Annual Report 2010

For the year ended March 31, 2010

Meiko Electronics Co., Ltd.

Profile

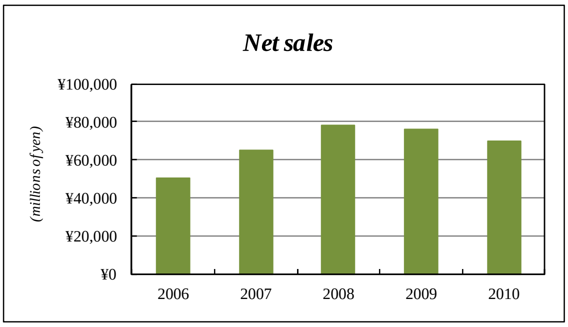
The Meiko Electronics Group comprises Meiko Electronics Co., Ltd. (the “Company”) and 17 subsidiaries (13 consolidated and 4 non-consolidated) (the “Group”). The Group operates in businesses which mainly consist of design, manufacture and sales of PWBs, and the related development and manufacture of board testers.

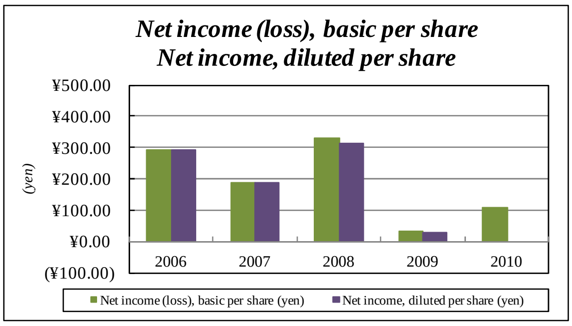
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties.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

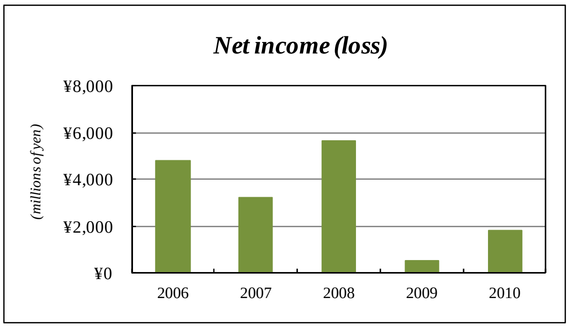
Contents

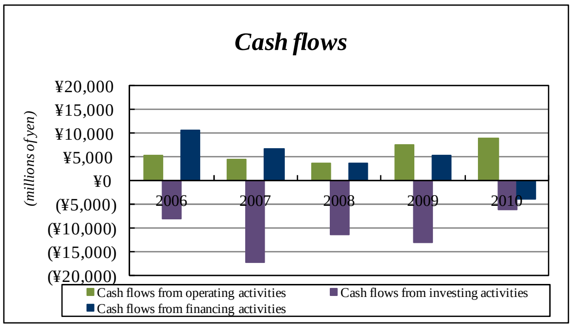
Five-year Financial Summary

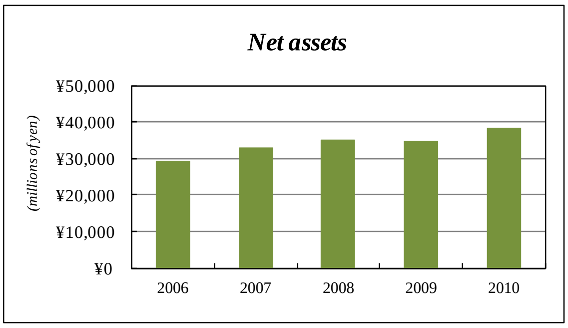
	2006	2007	2008	2009	2010
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥50,327	¥65,317	¥78,516	¥75,806	¥69,823
Ordinary income	6,190	4,713	6,836	953	2,695
Net income	4,810	3,203	5,640	522	1,828
Net assets	29,344	32,730	34,797	34,576	38,167
Total assets	66,183	79,749	82,043	85,611	84,728
Net assets per share *(yen)*	1,710.22	1,903.26	2,026.96	2,062.17	2,067.25
Net income per share *(yen)*	294.09	186.78	328.57	30.71	107.39
Net income per share (diluted) *(yen)*	293.48	186.69	314.69	29.38	-
Capital adequacy ratio	44.3%	41.0%	42.4%	40.4%	45.0%
Return on equity (ROE)	22.7%	10.3%	16.7%	1.5%	5.0%
Price earnings ratio (PER)	30.9	23.5	9.8	31.2	18.5
Cash flows from operating activities	5,336	4,512	3,706	7,479	8,841
Cash flows from investing activities	(7,971)	(17,169)	(11,350)	(12,929)	(6,058)
Cash flows from financing activities	10,478	6,723	3,653	5,338	(3,742)
Cash and cash equivalents at the end of the period	13,152	8,202	4,578	5,146	4,008
Number of employees	5,853	6,786	8,937	7,623	10,149
[Average number of temporary staff]	[537]	[663]	[723]	[815]	[565]

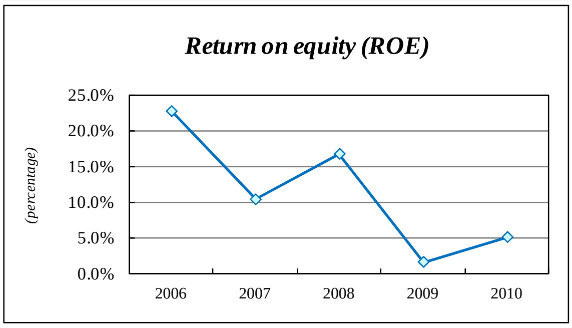

Net sales
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2006
2007
2008
2009
2010

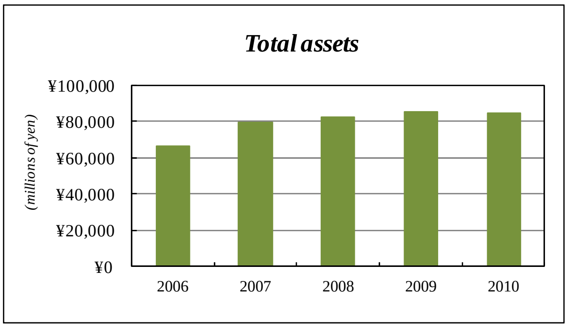

Net income (loss), basic per share
Net income, diluted per share
(yen)
¥500.00
¥400.00
¥300.00
¥200.00
¥100.00
¥0.00
(¥100.00)
2006
2007
2008
2009
2010
Net income (loss), basic per share (yen)
Net income, diluted per share (yen)

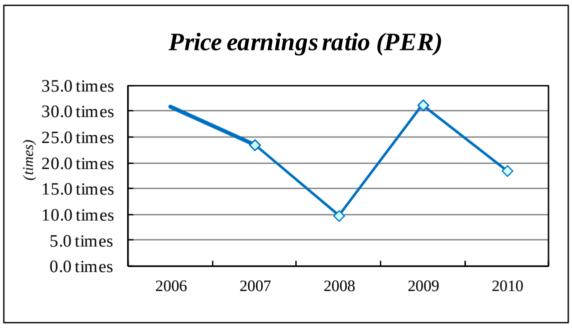

Net income (loss)
(millions of yen)
¥8,000
¥6,000
¥4,000
¥2,000
¥0
2006
2007
2008
2009
2010

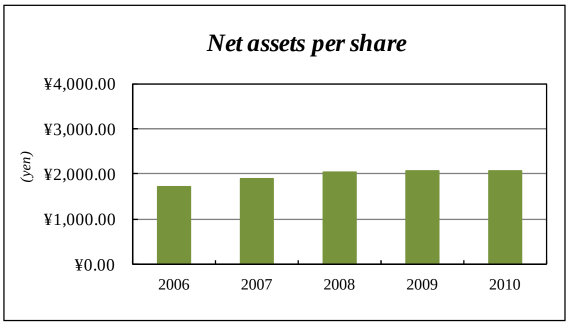

Cash flows
(millions of yen)
¥20,000
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
2006
2007
2008
2009
2010
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2006
2007
2008
2009
2010


Return on equity (ROE)
(percentage)
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2006
2007
2008
2009
2010


Total assets
(millions of yen)
¥100,000
¥80,000
¥60,000
¥40,000
¥20,000
¥0
2006
2007
2008
2009
2010


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
2006
2007
2008
2009
2010


Net assets per share
(yen)
¥4,000.00
¥3,000.00
¥2,000.00
¥1,000.00
¥0.00
2006
2007
2008
2009
2010

Financial Review: Management's Discussion and Analysis

(1) Analysis of financial position

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) Assets

(Current assets)

The balance of current assets as of March 31, 2010, was ¥33,413 million, up ¥1,424 million from ¥31,989 million for the previous fiscal year. The major factors for this increase were an increase of ¥4,104 million in notes and accounts receivable—trade, from ¥10,976 million to ¥15,081 million, and a ¥2,039 million decrease in accounts receivable—other, from ¥5,358 million to ¥3,318 million, due to a decrease in factoring accounts receivable factoring.

