

**Quarterly Consolidated Financial Statements  
Included in the Quarterly Report  
Meiko Electronics Co., Ltd.  
and its consolidated subsidiaries**

*For the second quarter and six months ended September 30, 2015*

**(ENGLISH TRANSLATION)**

**NOTE:**

This document is an excerpt translation of the Quarterly Report (“Shihanki Houkokusho”) of Meiko Electronics Co., Ltd. (the “Company”), for the second quarter and six months ended September 30, 2015, filed with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan pursuant to the Financial Instruments and Exchange Law of Japan on November 13, 2015.

Please note that the quarterly consolidated financial statements in this document are a translation of the reviewed quarterly consolidated financial statements presented in Japanese. The translation of the quarterly consolidated financial statements and notes has NOT been audited by KPMG AZSA LLC, who reviewed the original Japanese figures.

The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. The final decision and responsibility for investments rests solely with the reader of this document.

## **Financial Information**

### **1 Basis of preparation of the quarterly consolidated financial statements**

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

### **2 Review reports**

The quarterly consolidated financial statements of the Company for the second quarter (July 1, 2015 – September 30, 2015), and those for the six months ended September 30, 2015, were reviewed by KPMG AZSA LLC, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law of Japan.

# 1 Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	March 31, 2015	September 30, 2015	U.S. dollars
			September 30, 2015
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 9,710	¥ 11,414	\$ 95,177
Notes and accounts receivable-trade	22,743	22,862	190,642
Merchandise and finished goods	5,680	5,624	46,901
Work in process	3,170	3,441	28,690
Raw materials and supplies	4,833	5,123	42,716
Other	5,429	3,405	28,400
Allowance for doubtful accounts	(17)	(17)	(143)
Total current assets	51,548	51,852	432,383
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	27,530	23,798	198,452
Machinery, equipment and vehicles, net	30,966	27,294	227,605
Land	1,702	1,488	12,411
Construction in progress	3,241	2,473	20,619
Other, net	1,475	1,148	9,571
Total property, plant and equipment	64,914	56,201	468,658
Intangible assets	294	264	2,203
Investments and other assets	*2, 3 6,208	*2 3,612	*2 30,117
Total non-current assets	71,416	60,077	500,978
Total assets	¥ 122,964	¥ 111,929	\$ 933,361

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2015	September 30, 2015	September 30, 2015	September 30, 2015
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade	¥ 12,613	¥ 13,555	\$ 113,033	
Short-term loans payable	*5 13,259	*5 16,665	*5 138,972	
Current portion of long-term loans payable	*5 14,100	*5 13,759	*5 114,733	
Income taxes payable	720	118	987	
Provision for bonuses	460	477	3,978	
Other	5,967	5,780	48,202	
Total current liabilities	47,119	50,354	419,905	
Non-current liabilities				
Long-term loans payable	*5 32,475	*5 28,328	*5 236,222	
Provision for directors' retirement benefits	239	239	1,993	
Net defined benefit liability	2,146	2,182	18,192	
Other	2,362	4,123	34,378	
Total non-current liabilities	37,222	34,872	290,785	
Total liabilities	84,341	85,226	710,690	
<b>Net assets</b>				
Shareholders' equity				
Capital stock	12,889	12,889	107,476	
Capital surplus	14,810	14,810	123,499	
Retained earnings	4,052	(6,457)	(53,839)	
Treasury shares	(396)	(396)	(3,305)	
Total shareholders' equity	31,355	20,846	173,831	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	131	49	409	
Deferred gains or losses on hedges	(162)	(427)	(3,564)	
Foreign currency translation adjustment	7,454	6,442	53,721	
Remeasurements of defined benefit plans	(155)	(207)	(1,726)	
Total accumulated other comprehensive income	7,268	5,857	48,840	
Total net assets	38,623	26,703	222,671	
Total liabilities and net assets	¥ 122,964	¥ 111,929	\$ 933,361	

