	
	Results for FY2017	Results for FY2018	Increase/decrease	Increase/decrease rate
Net sales	1,085	1,189	103	9.6%
Operating income	74	89	14	19.7%
Ordinary income	48	86	38	79.6%
Net income attributable to owners of parent	43	67	23	54.2%
Exchange rate YEN/USD	110.66	111.04		

Revenue from each product in FY2018 (in 100 million yen)

	FY2017(year to date)		FY2018(year to date)		Year on year	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	483	37 (7.7%)	547	39 (7.1%)	64 (13.3%)	2 (5.4%)
Smartphones	324	27 (8.3%)	325	38 (11.7%)	1 (0.3%)	11 (40.7%)
Others	278	10 (3.6%)	317	12 (3.8%)	39 (14.0%)	2 (20.0%)
Total	1,085	74 (6.9%)	1,189	89 (7.5%)	104 (9.6%)	15 (19.7%)

Consolidated earnings forecast for FY2019 (in 100 million yen)

	Results for FY2018		Forecast for FY2019		Year on year	
	Results for FY2018	Forecast for FY2019	Increase/decrease	Increase/decrease rate		
Net sales	1,189	1,200	10	0.9%		
Operating income (operating margin)	89 (7.5%)	75 (6.3%)	-14	-16.0%		
Ordinary income (ordinary income rate)	86 (7.2%)	63 (5.3%)	-23	-26.8%		
Net income attributable to owners of parent (net margin)	67 (5.7%)	53 (4.4%)	-14	-21.4%		
Exchange rate YEN/USD	111.04	111.00				

Revenue forecast from each product in FY2019 (in 100 million yen)

	FY2018(year to date)		Forecast for FY2019		Year on year	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	547	39 (7.1%)	553	40 (7.2%)	6 (1.1%)	1 (2.6%)
Smartphones	325	38 (11.7%)	274	22 (8.0%)	-51 (-15.7%)	-16 (-42.1%)
Others	317	12 (3.8%)	373	13 (3.5%)	56 (17.7%)	1 (8.3%)
Total	1,189	89 (7.5%)	1,200	75 (6.3%)	11 (0.9%)	-14 (-16.0%)

Regarding full-year business results

In the field of electronic parts in the current consolidated fiscal year, the effects of economic downturn in China, etc. spread globally, due to the trade friction between the U.S. and China. In the automobile market, the consumption of substrates is augmenting due to the increase of electric components, but in the 4th quarter, demand was sluggish due to inventory adjustment. The smartphone market, too, saw inventory adjustment and the slowdown in demand. On the other hand, demand has gradually recovered thanks to the economic measures of the Chinese government, etc.

These trends considerably affected the performance of our corporate group in the 4th quarter, but annual sales and profits marked a record high. As for automotive PCBs, the sales of through-hole PCBs that have six or more layers, HDI PCBs, and heat dissipation boards have grown as demand increased. As for smartphone PCBs, demand declined, but annual sales were unchanged from the previous term. HDI PCBs performed well, as we received orders for IoT modules and substrates for AI appliances in other fields.

Regarding the next term

In the next term, it is estimated that the demand for automotive PCBs will drop in the 4th quarter, but recover from inventory adjustment and due to the increase of electrical components, etc. The demand for smartphone PCBs has recently recovered, but we are receiving more orders in the promising HDI PCB field. While the sales of IoT modules and substrates for AI appliances are projected to remain healthy, the sales of substrates for amusement using those substrates are expected to grow, and total sales are estimated to increase.

As for profits, there is concern over the drop in selling prices of products, the augmentation of fixed costs at the third factory in Vietnam, and the fluctuations in prices of resources and exchange rates, but we will improve and fortify our management structure through investment in automation and structural reform, and aim to construct the third factory in Vietnam as soon as possible.