(Noncurrent assets)

The balance of noncurrent assets as of March 31, 2010, was ¥51,314 million, down ¥2,306 million from ¥53,621 million for the previous fiscal year. A major factor for this decrease was a ¥2,347 million decrease of property, plant and equipment, from ¥48,467 million to ¥46,120 million, due to depreciation.

2) Liabilities

(Current liabilities)

The balance of current liabilities as of March 31, 2010, was ¥26,069 million, up ¥775 million from ¥25,293 million for the previous fiscal year. The major factors were a ¥2,636 million increase in notes and accounts payable—trade, from ¥5,593 million to ¥8,229 million, a ¥2,105 million increase in the current portion of long-term loans payable, from ¥5,768 million to ¥7,873 million, and a ¥3,880 million decrease in short-term loans payable, from ¥8,086 million to ¥4,206 million, due to repayment of short-term loans payable.

(Noncurrent liabilities)

The balance of noncurrent liabilities as of March 31, 2010, was ¥20,491 million, down ¥5,249 million from ¥25,741 million for the previous fiscal year. A major factor for this decrease was the purchase and redemption of all bonds with subscription rights to shares at a cost of ¥4.5 billion for the previous fiscal year.

3) Net assets

(Net assets)

The balance of net assets as of March 31, 2010, was ¥38,167 million, up ¥3,591 million from ¥34,576 million. A major factor for this increase was increases in capital stock and capital surplus by ¥1,684 million each, due to the issuance of new shares and a decrease in foreign currency translation adjustment from -¥330 million to -¥1,701 million.

(2) Analysis of business results

1) Net sales

The volume of orders the Group received during the fiscal year under review was sluggish at the beginning of the period, due to the lingering impact of the downturn in the global economy since the fall of 2008. This was followed by a gradual recovery and near full-scale production for orders during the second half of the period. Despite this recovery, annual sales were below those for the previous fiscal year. As a result, net sales decreased ¥5,983 million, or 7.9%, from the previous fiscal year, to ¥69,823 million.

2) Cost of sales and Gross profit

Cost of sales decreased ¥7,972 million, or 11.9%, from the previous fiscal year, to ¥58,916 million, due to the effects of the structural reforms implemented in February 2009 to address the recession, such as the integration of plants, the adjustment of personnel to a more appropriate level and fixed cost reductions, and declines in raw material prices during the first half of the fiscal year under review. Gross profit increased ¥1,989 million, or 22.3%, to ¥10,906 million, and the gross margin improved 3.9 percentage points from the previous fiscal year, to 15.6%.

3) Operating income

Operating income increased ¥2,032 million, or 115.5%, from the previous fiscal year, to ¥3,793 million.

4) Non-operating income (expenses) and Ordinary income

Non-operating income decreased ¥451 million, to ¥369 million, because the foreign exchange gain for the previous fiscal year turned to a foreign exchange loss, down ¥386 million from the previous fiscal year.

Non-operating expenses decreased ¥159 million, to ¥1,467 million. The major factors for this decline were repayment of interest-bearing debt and a ¥229 million decrease in interest expenses from the previous fiscal year due to a decline in interest rates.

As a result, ordinary income rose ¥1,741 million, or 182.6%, from the previous fiscal year, to ¥2,695 million.

5) Extraordinary income (loss)

Extraordinary income was ¥96 million, mainly due to a gain on redemption of bonds of ¥95 million.

The extraordinary loss was ¥490 million, mainly due to a loss on valuation of investment securities of ¥274 million and a loss on sales and retirement of noncurrent assets of ¥140 million.

6) Net income

As a result of the above, net income for the fiscal year under review rose ¥1,305 million, or 250.0%, from the previous fiscal year, to ¥1,828 million.

(3) Liquidity and source of funds

1) Cash flow analysis

Cash and cash equivalents as of March 31, 2010, decreased ¥1,137 million from ¥5,146 million for the previous fiscal year, to ¥4,008 million.

Net cash provided by operating activities for the fiscal year under review was ¥8,841 million, up ¥1,361 million from the previous fiscal year. Inflows were mainly from income before income taxes of ¥2,300 million and depreciation and amortization of ¥6,793 million. The major outflow was an increase in accounts receivable of ¥2,058 million.

Net cash used in investing activities was ¥6,058 million, down ¥6,870 million. The major outflow was ¥6,366 million for the acquisition of property, plant and equipment.

Net cash used in financing activities was ¥3,742 million, compared with net cash provided by financing activities of ¥5,338 million for the previous fiscal year. The major outflows were ¥4,405 million for the redemption of bonds and ¥6,323 million for the repayment of long-term loans payable. Major inflow was ¥3,369 million due to the issuance of shares.

2) Financial policy

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

3) Trends in cash flow indicators

The trends in cash flow indicators are shown below.

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Equity ratio (%)	42.4	40.4	45.0
Market value equity ratio (%)	67.6	18.8	43.3
Cash flows/interest-bearing debt ratio (%)	7.2	4.6	3.6
Interest coverage ratio (times)	3.1	7.7	10.9

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:

- Each indicator is calculated based on consolidated financial values.
- 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).
- 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 flow.

Business Risks

Major risks involved in the businesses conducted by the Company and the Group are as follows.

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

The Group's major customers are brand manufacturers of digital household appliances, personal computers, communications equipment and devices, and automobile electronic control equipment, among others. The Group's major businesses are the manufacture and sales of PWBs, which are positioned as parts that constitute a core function of finished products. Should the global economy, in turmoil since the fall of 2008, influence the trend of the economy 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 influence the order volume 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 investments 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 brand manufacturers change strategies or the Group's capital investments become excessive due to the downturn of the global economy, or the operation of new facilities be delayed, such factors as the burden of depreciation costs would adversely affect the Group's business results and financial position.

(3) Possibility of product defects

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

(4) Technological development and price competition

Although the Group believes in the long-term expansion of demand for PWBs due to the worldwide dissemination of digital household appliances and the further advancement of electronic automobile components, to address the intensifying global competition due to downward pressure from Southeast Asia, Japanese manufacturers need to differentiate their products by adding higher value. To this end, the Group is developing various technologies such as element technologies to make wires thinner and minimize hole diameters, as well as cost-reduction technologies. However, should such technologies diverge from market needs and not be accepted, we might get embroiled in a pricing war, which could affect the Group's business performance.

(5) Natural disaster

The Group’s major manufacturing bases are the Yamagata Plant (Yamagata Meiko Electronics Co., Ltd.), the Fukushima Plant and the Miyagi Plant (Miyagi Meiko Electronics Co., Ltd.), which are all located in the Tohoku area. Although our careful preemptive measures to address the occurrence of an earthquake are in place for these facilities to minimize damage, should a natural disaster such as a large-scale earthquake or wind and/or water damage occur, that could adversely affect the Group’s business performance.

(6) Potential risks inherent in plant operations in China

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

The following difficulties might occur in China.