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Six Months Ended September 30, 2015**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2014	Six months ended September 30, 2015	U.S. dollars Six months ended September 30, 2015
Net sales	¥ 44,235	¥ 47,352	\$ 394,861
Cost of sales	40,343	41,662	347,416
Gross profit	3,892	5,690	47,445
Selling, general and administrative expenses	*1 5,154	*1 5,113	*1 42,635
Operating income (loss)	(1,262)	577	4,810
Non-operating income			
Interest income	16	11	93
Dividend income	18	19	156
Subsidy income	1	33	272
Foreign exchange gains	1,874	—	—
Other	73	58	485
Total non-operating income	1,982	121	1,006
Non-operating expenses			
Interest expenses	482	609	5,077
Foreign exchange losses	—	256	2,135
Other	208	141	1,174
Total non-operating expenses	690	1,006	8,386
Ordinary income (loss)	30	(308)	(2,570)
Extraordinary income			
Gain on sales of non-current assets	0	8	69
Compensation income	—	13	105
Gain on liquidation of subsidiaries and associates	—	8	69
Total extraordinary income	0	29	243
Extraordinary losses			
Loss on sales and retirement of non-current assets	70	69	578
Impairment loss	—	*2 8,064	*2 67,242
Loss on valuation of investment securities	8	—	—
Business structure improvement expenses	—	337	2,810
Total extraordinary losses	78	8,470	70,630
Loss before income taxes	(48)	(8,749)	(72,957)
Income taxes	446	1,298	10,824
Loss	(494)	(10,047)	(83,781)
Loss attributable to owners of parent	¥ (494)	¥ (10,047)	\$ (83,781)

**Consolidated Statements of Comprehensive Income**  
**For the Six Months Ended September 30, 2015**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2014	Six months ended September 30, 2015	U.S. dollars
Loss	¥ (494)	¥ (10,047)	\$ (83,781)
Other comprehensive income			
Valuation difference on available-for-sale securities	(53)	(82)	(683)
Deferred gains or losses on hedges	(33)	(266)	(2,214)
Foreign currency translation adjustment	1,692	(1,127)	(9,400)
Remeasurements of defined benefit plans, net of tax	10	(52)	(434)
Total other comprehensive income	1,616	(1,527)	(12,731)
Comprehensive income	1,122	(11,574)	(96,512)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 1,122	¥ (11,574)	\$ (96,512)
Comprehensive income attributable to non-controlling interests	—	—	—

**(3) Consolidated Statements of Cash Flows**  
**For the Six Months Ended September 30, 2015**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2015
<b>Cash flows from operating activities</b>			
Loss before income taxes	¥ (48)	¥ (8,749)	\$ (72,957)
Depreciation	3,279	3,409	28,430
Impairment loss	—	8,064	67,242
Increase (decrease) in allowance for doubtful accounts	1	0	1
Increase (decrease) in allowance for investment loss	—	(366)	(3,051)
Increase (decrease) in provision for bonuses	2	17	144
Increase (decrease) in provision for directors' retirement benefits	(22)	—	—
Increase (decrease) in net defined benefit liability	82	58	482
Interest and dividend income	(34)	(30)	(248)
Loss (gain) on valuation of investment securities	8	—	—
Interest expenses	482	609	5,077
Foreign exchange losses (gains)	(1,748)	742	6,189
Loss (gain) on sales and retirement of property, plant and equipment	69	61	509
Compensation income	—	(13)	(105)
Loss (gain) on liquidation of subsidiaries and associates	—	(8)	(69)
Business structure improvement expenses	—	337	2,811
Decrease (increase) in notes and accounts receivable-trade	(3,693)	(493)	(4,110)
Decrease (increase) in inventories	(1,352)	(709)	(5,914)
Increase (decrease) in notes and accounts payable-trade	4,477	1,171	9,762
Decrease (increase) in other assets	(413)	575	4,795
Increase (decrease) in other liabilities	472	(650)	(5,420)
Subtotal	<u>1,562</u>	<u>4,025</u>	<u>33,568</u>
Interest and dividend income received	34	30	248
Interest expenses paid	(488)	(623)	(5,194)
Proceeds from compensation	—	13	105
Proceeds from insurance income	—	1,787	14,901
Business structure improvement expenses paid	—	(337)	(2,811)
Income taxes paid	(185)	(855)	(7,130)
Net cash provided by (used in) operating activities	<u>923</u>	<u>4,040</u>	<u>33,687</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3,772)	(1,524)	(12,709)
Proceeds from sales of property, plant and equipment	2	27	223
Purchase of intangible assets	(19)	(38)	(313)
Proceeds from liquidation of subsidiaries and associates	—	531	4,428
Purchase of investment securities	(936)	(10)	(80)
Purchase of insurance funds	(5)	(2)	(21)
Proceeds from maturity of insurance funds	92	—	—
Other, net	43	83	692
Net cash provided by (used in) investing activities	¥ <u>(4,595)</u>	¥ <u>(933)</u>	\$ <u>(7,780)</u>