Special feature

Regarding investment plans and the strengthening of the financial standing

In fiscal 2018, we invested 15 billion yen for constructing a new factory in Vietnam, etc. The production scale of the new factory will double in 3 years. In fiscal 2019, we plan to invest a total of 12.5 billion yen. Especially, we will invest for installing production equipment in the new factory in Vietnam and the automation of other factories. From fiscal 2020, we plan to curb investment and reduce interest-bearing liabilities. By doing so, we will strive to improve capital-to-asset ratio and the ratio of interest-bearing debts to sales.

Regarding the situation of the new factory in Vietnam

At the new factory in Vietnam, we plan to start manufacturing processes one after another from July 2019.

At the first factory, we will increase the production of FPC substrates and EMS. As for FPC substrates, it is required to manufacture heat-resistant and low-expansion materials for in-vehicle products and multi-layered FPC whose transmission loss is low for 5G communications. This factory is adjoined by a factory for producing FPC substrates, and factories which mount and assemble components, so that integrated manufacturing is possible. For next-generation products, we will bring out the synergy between FPC substrates and EMS.

At the second factory, we will expand production scale especially for in-vehicle products.

The third factory is exclusively for HDI PCBs.

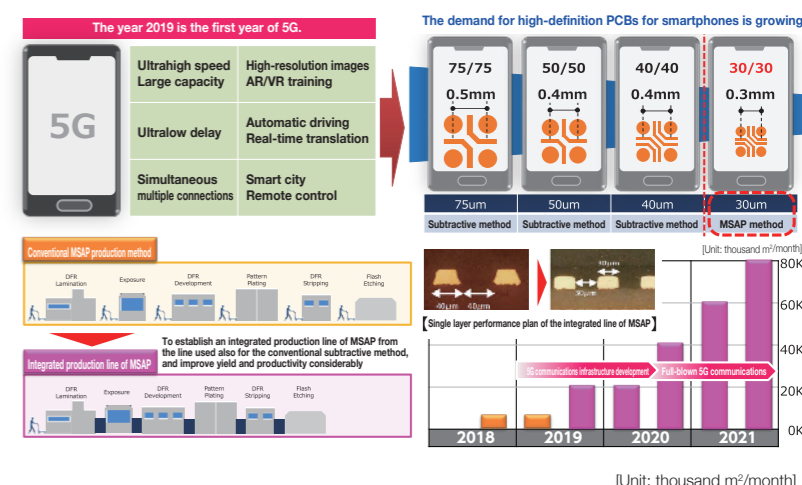
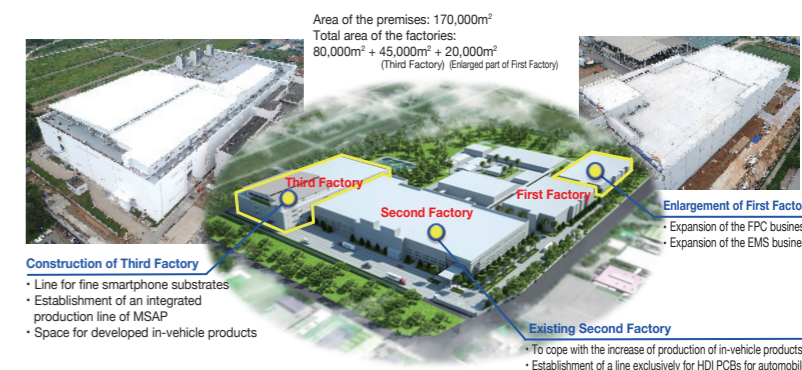
5G communications and MSAP substrates

The fiscal year 2019 is the first year of 5G. It is expected that 5G communications will be developed as social infrastructure and high-speed communications will trigger a variety of revolutions. Smartphones exchange a large volume of high-definition data. Communications modules will actualize automatic driving, real-time translation, telemedicine, etc. in networks without delay. This kind of environment is supported by printed circuit boards manufactured with the MSAP method. Accordingly, printed circuit boards need to be compatible with higher definition and higher frequency.

As our company manufactures printed circuit boards with the MSAP method, we will develop an integrated manufacturing line for MSAP substrates for enhancing profitability and mass-producing them. Then, we will improve yield and productivity considerably, and deal with growing demand.