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 in China occur, issues might arise in the management of production facilities and equipment and in the execution of other businesses. These factors could 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 of materials 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 aggressively conducted capital investments at an amount higher than the funds it has acquired from operating activities to prepare for the anticipated medium- and long-term demand increase 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, 2010, was 35.2%. In case we conduct further aggressive capital investment required by 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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2010**	2009	**2010**
Current Assets:			
Cash and cash equivalents (Note 11)	¥ **4,009**	¥ 5,146	$ **43,082**
Receivables ─			
Trade notes and accounts receivable (Note 11)	**15,081**	10,977	**162,076**
Other receivables	**3,318**	5,358	**35,660**
Less: Allowance for doubtful accounts	**(14)**	(21)	**(152)**
Inventories ─			
Merchandise and finished goods	**3,063**	3,576	**32,919**
Work in process	**2,117**	1,810	**22,751**
Raw materials and supplies	**3,682**	3,177	**39,566**
Deferred tax assets (Note 10)	**394**	351	**4,233**
Other	**1,764**	1,615	**18,960**
Total current assets	**33,414**	31,989	**359,095**
Property, Plant and Equipment, at Cost (Note 4):			
Land	**1,944**	1,946	**20,896**
Buildings and structures	**23,467**	19,678	**252,195**
Machinery, equipment and vehicles	**49,188**	46,590	**528,615**
Construction in progress	**3,495**	7,242	**37,564**
Other	**2,400**	2,337	**25,795**
	80,494	77,793	**865,065**
Less: Accumulated depreciation	**(34,374)**	(29,325)	**(369,416)**
Net property, plant and equipment	**46,120**	48,468	**495,649**
Intangible Assets	**553**	662	**5,953**
Investments and Other Assets:			
Investment securities (Notes 3 and 11)	**1,316**	540	**14,147**
Long-term loans receivable	**313**	328	**3,365**
Deferred tax assets (Note 10)	**1,076**	1,038	**11,561**
Other	**2,124**	2,702	**22,821**
Less: Allowance for doubtful accounts	**(103)**	(100)	**(1,110)**
Allowance for investment loss	**(85)**	(16)	**(913)**
Total investments and other assets	**4,641**	4,492	**49,871**
Total	¥ **84,728**	¥ 85,611	$ **910,568**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current Liabilities:			
Trade notes and accounts payable (Note 11)	¥ **8,229**	¥ 5,593	$ **88,440**
Short-term borrowings (Notes 5 and 11)	**4,206**	8,087	**45,206**
Current portion of long-term borrowings (Notes 5 and 11)	**7,873**	5,768	**84,614**
Income taxes payable (Note 10)	**179**	116	**1,922**
Accrued bonuses	**565**	558	**6,070**
Accrued bonuses to directors and corporate auditors	**24**	12	**258**
Other	**4,993**	5,160	**53,654**
Total current liabilities	**26,069**	25,294	**280,164**
Long-term Liabilities:			
Bonds payable with share subscription rights (Note 5)	**-**	4,500	**-**
Long-term borrowings (Notes 5 and 11)	**17,706**	18,473	**190,287**
Provision for employees' retirement benefits (Note 6)	**1,090**	944	**11,713**
Long-term accounts payable	**1,164**	1,197	**12,504**
Provision for directors' retirement benefits	**269**	269	**2,895**
Other	**262**	358	**2,821**
Total long-term liabilities	**20,491**	25,741	**220,220**
Commitments and Contingent Liabilities (Note 4) :			
Net Assets (Note 7):			
Common stock, authorized - 31,600,000 shares issued - 19,403,320 shares in 2010 and 17,707,320 in 2009	**10,546**	8,861	**113,333**
Capital surplus	**12,135**	10,450	**130,417**
Retained earnings	**17,860**	16,367	**191,938**
Less: Treasury stock, at cost; Common stock, 942,700 shares in 2010 and 2009	**(594)**	(594)	**(6,380)**
Net unrealized gain (loss) on available-for-sale securities	**15**	13	**164**
Deferred gains (losses) on hedges	**(98)**	(195)	**(1,058)**
Foreign currency translation adjustments	**(1,701)**	(331)	**(18,284)**
	38,163	34,571	**410,130**
Minority Interests	**5**	5	**54**
Total net assets	**38,168**	34,576	**410,184**
Total	¥ **84,728**	¥ 85,611	$ **910,568**

See notes to consolidated financial statements.

Consolidated Statements of Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Net Sales	¥ **69,823**	¥ 75,807	¥ 78,516	$ **750,384**
Cost of Sales (Note 8)	**58,917**	66,890	65,000	**633,171**
Gross profit	**10,906**	8,917	13,516	**117,213**
Selling, General and Administrative Expenses (Note 8)	**7,113**	7,156	6,208	**76,441**
Operating income	**3,793**	1,761	7,308	**40,772**
Other Income (Expenses):				
Interest income (expense)	**(761)**	(953)	(946)	**(8,183)**
Dividend income	**1**	2	2	**14**
Compensation expenses	**(175)**	-	-	**(1,879)**
Foreign exchange gain (loss)	**(25)**	386	646	**(267)**
Gain on valuation of derivatives	**168**	-	-	**1,805**
Subsidy income	**-**	112	50	**-**
Loss on sales and disposal of property, plant and equipment (Note 9)	**(140)**	(149)	(51)	**(1,505)**
Reversal of allowance for doubtful accounts	**0**	23	-	**4**
Gain on redemption of bonds	**95**	120	-	**1,021**
Provision of reserve for director's retirement benefits	**-**	-	(269)	**-**
Loss on valuation of investment securities	**(274)**	(219)	-	**(2,946)**
Provision on allowance for investment loss	**(69)**	-	-	**(742)**
Other, net	**(313)**	(437)	(223)	**(3,367)**
Total	**(1,493)**	(1,115)	(791)	**(16,045)**
Income before Income Taxes and Minority Interests	**2,300**	646	6,517	**24,727**
Income Taxes (Note 10):				
Current	**394**	280	982	**4,239**
Deferred	**78**	(158)	(107)	**833**
Total income taxes	**472**	122	875	**5,072**
Minority Interests	**0**	2	2	**5**
Net Income	¥ **1,828**	¥ 522	¥ 5,640	$ **19,650**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Basic net income	¥ **107.39**	¥ 30.71	¥ 328.57	$ **1.15**
Diluted net income	**-**	29.38	314.69	**-**
Cash dividends applicable to the year	**20.00**	30.00	37.50	**0.21**

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, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Common Stock (Note 7):				
Beginning balance	¥ **8,861**	¥ 8,861	¥ 8,861	$ **95,225**
Capital increase upon issuance of 1,696,000 shares of common stock	**1,685**	-	-	**18,108**
Ending balance	¥ **10,546**	¥ 8,861	¥ 8,861	$ **113,333**
Capital surplus (Note 7):				
Beginning balance	¥ **10,450**	¥ 10,450	¥ 10,450	$ **112,309**
Capital increase upon issuance of 1,696,000 shares of common stock	**1,685**	-	-	**18,108**
Ending balance	¥ **12,135**	¥ 10,450	¥ 10,450	$ **130,417**
Retained Earnings (Note 7):				
Beginning balance	¥ **16,367**	¥ 16,128	¥ 11,256	$ **175,892**
Increase due to application of ASBJ PITF No. 18	-	403	-	**0**
Net income	**1,828**	522	5,640	**19,650**
Cash dividends paid	**(335)**	(686)	(601)	**(3,604)**
Decrease by change in scope of consolidation	-	-	(43)	-
Appropriation for employees welfare fund by a foreign subsidiary	-	-	(124)	-
Ending balance	¥ **17,860**	¥ 16,367	¥ 16,128	$ **191,938**
Treasury Stock, at cost; Common Stock:				
Beginning balance	¥ **(594)**	¥ (197)	¥ (197)	$ **(6,380)**
Purchase of treasury stock	-	(397)	0	-
Ending balance	¥ **(594)**	¥ (594)	¥ (197)	$ **(6,380)**
Net Unrealized Gain (Loss) on Available-for-sale Securities:				
Beginning balance	¥ **13**	¥ (6)	¥ 75	$ **139**
Net increase (decrease)	**2**	19	(81)	**25**
Ending balance	¥ **15**	¥ 13	¥ (6)	$ **164**
Deferred Gains (Losses) on Hedges:				
Beginning balance	¥ **(195)**	¥ (45)	¥ -	$ **(2,091)**
Net increase (decrease)	**97**	(150)	(45)	**1,033**
Ending balance	¥ **(98)**	¥ (195)	¥ (45)	$ **(1,058)**
Foreign Currency Translation Adjustments:				
Beginning balance	¥ **(331)**	¥ (396)	¥ 2,226	$ **(3,556)**
Net increase (decrease)	**(1,370)**	65	(2,622)	**(14,728)**
Ending balance	¥ **(1,701)**	¥ (331)	¥ (396)	$ **(18,284)**
Minority Interests:				
Beginning balance	¥ **5**	¥ 3	¥ 59	$ **49**
Net increase (decrease)	**0**	2	(56)	**5**
Ending balance	¥ **5**	¥ 5	¥ 3	$ **54**
Total Net Assets	¥ **38,168**	¥ 34,576	¥ 34,798	$ **410,184**