	Millions of yen			Thousands of
			U.S. dollars	
	Six months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2015	
<b>Cash flows from financing activities</b>				
Net increase (decrease) in short-term loans payable	¥ 7,697	¥ 3,443	\$ 28,711	
Proceeds from long-term loans payable	3,463	2,365	19,722	
Repayments of long-term loans payable	(6,051)	(6,869)	(57,280)	
Repayments of installment payables	(213)	(509)	(4,242)	
Cash dividends paid	(130)	(0)	(0)	
Other, net	(40)	(45)	(376)	
Net cash provided by (used in) financing activities	4,726	(1,615)	(13,465)	
Effect of exchange rate change on cash and cash equivalents	344	(152)	(1,267)	
Net increase (decrease) in cash and cash equivalents	1,398	1,340	11,175	
Cash and cash equivalents at beginning of period	8,759	9,491	79,142	
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	*2 364	*2 3,034	
Cash and cash equivalents at end of period	*1 ¥ 10,157	*1 ¥ 11,195	*1 \$ 93,351	



## **Notes to the Consolidated Financial Statements**

### Matters concerning Going Concern Assumption

Not applicable

### Change in Scope of Consolidation and Application of the Equity Method

(Important change in the scope of consolidation)

Effective from the first quarter ended June 30, 2015, Meiko Electronics Thang Long Co., Ltd., which was a non-consolidated subsidiary in the previous consolidated fiscal year, has been included in the scope of consolidation, due to a rise in its importance.

Effective from the second quarter ended September 30, 2015, Meiko Techno Co., Ltd. has been included in consolidation due to its establishment.

### Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the “Company”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 ¥119.92 to \$1, the approximate rate of exchange at September 30, 2015. 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.

### Change in Accounting Policies

(Application of accounting standards for business combinations)

Effective from the first quarter ended June 30, 2015, the Company and its consolidated domestic subsidiaries have adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards. Accordingly, the Company has changed the presentation of net income, etc., and the presentation of minority interests to non-controlling interests. To reflect this change in presentation, reclassification of accounts has been made to the consolidated financial statements for the six months ended September 30, 2014 and the consolidated financial statements for the fiscal year ended March 31, 2015.

### Change in Accounting Estimate

(Revision of useful life)

The machinery and equipment owned by the Company and its consolidated domestic subsidiaries had previously been written off for depreciation based on a useful life of six years. However, upon replacement of machinery and equipment during the first quarter ended June 30, 2015, the Company has carried out a fundamental review of their useful life in order to calculate depreciation that more accurately reflects the actual circumstances. To reflect the actual utilization of machinery and equipment, the Company has revised their useful life to 10 years, and this change will continue to be applied in the future.

Due to this change, operating income for the six months ended September 30, 2015 increased by ¥56 million, and ordinary loss and loss before income taxes each decreased by ¥56 million, compared to the previous accounting method.

### Specific Accounting Treatments Adopted in Preparing the Quarterly Consolidated Financial Statements

Six months ended September 30, 2015

Computation of Tax Expense

Tax expenses are calculated by reasonably estimating the effective tax rate after the adoption of tax-effect accounting that is applicable to income before income taxes for the fiscal year ending March 31, 2016, and multiplying income before income taxes for the period under review by this estimated effective tax rate.

As a result of a review of the realizability of deferred tax assets in the first quarter ended June 30, 2015, the Company has recorded tax expense (reversal of deferred tax assets) of ¥950 million.

## Consolidated Balance Sheets

### 1 Guarantee obligation

We provide debt guarantee for installment payables of the following affiliate.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Meiko Electronics Thang Long Co., Ltd. For contracts in US dollars.....	¥ 2,328	¥ —	\$ —
	(US\$19,375 thousand)		

Note: Meiko Electronics Thang Long Co., Ltd. has been excluded from the above table since it has been in the scope of consolidation effective from the first quarter ended June 30, 2015.

### \*2 Amount of allowance for doubtful accounts directly deducted from the amount of assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Investments and other assets.....	¥ 19	¥ 19	\$ 162

### \*3 Amount of allowance for investment loss directly deducted from the amount of assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Investment and other assets.....	¥ 361	¥ —	\$ —

### 4 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Discounted notes receivable-trade.....	¥ 72	¥ 34	\$ 285

### \*5 Financial covenants

Consolidated fiscal year ended March 31, 2015

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥34,635 million have financial covenants attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (when there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) 75% of the total amount of net assets recorded in the consolidated balance sheet as of March 31, 2014; and (ii) 75% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.

Six months ended September 30, 2015

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥31,143 million have financial covenants attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (when there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) 75% of the total amount of net assets recorded in the consolidated balance sheet as of March 31, 2014; or (ii) 75% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.