Regarding dividends

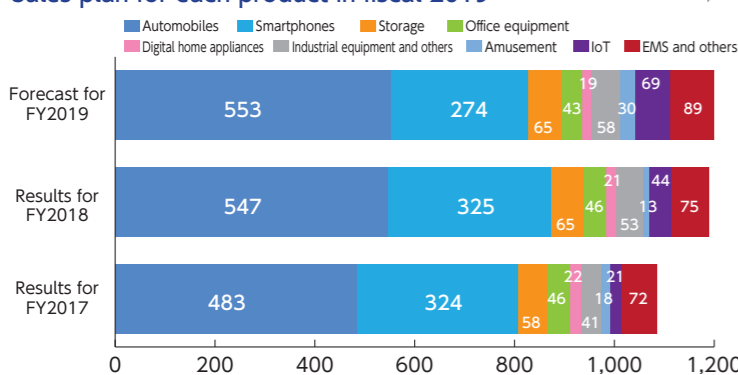
Our company recognizes the increase of profits for shareholders as an important managerial mission, and will increase profits and dividends. For the dividends of surplus in the current term, we decided to pay a year-end dividend of 20 yen/share and a total of 35 yen/share, including an interim dividend. In order to live up to the support and expectations from stakeholders, including shareholders, we will take improvement measures with utmost effort, to improve our performance and corporate value. We would appreciate your continued support and encouragement.



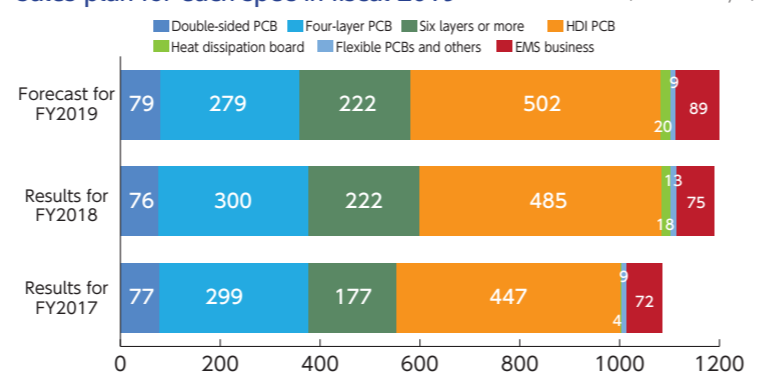
Production capacity expansion plan		2018	2019	2020	2021
First Factory	FPC (EMS)	20 (12)	25 (16)	35 (22)	45 (28)
Second Factory	In-vehicle through-hole PCBs HDI PCBs for automobiles	40 (5)	80 (10)	120 (20)	150 (30)
Third Factory	HDI PCBs for smartphones (MSAP) Developed in-vehicle products	70 -	75 (20)	80 (40)	85 (80)

*The parenthesis represents the figure out of the above one. (the number of lines for EMS)

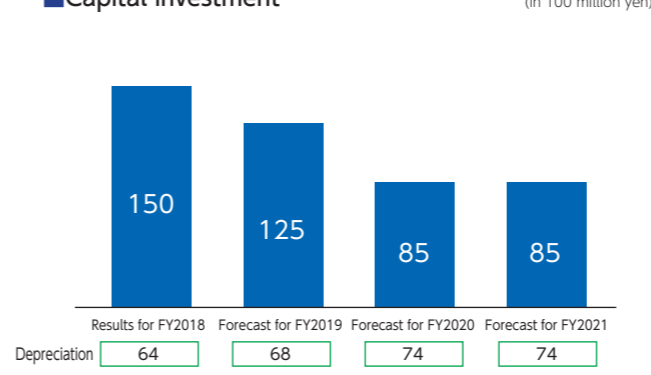
Sales plan for each product in fiscal 2019 (in 100 million yen)



Sales plan for each spec in fiscal 2019 (in 100 million yen)



Capital investment (in 100 million yen)



Variation in dividend (yen)