	Number of Shares		
Number of outstanding shares:			
Beginning balance	**17,707,320**	17,707,320	17,707,320
Issuance of common stock	**1,696,000**	-	-
Repurchase of treasury stock	**(942,700)**	(942,700)	(541,291)
Ending balance	**18,460,620**	16,764,620	17,166,029

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Operating Activities:				
Income before income taxes and minority interest	¥ **2,300**	¥ 646	¥ 6,517	$ **24,727**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,794**	7,098	6,013	**73,014**
Amortization of negative goodwill	**-**	-	(17)	**-**
Increase (decrease) in allowance for doubtful accounts	**(3)**	(13)	5	**(34)**
Increase in allowance for investment loss	**69**	16	-	**742**
Increase in provision for employees' retirement benefits	**146**	76	131	**1,563**
Increase (decrease) in accrued bonuses	**7**	(75)	142	**70**
Increase (decrease) in accrued bonuses to directors and corporate auditors	**12**	(26)	3	**129**
Increase in provision of directors' retirement benefits	**-**	-	269	**-**
Interest income and dividend income	**(26)**	(64)	(256)	**(282)**
Interest expenses	**786**	1,015	1,200	**8,451**
Foreign exchange gain	**(703)**	(354)	(539)	**(7,552)**
Net loss on sales and disposal of property, plant and equipment	**139**	149	51	**1,497**
Loss on valuation of investment securities	**274**	228	-	**2,946**
Loss on sale of investment securities	**7**	-	-	**80**
Gain on redemption of bonds	**(95)**	(120)	-	**(1,021)**
Decrease (increase) in trade notes and accounts receivable	**(2,058)**	3,094	(4,478)	**(22,121)**
Decrease (increase) in inventories	**(549)**	1,356	(1,700)	**(5,901)**
Increase (decrease) in trade notes and accounts payable	**2,809**	(4,082)	(426)	**30,191**
Increase in other assets	**(498)**	(252)	(485)	**(5,353)**
Increase (decrease) in other liabilities	**533**	88	(306)	**5,722**
Subtotal	**9,944**	8,780	6,124	**106,868**
Interest and dividend received	**26**	68	256	**285**
Interest paid	**(811)**	(976)	(1,203)	**(8,715)**
Income taxes refund	**115**	284	-	**1,229**
Income taxes paid	**(433)**	(677)	(1,471)	**(4,652)**
Net cash provided by operating activities	**8,841**	7,479	3,706	**95,015**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(6,367)**	(10,976)	(10,266)	**(68,425)**
Proceeds from sales of property, plant and equipment	**23**	12	12	**243**
Proceeds from share of profits on investment in partnership	**-**	2	21	**-**
Payments for purchases of intangible assets	**(63)**	(128)	(55)	**(682)**
Payments for purchases of investment securities	**(278)**	(1,302)	(286)	**(2,986)**
Increase in time deposits	**249**	137	605	**2,676**
Payments for loans receivable	**-**	(275)	(20)	**-**
Payments for transfer of business	**-**	(170)	(1,299)	**-**
Payments for insurance policies	**(56)**	(11)	(62)	**(605)**
Other, net	**433**	(218)	-	**4,663**
Net cash used in investing activities	**(6,059)**	(12,929)	(11,350)	**(65,116)**
Financing Activities:				
(Decrease) increase in short-term borrowings	**(3,821)**	4,908	2,271	**(41,062)**
Proceeds from long-term borrowings	**8,597**	9,906	8,228	**92,387**
Payments for long-term borrowings	**(6,324)**	(6,777)	(4,924)	**(67,959)**
Payments for redemption of bonds	**(4,405)**	(880)	(500)	**(47,340)**
Proceeds from issuance of common stock	**3,370**	-	-	**36,217**
Payments for installment liabilities	**(820)**	(736)	(820)	**(8,815)**
Payments for acquisition of treasury stock	**-**	(396)	(0)	**-**
Cash dividends paid	**(339)**	(687)	(601)	**(3,646)**
Net cash provided by (used in) financing activities	**(3,742)**	5,338	3,654	**(40,218)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(177)**	(69)	283	**(1,904)**
Net Decrease in Cash and Cash Equivalents	**(1,137)**	(181)	(3,707)	**(12,223)**
Cash and Cash Equivalents at Beginning of Year	**5,146**	4,579	8,202	**55,305**
Net Increase in Cash and Cash Equivalents due to Change in Scope of Consolidation	**-**	748	84	**-**
Cash and Cash Equivalents at End of Year	¥ **4,009**	¥ 5,146	¥ 4,579	$ **43,082**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2010, 2009 and 2008

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 Act 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.
Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. Effective from the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, except for certain items which are required to be adjusted in the consolidation process as explained in Note 2 (t).
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 stated 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 ¥93.05 to $1, the approximate rate of exchange at March 31, 2010. 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 13 (15 in 2009 and 14 in 2008) subsidiaries (together, the "Group").
The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries ("goodwill" or "negative goodwill") and in companies accounted for by the equity method 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.

(b) Equity Method

Investments in certain unconsolidated subsidiary and affiliated company are accounted for by the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.
There are no companies acounted for by the equity method.

(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 earnings.
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 are presented in net assets in the consolidated balance sheets.

(e) Inventories

Effective from the year ended March 31, 2009, the Company and the domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No. 9, issued by ASBJ on July 5, 2006), which requires that inventories be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expense. The replacement cost may be used in place of net selling value, if appropriate. Prior to April 2008, inventories were stated at cost, determined by the first-in, first-out method.
Consequently, compared to the amounts that would have been reported under the previous accounting method, the gross profit, the operating profit, and the income before income taxes and minority interests decreased by ¥383 million for the year ended March 31, 2009.

(f) Depreciation and Amortization

Due to the reform of Japanese Corporate Tax Law issued on March 30, 2007, (Partial Amendment of the Income Tax Law, Law No.06 and Partial Amendment of Corporate Tax Law Enforcement Orders, Law Enforcement Order No.83), depreciation of 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 to March 31, 2007 : straight-line method under pre-2007 tax reform
- acquired after April 1, 2007 : new straight-line method

For assets other than buildings:
- acquired before March 31, 2007 : declining balance method under pre-2007 tax reform
- acquired after March 31, 2007 : new 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 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).

(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 and affiliates.

(i) Allowance for Bonuses

Allowance for bonuses to employees are provided for the estimated amounts, which the Company and its consolidated domestic subsidiaries are obligated to pay to employees after the fiscal year-end, based on services rendered during the current 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 the discounted cash flows from the continued use and eventual disposition of the asset or net selling price at disposition.

(k) Investment Securities

The Company has classified all debt and 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.
For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(l) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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 taxes are measured by applying currently enacted tax laws to the temporary differences.

(m) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.
The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.
Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized.
However, other finance leases were permitted to be accounted for as operating lease transactions if certain " as if capitalized " information is disclosed in the note to the lessee's financial statements.
The Company applied the revised accounting standard effective April 1, 2008.
There are no effect of the change on net income.

(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 derivative transactions are recognized in the consolidated statements of income 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) Liability for Employees' Retirement Benefits

The Company and domestic consolidated subsidiaries have a funded defined benefit pension plan covering substantially all employees.
The Company and domestic consolidated subsidiaries account for the liability 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 mainly 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.

(Change in accounting policies)
Effective from the year ended March 31, 2010, the Company and consolidated domestic subsidiaries has adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration for fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on operating income and income before income taxes and minority interests for the year ended March 31, 2010.