### Consolidated Statements of Income

\*1 Main items and corresponding amounts recorded as selling, general and administrative expenses are shown below:

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014	Six months ended September 30, 2015
Salaries and allowances	¥ 997	¥ 1,040	\$ 8,675	
Research and development expenses	439	344	2,868	
Provision for bonuses	118	129	1,078	
Provision of allowance for doubtful accounts	0	0	1	
Retirement benefit expenses	66	69	572	

\*2 Impairment loss

Six months ended September 30, 2014

Not applicable

Six months ended September 30, 2015

The Group recorded impairment loss for the following asset group.

Use	Type of assets	Location	Amount
Business assets	Buildings and structures	Ishinomaki, Miyagi, Japan	¥992 million
	Machinery, equipment and vehicles		
	Others		
	Buildings and structures	Hanoi, Vietnam	¥7,072 million
	Machinery, equipment and vehicles		
	Others		
Total			¥8,064 million

The Group carries out grouping mainly based on each plant for business assets. During the six months ended September 30, 2015, the Group reduced the book value of business assets to the recoverable amount due to a decline in profitability, and recorded the reduced amount as an impairment loss of ¥8,064 million under extraordinary losses. The breakdown is: ¥3,194 million for buildings and structures; ¥3,364 million for machinery, equipment and vehicles; ¥213 million for land; ¥848 million for construction in progress; and ¥445 million for others.

The recoverable amount of this asset group uses the higher of net realizable value and use value. Net realizable value is evaluated based on the amount obtained by making reasonable adjustments to the assessed value of non-current assets. Use value is obtained by discounting future cash flow by 14.0%.

## Consolidated Statements of Cash Flows

\*1 The relationship between cash and cash equivalents as of September 30, 2015, and the amounts shown on the Consolidated Balance Sheets are shown below:

	Millions of yen		Thousands of
	Six months ended September 30, 2014	Six months ended September 30, 2015	U.S. dollars
Cash and deposits	¥ 10,376	¥ 11,414	\$ 95,177
Time deposits with tenors exceeding 3 months	(219)	(219)	(1,826)
Cash and cash equivalents	¥ 10,157	¥ 11,195	\$ 93,351

\*2 Main breakdown of assets and liabilities of the newly consolidated company

Six months ended September 30, 2014

Not applicable

Six months ended September 30, 2015

The following is a breakdown of assets and liabilities at the time of the start of consolidation of Meiko Electronics Thang Long Co., Ltd., which was newly consolidated due to the rise in its importance.

	Millions of yen	Thousands of
		U.S. dollars
Current assets	¥ 589	\$ 4,914
Non-current assets	2,342	19,530
Total assets	¥ 2,931	\$ 24,444
Current liabilities	¥ 634	\$ 5,288
Non-current liabilities	1,718	14,322
Total liabilities	¥ 2,352	\$ 19,610

## Total Shareholders' Equity

Six months ended September 30, 2014

### 1 Cash dividends paid

Resolution

Board meeting on May 28, 2014

Type of shares .....	Common stock
Total dividends (Millions of yen) .....	131
Dividend per share (Yen).....	5.00
Record date.....	March 31, 2014
Effective date.....	June 12, 2014
Dividend resource.....	Retained earnings

2 Of the dividends whose record date falls during the six months ended September 30, 2014, those dividends whose effective date fell after the last day of the second quarter

Not applicable

Six months ended September 30, 2015

### 1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the six months ended September 30, 2015, those dividends whose effective date will fall after the last day of the second quarter

Not applicable

### 3 Significant changes in shareholders' equity

Effective from the first quarter ended June 30, 2015, Meiko Electronics Thang Long Co., Ltd., which was a non-consolidated subsidiary in the previous consolidated fiscal year, has been included in the scope of consolidation, due to a rise in its importance. As a result, retained earnings as of the beginning of the term have decreased by ¥462 million.

### Segment Information

As the Group's businesses are primarily in PCB design, manufacturing, sales, and ancillary operations, the description of other businesses is omitted as they are of little significance.

### Per Share Information

The basis for calculating loss per share is shown below:

Item	Six months ended September 30, 2014	Six months ended September 30, 2015
Loss per share (Yen)	(18.86)	(383.85)
Basis for calculation		
Loss attributable to owners of parent (Millions of yen)	(494)	(10,047)
Amounts not attributable to common shareholders (Millions of yen)	—	—
Loss attributable to owners of parent pertaining to common shares (Millions of yen)	(494)	(10,047)
Average number of common shares outstanding for the period (Shares)	26,174,076	26,174,076

Note: Diluted profit per share is not disclosed as there were no diluted shares.

### Significant Subsequent Events

Not applicable

## **2 Other**

As per a resolution passed by the Board of Directors at its meeting held on November 12, 2015, no interim dividend will be paid for the fiscal year ending March 31, 2016.