(q) Liability for Directors' Retirement Benefits

The Company and its domestic consolidated subsidiaries account for the liability 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

Basic 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.
Diluted net income per share reflects the potential dilution that could occur if diluted securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding share subscription rights at the beginning of the year.

(t) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

The Company applied the "Practical Solution on Unification of Accounting Policies Applies to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18) issued on May 17, 2006, and made necessary adjustments on the consolidation process.
Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating profit and the income before income taxes and minority interests decreased by ¥128 million and the net income decreased by ¥22 million for the year ended March 31, 2009.
Also, due to the increase in beginning retained earnings by ¥403 million, the retained earnings increased by the same amount at March 31, 2009.
The effect of the change on the segment information is described in Note 14.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2010.

3. Investment Securities

All the debt and 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, 2010 and 2009 were as follows:

	2010					
	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	¥ 55	¥ 26	¥ 29	$ 593	$ 279	$ 314
Securities whose carrying value doesn't exceed carrying value:						
Equity securities	4	4	(0)	45	46	(1)
Other	61	64	(3)	652	690	(38)
Total	¥ 120	¥ 94	¥ 26	$ 1,290	$ 1,015	$ 275

	2009		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 48	¥ 25	¥ 23
Other			
Securities whose carrying value doesn't exceed carrying value:			
Equity securities	5	5	-
Other	95	96	(1)
Total	¥ 148	¥ 126	¥ 22

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 are as follows:

	Carrying amount
	Millions of yen
	2009
Subsidiaries and affiliated company	¥ 362
Unlisted shares	30
Total	¥ 392

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 is described in Note 11.Financial instruments.
The following table summarizes available-for-sale securities sold in the year ended March 31, 2010.

	Millions of Yen	Thousand of Dollars(Note 1)
	2010	2010
Sales value	¥ 34	$ 367
Gain on sale	–	–
Loss on sale	7	80

Note: The Company recognized impairment losses of ￥274 million ($2,946 thousand) and ￥219 million on available-for-sale securities during the year ended March 31,2010 and 2009.

4. Leases

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

As discussed 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 year ended March 31, 2010 and 2009 were as follows:

	Millions of yen					
	2010			2009		
	Acquisition Cost	**Accumulated Depreciation**	**Net leased Property**	Acquisition Cost	Accumulated Depreciation	Net leased Property
Machinery and equipment	¥ **392**	¥ **279**	¥ **114**	¥ 844	¥ 611	¥ 233
Tools, furniture and fixtures	**-**	**-**	**-**	104	88	16
Software	**21**	**20**	**0**	64	54	10
Total	¥ **413**	¥ **299**	¥ **114**	¥ 1,012	¥ 753	¥ 259

	Thousands of U.S. dollars		
	2010		
	Acquisition Cost	**Accumulated Depreciation**	**Net leased Property**
Machinery and equipment	$ **4,216**	$ **2,996**	$ **1,220**
Tools, furniture and fixtures	**-**	**-**	**-**
Software	**223**	**218**	**5**
Total	$ **4,439**	$ **3,214**	$ **1,225**

Obligations under finance leases:	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	¥ **71**	¥ 150	$ **765**
Due after one year	**53**	124	**564**
Total	¥ **124**	¥ 274	$ **1,329**

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

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Lease payments	¥ **155**	¥ 239	¥ 285	$ **1,671**
Depreciation expense	¥ **145**	¥ 218	¥ 265	$ **1,554**
Interest expense	¥ **6**	¥ 13	¥ 22	$ **62**

5. Short-term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Short-term borrowings with average interest rate of 1.77% for 2010 and 1.46% for 2009	¥ **4,206**	¥ 8,087	$ **45,206**
Current portion of long-term borrowings with average interest rate of 1.71% for 2010 and 2.14% for 2009	**7,873**	5,768	**84,614**
Current portion of other liabilities with average interest rate of 1.87% for 2010 and 1.61% for 2009	**625**	800	**6,718**
Total Short-term	**12,704**	14,655	**136,538**
Bond payable with share subscription rights, due March 2012	**-**	4,500	**-**
Long-term borrowings with average interest rate of 1.6% for 2010 and 2.43% for 2009, less current portion	**17,706**	18,473	**190,287**
Long-term accounts payable, less current portion	**593**	1,211	**6,370**
Total Long-term	**18,299**	24,184	**196,657**
Total	¥ **31,003**	¥ 38,839	$ **333,195**

* Average interest rate of borrowings denotes the weighted average rate for the outstanding balances at March 31, 2010 and 2009. Average interest rate of other liabilities denotes the weighted average rate for the average of the outstanding balances at April 1, 2009 and March 31, 2010. Bonds payable with share subscription rights, due march 2012, were all redeemed in the year ended March 31, 2010.

The aggregate annual maturities of long-term debt as of March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ **6,934**	$ **74,518**
2013	**5,443**	**58,490**
2014	**4,793**	**51,508**
2015	**1,129**	**12,141**
Total	¥ **18,299**	$ **196,657**

6. Liability for Employees' Retirement Benefits

The Company and certain domestic consolidated subsidiaries have a funded defined benefit pension plan, such as qualified pension plan and lump-sum retirement plan. Although the Company and certain domestic consolidated subsidiaries also contributes 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 liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	¥ **1,551**	¥ 1,441	$ **16,673**
Fair value of plan assets	**(396)**	(384)	**(4,259)**
Unrecognized actuarial gain	**(65)**	(113)	**(701)**
Net liability	¥ **1,090**	¥ 944	$ **11,713**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	¥ **180**	¥ 130	$ **1,936**
Interest cost	**22**	19	**234**
Expected return on plan assets	**(3)**	(2)	**(27)**
Recognized actuarial loss	**19**	15	**196**
Net periodic retirement benefit costs	¥ **218**	¥ 162	$ **2,339**

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**1.0%**	1.0%
Recognition period of actuarial gain/loss	**13 years**	13 years

Descriptions of the jointly sponsored employee pension plan whose payments are treated as retirement benefit costs are as follows:

(1) Overall situation of fund (as of March 31, 2010)	Millions of yen	Thousands of U.S. dollars
Fair value of plan assets	¥ **41,476**	$ **445,737**
Benefit obligation on the basis of pension financing	**56,260**	**604,624**
Difference	¥ **(14,784)**	$ **(158,887)**

(2) Contribution share ratio of the Company and certain domestic consolidated subsidiaries to total pension plan (from April 1, 2008 to March 31, 2009)	Millions of yen	Thousands of U.S. dollars
Gross pay (of total pension plan)	¥ **69,043**	$ **742,003**
Gross pay (of the Company)	**4,002**	**43,004**
Ratio	**5.80%**	**5.80%**

(3) Supplement remarks The difference amount described in above (1) was calculated as:	Millions of yen	Thousands of U.S. dollars
General reserve	¥ **0**	$ **0**
Balance of unamortized prior service costs	**2,659**	**28,580**
Carried over shortage	**12,125**	**130,307**
Difference	¥ **(14,784)**	$ **(158,887)**

Balance of unamortized prior service costs are amortized by equal payment method in 18 years, and the remaining amortization period is 8 years as of March 31, 2010.

7. Net assets

Since May 1, 2006, Japanese companies have beeb subject to the Companies Act of Japan (the "Act").
The significant provisions in the Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.
The Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus
The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.
Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.
The Act provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of' the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Act provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors.
The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.
Under the Act, stock acquisition rights are presented as a separate component of net assets.
The Act provides that companies can parchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

8. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs were ¥1,437 million ($15,445 thousand), ¥1,193 million and ¥925 million for the years ended March 31, 2010 and 2009 and 2008, respectively.

9. Loss on Sales and Disposal of Property, Plant and Equipment

Significant components of loss on sales and disposal of property, plant and equipment for the years ended March 31, 2010, 2009, and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Buildings and structures	¥ **19**	¥ 45	¥ 7	**$ 204**
Machinery and equipment	**112**	92	28	**1,206**
Construction in progress	**0**	7	-	**1**
Removal cost	**3**	-	-	**33**
Others	**6**	5	16	**61**
	¥ **140**	¥ 149	¥ 51	**$ 1,505**

10. 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 40.6% for the years ended March 31, 2010, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred Tax Assets:			
Elimination of unrealized profits	**35**	5	**380**
Liability for employees' retirement benefits	**443**	385	**4,758**
Accrued enterprise tax	**58**	10	**623**
Accrued bonuses	**276**	255	**2,971**
Loss on revaluation of golf club memberships	**41**	56	**443**
Tax loss carryforwards	**1,281**	1,153	**13,765**
Accrued bonuses to directors and corporate auditors	**10**	5	**105**
Valuation loss of inventories	**106**	191	**1,139**
Allowance for doubtful accounts	**42**	48	**451**
Allowance for investment loss	**35**	6	**371**
Provision for directors' retirement benefits	**109**	109	**1,176**
Deferred gains (losses) on hedges	**88**	114	**945**
Difference on depreciation period	**632**	510	**6,788**
Loss on valuation of investment securities	**50**	4	**533**
Other	**92**	14	**993**
Less: valuation allowance	**(1,765)**	(1,443)	**(18,971)**
Total	¥ **1,533**	¥ 1,422	$ **16,470**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ **(10)**	¥ (9)	$ **(112)**
Allowance for doubtful debts	**0**	0	**(4)**
Other	**(53)**	(24)	**(560)**
Total	¥ **(63)**	¥ **(33)**	$ **(676)**
Deferred Tax Assets, Net:	¥ **1,470**	¥ 1,316	$ **15,794**

A reconciliation between the normal effective statutory tax rate sand the actual effective tax rates reflected in the accompanying consolidated statements of income for years ended March 31,2010, 2009 and 2008 are as follows:

	2010	2009	2008
Statutory tax rate	**40.6%**	40.6%	40.6%
Permanent differences; entertainment and other	**0.4%**	2.0%	0.2%
Per capita inhabitant tax	**0.9%**	3.7%	0.3%
Tax credits for research and development costs	**(4.5%)**	(18.2%)	(1.0%)
Foreign tax credits	**(5.5%)**	(44.4%)	(10.0%)
Tax rate difference in foreign subsidiaries	**(17.5%)**	(22.7%)	(29.5%)
Valuation allowance	**4.6%**	56.5%	16.5%
Other, net	**1.5%**	1.4%	(3.7%)
Actual effective tax rate	**20.5%**	18.9%	13.4%

11. Financial Instruments

(Additional information)
Effective from the year ended March 31,2010, the Company has adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 revised on March 10, 2008).
Information on financial instruments for the year ended March 31, 2010 required parsuant to the revised accounting standards is as follows:

(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 of the production and sales of printed circuit boards.
Temporary excess 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 following risks and it is our policy not to enter into derivative transactions for speculative purpose.

(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 dominated 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. A part of these 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.

(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 our customers in the early stage to mitigate the bad debt. 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 operating receivables and operating 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 monthly. For investment securities, the Company regularly reviews the fair value and issuers’ financial condition and readjust Company’ 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 in accounting department. 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.

(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 12. Derivatives”, 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 sheet and their fair values at March 31, 2010 are as follows:

	2010					
	Millions of yen			Thousands of U.S. dollars		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
Cash and deposits	¥ 4,229	¥ 4,229	¥ -	$ 45,452	$ 45,452	$ -
Trade notes and accounts receivable	15,081	15,081	-	162,076	162,076	-
Investment securities:						
Available-for-sale securities	120	120	-	1,290	1,290	-
Trade notes and accounts payable	¥ 8,229	¥ 8,229	¥ -	$ 88,440	$ 88,440	$ -
Short-term borrowings	4,206	4,206	-	45,206	45,206	-
Long-term borrowings	25,579	25,689	110	274,901	276,084	1,183
Derivative transactions	¥ -	¥ -	¥ -	$ -	$ -	$ -

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) 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.

(iii). Investment securities

Please refer to "Note 3. Investment Securities".

(iv). Trade notes and accounts payable, (v) 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.

(vi). Long-term borrowings

The fair values are measured as the net present value of estimated future cash flows by discounting the principle and interest value using the loan interest rate applied to the new loans. Variable interest rate loans meet short cut method of interest rate swaps, and the fair value is determined by the sum of principle and the interest processed as interest rate swaps using the reasonably estimated loan interest rate applied to the same kind of loans.

(vii). Derivative transactions

Please refer to “Note 12. Derivatives”.

(2) Unlisted securities of 1,196 million yen ($12,857 thousand), for which fair value is determined to be extremely difficult to determine because the securities have no market value as of March 31, 2010, are not included in the above table.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2010 is as follows:

	2010			
	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	¥ 4,229	¥ -	¥ -	¥ -
Trade notes and accounts receivable	15,081	-	-	-
Investment securities:				
Other securities with maturities	-	-	-	-
Total	¥ 19,310	¥ -	¥ -	¥ -

	2010			
	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	$ 45,452	$ -	$ -	$ -
Trade notes and accounts receivable	162,076	-	-	-
Investment securities:				
Other securities with maturities	-	-	-	-
Total	$ 207,528	$ -	$ -	$ -

12. Derivatives

The Group uses foreign currency forward contracts, interest rate swap contracts and copper price swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates, interest rate and commodity price. The Group does not enter into derivatives for trading or speculative purposes.

Foreign currency forward contracts are subject to risk of foreign exchange rate changes, interest rate swap contracts are subject to risk of interest rate changes, and copper price swap contracts are subject to risk of copper price changes.
Because the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging Instruments:
- Foreign currency forward contracts
- Interest rate swap contracts
- Copper price swap contracts

Hedged Items:
- Monetary items subject to risk of market fluctuation and the fluctuation is not reflected in the amount of the items

Execution and control of derivatives are handled by the Company's Accounting Department in accordance with internal handling policy. A current status of the derivatives is reported to the Board of Directors of the Company.

Derivative transactins for which hedge accounting has been applied for the year ended march 31, 2010 are as follows:

		2010					
		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**	**¥ 7,220**	**¥ 4,946**	**¥ (262)**	**$ 77,594**	**$ 53,155**	**$ (2,821)**
Short-cut Method							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 1,468**	**¥ 667**	**¥ (15)**	**$ 15,780**	**$ 7,165**	**$ (162)**
Commodity related :							
Benchmark Method							
Copper price swaps	**Raw materials**	**¥ 923**	**¥ -**	**¥ 1,051**	**$ 9,921**	**$ -**	**$ 11,298**

Fair value is principally based on quoted price obtained from financial institutions signing the contract.
Above information is required under new regulation ASBJ statement No.10, March 10, 2008 and ASBJ Guidance No.19, March 10, 2008 and therefore, fair value of derivative transactions at March 31, 2009 and 2008 are omitted.

There are no derivative transactions for which hedge accounting has not been applied for the year ended March 31, 2010.
Derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2009 and 2008 are summarized as follows:

Copper price swaps	Millions of yen	
	2009	2008
Contract amount	¥ 421	¥ 228
Fair value	446	254
Unrealized profit	¥ 25	¥ 26

13. Related Party Transactions

There were no material transactions of the Group with associated company for the years ended March 31, 2010, 2009 and 2008.

Transactions of the Group with directors as of and for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Selling, general and administrative expenses	¥ -	¥ -	¥ 2	$ -
Purchases of land and building	-	-	20	-
Total	¥ -	¥ -	¥ 22	$ -

14. Segment Information

Business segment information is not disclosed as the Company and consolidated subsidiaries operate in one segment, which is electronics related business. Operations by geographic area for the years ended March 31, 2010, 2009 and 2008 were summarized as follows:

Operations by Geographic Area:

	Millions of yen					
	Japan	Asia	North America	Total	Corporate Assets and Eliminations	Consolidated
2010						
Net Sales:						
Sales to customers	**¥ 41,638**	**¥ 26,857**	**¥ 1,328**	**¥ 69,823**	**¥ -**	**¥ 69,823**
Intersegment sales	**2,600**	**20,468**	**85**	**23,153**	**(23,153)**	**-**
Total	**¥ 44,238**	**¥ 47,325**	**¥ 1,413**	**¥ 92,976**	**¥ (23,153)**	**¥ 69,823**
Operating expenses	**¥ 43,212**	**¥ 44,631**	**¥ 1,389**	**¥ 89,232**	**¥ (23,202)**	**¥ 66,030**
Operating income	**¥ 1,026**	**¥ 2,694**	**¥ 24**	**¥ 3,744**	**¥ 49**	**¥ 3,793**
Identifiable assets	**¥ 54,100**	**¥ 52,752**	**¥ 427**	**¥ 107,279**	**¥ (22,551)**	**¥ 84,728**
2009						
Net Sales:						
Sales to customers	¥ 42,180	¥ 31,904	¥ 1,723	¥ 75,807	¥ -	¥ 75,807
Intersegment sales and transfers	3,001	15,614	111	18,726	(18,726)	-
Total	¥ 45,181	¥ 47,518	¥ 1,834	¥ 94,533	¥ (18,726)	¥ 75,807
Operating expenses	¥ 45,088	¥ 46,138	¥ 1,843	¥ 93,069	¥ (19,023)	¥ 74,046
Operating income	¥ 93	¥ 1,380	¥ (9)	¥ 1,464	¥ 297	¥ 1,761
Identifiable assets	¥ 59,323	¥ 50,872	¥ 333	¥ 110,528	¥ (24,917)	¥ 85,611
2008						
Net Sales:						
Sales to customers	¥ 40,345	¥ 35,906	¥ 2,265	¥ 78,516	¥ -	¥ 78,516
Intersegment sales	3,501	17,471	38	21,010	(21,010)	-
Total	¥ 43,846	¥ 53,377	¥ 2,303	¥ 99,526	¥ (21,010)	¥ 78,516
Operating expenses	¥ 41,900	¥ 47,879	¥ 2,395	¥ 92,174	¥ (20,966)	¥ 71,208
Operating income	¥ 1,946	¥ 5,498	¥ (92)	¥ 7,352	¥ (44)	¥ 7,308
Identifiable assets	¥ 56,711	¥ 48,181	¥ 499	¥ 105,391	¥ (23,348)	¥ 82,043

	Thousands of U.S. dollars					
	Japan	Asia	North America	Total	Corporate Assets and Eliminations	Consolidated
2010						
Net Sales:						
Sales to customers	**$ 447,484**	**$ 288,631**	**$ 14,269**	**$ 750,384**	**$ -**	**$ 750,384**
Intersegment sales	**27,942**	**219,971**	**910**	**248,823**	**(248,823)**	**-**
Total	**$ 475,426**	**$ 508,602**	**$ 15,179**	**$ 999,207**	**$ (248,823)**	**$ 750,384**
Operating expenses	**$ 464,405**	**$ 479,648**	**$ 14,921**	**$ 958,974**	**$ (249,362)**	**$ 709,612**
Operating income	**$ 11,021**	**$ 28,954**	**$ 258**	**$ 40,233**	**$ 539**	**$ 40,772**
Identifiable assets	**$ 581,413**	**$ 566,924**	**$ 4,586**	**$ 1,152,923**	**$ (242,355)**	**$ 910,568**

The geographic areas consist primarily of the following countries and regions:
Asia....................................... China, Hong Kong, Philippines and Vietnam
North America....................... United States

Change of the accounting method
a) As discussed in Note 2 (e), effective from the year ended March 31, 2009, the Company and the consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Statement No. 9, issued by ASBJ on July 5, 2006). Consequently, compared to the amounts that would have been reported under the previous accounting method, operating expenses of Japan and Asia for the year ended March 31, 2009 increased by ¥201 million and ¥183 million, respectively.
b) As discussed in Note 2 (t), effective from the year ended March 31, 2009, the Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No.18) issued on May 17, 2006, and made necessary adjustments on the consolidation process. Consequently, compared to the amounts that would have been reported under the previous accounting method, the operating expenses of Asia for the year ended March 31, 2009 increased by ¥128 million and no effect on the other areas.

Overseas Sales:

	Millions of yen				
	Asia	North America	Europe	Other	Total
2010					
Overseas sales	**¥ 30,571**	**¥ 3,035**	**¥ 857**	**¥ 7**	**¥ 34,470**
Consolidated net sales					**¥ 69,823**
Ratios of overseas sales	**43.8%**	**4.3%**	**1.2%**	**0.0%**	**49.4%**
2009	Asia	North America	Europe	Total	
Overseas sales	¥ 33,677	¥ 3,025	¥ 123	¥ 36,825	
Consolidated net sales				¥ 75,807	
Ratios of overseas sales	44.4%	4.0%	0.2%	48.6%	
2008					
Overseas sales	¥ 38,785	¥ 2,825	¥ 7	¥ 41,617	
Consolidated net sales				¥ 78,516	
Ratios of overseas sales	49.4%	3.6%	0.0%	53.0%	

	Thousands of U.S. dollars				
	Asia	North America	Europe	Other	Total
2010					
Overseas sales	**$ 328,539**	**$ 32,622**	**$ 9,206**	**$ 77**	**$ 370,444**
Consolidated net sales					**$ 750,384**
Ratios of overseas sales	**43.8%**	**4.3%**	**1.2%**	**0.0%**	**49.4%**

The geographic areas consist primarily of the following countries and regions:
Asia....................................... China, Hong Kong, Philippines and Singapore
North America....................... United States
Europe................................... Germany and France
Other .... United States (2006 only)

Geographical areas were previously classified to three segments as "Asia", "North America" and "Europe". From the year ended March31, 2010, geographical segments have been changed to four segments as "Asia", "North America", "Europe" and "Other", because sales were recognized in a new geographic area.

15. Subsequent Event

The Company resolved at a meeting of its board of directors held on May 31, 2010, as to the merger of Miyagi Meiko Electronics co., Ltd ("Miyagi Meiko") and Togoshi Co., Ltd.("Togoshi"), wholly owned subsidiaries of the Company and signed the merger agreement on the same day.
The merger is planned to be effective on October 1, 2010.

1.Purpose of merger
Miyagi Meiko and Togoshi's business purpose within the Group is manufacturing of printed circuit boards ("PCB").
The merger is conducted as the Company determined that by integrating their businesses into the Company, the Group makes effective use of the managerial resources, and conducts businesses efficiently and swiftly.

2.Outline of merger
(1) Timeline of merger

Board of directors' meeting for approval of the merger agreement:	May 31, 2010
Conclusion of the merger agreement:	May 31, 2010
Shareholders' meeting for approval of the merger agreement:	June 29, 2010
Effective date of the merger:	October 1, 2010 (planned)
Registration date of the merger:	Beginning of October 2010 (planned)

(2) Legal form of the business combination
Marger to make the Company a surviving company and Miyagi Meiko and Togoshi dissolved companies.

(3) Merger ratio and cash-out for the merger
Since the Company owns all shares of Miyagi Meiko and Togoshi, there will be no issuance of new shares, increase of common stock and cash-out following the merger.

3.Profile of the two companies to merge (As of March 31, 2010)

Company name	Miyagi Meiko Electronics Co., Ltd	Togoshi Co.,Ltd
Head office	8-5, Shigeyoshi-cho, Ishinomaki City, Miyagi Prefecture, Japan	1012, Ebinashi, Kamizato, Kanagawa Prefecture, Japan
Representative director	Yuichiro Naya	Yuichiro Naya
Capital	¥50 million ($537 thousand)	¥10 million ($107 thousand)
Net assets	¥(2,508) million ($(26,954) thousand)	¥(183) million ($(1,965) thousand)
Total assets	¥1,270 million ($13,648 thousand)	¥368 million ($3,958 thousand)
Scope of business	Manufacturing and sales of PCB	Manufacturing and sales of PCB

4. After the Merger (planned)

Company name	Meiko Electronics Co., Ltd
Scope of business	Design, manufacturing and sales of PCB
Head office	5-14-15, Ogami, Ayase City, Kanagawa Prefecture, Japan
Representative director	Yuichiro Naya
Capital	¥10,546 million ($113,333 thousand)
Fiscal year	March 31

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Meiko Electronics Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31,2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meiko Electronics Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31,2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
As described in Note15, The Company resolved at a meeting of its board of directors held on May 31, 2010, as to the merger of Miyagi Meiko Electronics co., Ltd. and Togoshi Co., Ltd., consolidated subsidiaries of the Company and signed the merger agreement on the same day.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 & Co.,

Tokyo, Japan
June 29,2010

Principal Subsidiaries and Affiliates

Name or Trade Name	Address	Paid-in Capital (Millions of yen)	Principal business	Investment Ratio (%)
Multitech Co., Ltd.	Ayase City, Kanagawa Prefecture	20	PWBs in the Electronics business	97.5
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PWBs in the Electronics business	100.0
MEIKO FINE Co., Ltd.	Yamato City, Kanagawa Prefecture	91	Electronic equipment in the Electronics business	99.4
M.D. SYSTEMS Co., Ltd.	Atsugi City, Kanagawa Prefecture	15	PWBs in the Electronics business	100.0
Togoshi Co., Ltd.	Ebina City, Kanagawa Prefecture	10	PWBs in the Electronics business	100.0
Miyagi Meiko Electronics Co., Ltd.	Ishinomaki City, Miyagi Prefecture	50	PWBs in the Electronics business	100.0
MEIKO ELEC. HONG KONG. CO., LTD.	Hong Kong	US$72,669 thousand	PWBs in the Electronics business	100.0
MEIKO ELECTRONICS (GUANGZHOU NANSHA) CO., LTD.	Guangzhou, Guangdong Province, P.R.China	US$106,216 thousand	PWBs in the Electronics business	100.0 (66.3)
MEIKO ELECTRONICS (WUHAN) CO., LTD.)	Hubei Province, P.R.China	US$85,800 thousand	PWBs in the Electronics business	100.0 (53.8)
MDS CIRCUIT TECHNOLOGY, INC.	Manila, Philippine	12 PH peso million	PWBs in the Electronics business	100.0 (100.0)
MEIKO ELECTRONICS AMERICA, INC.	CA, U.S.A.	US$500 thousand	PWBs in the Electronics business	100.0
GUANGZHOU MEIKO PCB CO., LTD	Hubei Province, P.R.China	US$10,000 thousand	PWBs in the Electronics business	100.0 (100.0)
MEIKO ELECTRONICS VIETNAM CO., LTD	Hanoi, Vietnam	US$50,000 thousand	Electronic equipment in the Electronics business	100.0 (100.0)

Principal Shareholders

As of March 31, 2010

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (%)
Yuichiro Naya	4,695	24.20
Japan Trustee Services Bank, Ltd. (trust account)	1,528	7.88
The Master Trust Bank of Japan, Ltd. (trust account)	864	4.46
Meiko Kosan Co., Ltd.	608	3.14
Yuho, Ltd.	521	2.69
Haruyuki Naya	487	2.51
Seiichi Naya	437	2.26
Sumitomo Mitsui Banking Corporation	377	1.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	375	1.94
Nippon Life Insurance Company	338	1.74
Total	10,234	52.74

Note: In addition to the shareholders mentioned above, the Company holds 942 thousand shares of treasury stock (4.86%).

Corporate History

November 1975	Established Meiko Denshi Kogyo Co., Ltd. to manufacture and sell PWBs. Started selling double-sided PWBs.
April 1978	Established the System Development Department (currently Industrial Machinery Department/Image Equipment Department) to develop electronics application products.
October 1978	Developed in-house use PWB Testers for the PWB final inspection process.
September 1980	Constructed a new headquarters building and plant, establishing an integrated production system for the entire process from design to finished products.
December 1980	Introduced a multi-layer press machine and started manufacturing multi-layer PWBs.
December 1981	Developed the world’s first multi-video processor.
March 1982	Established Multitech Co., Ltd. to manufacture single-sided PWBs (currently a consolidated subsidiary of the Company).
September 1982	Established Yamagata Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PWBs.
August 1984	Completed construction to expand the headquarters plant in Ayase, Kanagawa, and started operation.
June 1986	Established MEIKO FINE Co., Ltd. (currently a consolidated subsidiary of the Company) to mount components on PWBs.
July 1988	Established M.D.SYSTEMS Co., Ltd. to design PWBs (currently a consolidated subsidiary of the Company).
June 1990	Constructed the Fukushima Plant.
April 1991	Changed company name to Meiko Electronics Co., Ltd.
November 1997	Constructed a new manufacturing building inside the premises of the Yamagata Plant (Yamagata Meiko Electronics Co., Ltd.) to manufacture PWBs using the new PWB 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 PWBs.
June 1999	Changed the name of the PWB manufacturing department of the headquarters to the Kanagawa Plant.
December 2000	Stock listed on the Japan Securities Dealers Association.

January 2001	Started operation 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 PWBs.
February 2004	Established Togoshi Co., Ltd. (currently a consolidated subsidiary of the Company) to design, manufacture and sell PWBs.
December 2004	Stock listed on the Jasdaq Securities Exchange, Inc.*
January 2005	Established Miyagi Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PWBs.
July 2005	Established MEIKO ELECTRONICS (WUHAN) CO., LTD. in Wuhan, Hubei, China (currently a consolidated subsidiary of the Company) to manufacture PWBs.
November 2005	Constructed a new plant building at the Miyagi Plant (Miyagi Meiko Electronics Co., Ltd.).
April 2006	Established MEIKO ELECTRONICS AMERICA, INC. in the United States (currently a consolidated subsidiary of the Company) to sell PWBs.
July 2006	Started operation 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 PWBs.
April 2007	Established the Nagano R&D Center for PWB development at Shinshu University, Faculty of Engineering.
November 2007	Constructed a new headquarters building inside the premises of the Kanagawa Plant.
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.

* Associated with the merger of Jasdaq Securities Exchange, Inc. and Osaka Securities Exchange Co., Ltd. in April 2010, the Company's stock is listed on the Osaka Securities Exchange, JASDAQ market.

Corporate Data (As of March 31, 2010)

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:
5,497

Securities Code:
6787

Stock Exchange Listing:
Osaka Securities Exchange, JASDAQ market

Number of Employees:
10,149 (Consolidated)

Number of Subsidiaries:
17

Transfer Agent:
The Sumitomo Trust and Banking Company, Limited

Accounting Auditor:
KPMG AZSA & Co.

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

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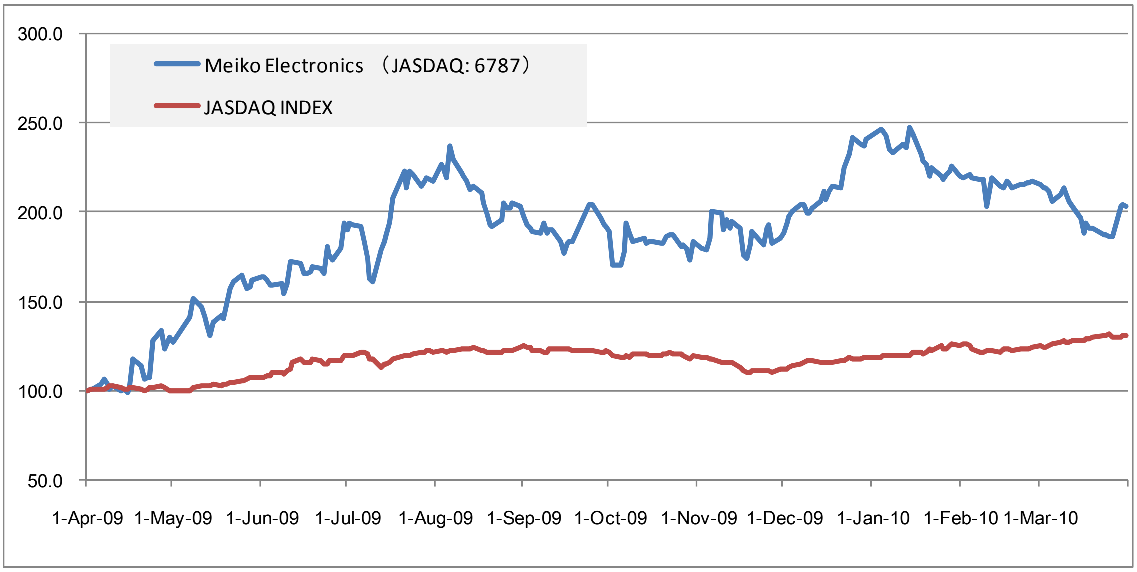
- E-mail: Meiko_Eng@meiko-elec.com
- URL: http://www.meiko-elec.com/

Meiko Share Performance in FY2009 Compared with Indices



Financial year 2009 ended March 31, 2010

Index

In %