Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current Assets:			
Cash and cash equivalents (Note 12)	¥ **19,313**	¥ 9,491	$ **171,488**
Receivables —			
Trade notes and accounts receivable (Note 12)	**21,759**	22,743	**193,205**
Other receivables	**1,399**	3,667	**12,423**
Less: Allowance for doubtful accounts	**(24)**	(17)	**(214)**
Inventories —			
Merchandise and finished goods	**3,855**	5,680	**34,229**
Work in process	**3,263**	3,170	**28,974**
Raw materials and supplies	**4,497**	4,833	**39,929**
Deferred tax assets (Note 11)	**44**	463	**390**
Other	**1,224**	1,518	**10,871**
Total current assets	**55,330**	51,548	**491,295**
Property, Plant and Equipment, at Cost:			
Land	**1,488**	1,702	**13,215**
Buildings and structures	**36,677**	42,779	**325,675**
Machinery and vehicles	**69,542**	82,927	**617,489**
Leased assets	**5,363**	601	**47,622**
Construction in progress	**1,735**	3,241	**15,403**
Other	**3,835**	4,020	**34,050**
	118,640	135,270	**1,053,454**
Less: Accumulated depreciation	**(67,906)**	(70,356)	**(602,967)**
Net property, plant and equipment	**50,734**	64,914	**450,487**
Intangible Assets	**213**	294	**1,888**
Investments and Other Assets:			
Investment securities (Notes 3 and 12)	**872**	2,813	**7,742**
Long-term loans receivable	**51**	101	**456**
Deferred tax assets (Note 11)	**1,027**	2,012	**9,120**
Other	**1,397**	1,662	**12,412**
Less: Allowance for doubtful accounts	**(19)**	(19)	**(168)**
Less: Allowance for investment loss	**-**	(361)	**-**
Total investments and other assets	**3,328**	6,208	**29,562**
Total	¥ **109,605**	¥ 122,964	$ **973,232**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Current Liabilities:			
Trade notes and accounts payable (Note 12)	¥ **11,605**	¥ 12,613	$ **103,049**
Short-term borrowings (Notes 4 and 12)	**12,613**	13,259	**111,996**
Current portion of long-term borrowings (Notes 4 and 12)	**11,746**	14,100	**104,295**
Income taxes payable (Note 11)	**147**	720	**1,309**
Accrued bonuses	**495**	460	**4,392**
Other (Notes 4 and 12)	**5,384**	5,967	**47,809**
Total current liabilities	**41,990**	47,119	**372,850**
Long-term Liabilities:			
Long-term borrowings (Notes 4 and 12)	**32,254**	32,475	**286,398**
Lease obligations (Notes 4 and 12)	**2,140**	543	**19,000**
Long-term other payable (Notes 4 and 12)	**1,391**	1,525	**12,347**
Provision for directors' retirement benefits	**239**	239	**2,122**
Net defined benefit liability (Note 5)	**2,287**	2,146	**20,308**
Other	**540**	294	**4,800**
Total long-term liabilities	**38,851**	37,222	**344,975**
Commitments and Contingent Liabilities (Note 8) :			
Net Assets (Note 6):			
Shareholders' Equity:			
Common stock:			
Authorized:			
70,000,000 shares in 2016 and 63,200,000 shares in 2015			
Issued:			
26,803,320 shares in 2016 and 2015			
Preferred stock:			
Authorized:			
50 shares in 2016 and no share in 2015			
Issued:			
50 shares in 2016 and no share in 2015	**12,889**	12,889	**114,442**
Capital surplus	**19,745**	14,810	**175,332**
Retained earnings (accumulated deficit)	**(7,660)**	4,052	**(68,013)**
Less: Treasury stock, at cost; Common stock, 629,244 shares in 2016 and 2015	**(396)**	(396)	**(3,519)**
Total shareholders' equity	**24,578**	31,355	**218,242**
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	**32**	131	**289**
Deferred gains (losses) on hedges	**(337)**	(162)	**(2,993)**
Foreign currency translation adjustments	**4,476**	7,454	**39,741**
Remeasurements of defined benefit plans (Note 5)	**(246)**	(155)	**(2,186)**
Total accumulated other comprehensive income	**3,925**	7,268	**34,851**
Non-controlling interests	**261**	-	**2,314**
Total net assets	**28,764**	38,623	**255,407**
Total	¥ **109,605**	¥ 122,964	$ **973,232**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
Net Sales	**¥ 95,287**	¥ 90,895	¥ 79,232	**$ 846,095**
Cost of Sales (Note 9)	**82,101**	83,063	69,023	**729,012**
Gross profit	**13,186**	7,832	10,209	**117,083**
Selling, General and Administrative Expenses (Note 9)	**9,861**	10,698	9,286	**87,557**
Operating income (loss)	**3,325**	(2,866)	923	**29,526**
Other Income (Expenses):				
Interest expense, net	**(1,262)**	(1,027)	(932)	**(11,206)**
Dividend income	**24**	21	18	**217**
Foreign exchange gain (loss)	**(1,818)**	5,051	2,049	**(16,144)**
Net gain (loss) on sales and disposal of property, plant and equipment (Note 10)	**(376)**	(480)	181	**(3,336)**
Subsidy income	**71**	39	93	**630**
Compensation income (Note 14)	**13**	258	287	**112**
Gain on liquidation of subsidiaries	**8**	-	-	**73**
Insurance income	**40**	39	11	**353**
Commission for syndicate loan	**(570)**	(135)	(121)	**(5,058)**
Impairment loss (Note 7)	**(7,978)**	(8,821)	(62)	**(70,841)**
Provision of allowance for investment loss	-	(332)	-	-
Other, net	**(1,010)**	(107)	(200)	**(8,972)**
Total	**(12,858)**	(5,494)	1,324	**(114,172)**
Income (Loss) before Income Taxes	**(9,533)**	(8,360)	2,247	**(84,646)**
Income Taxes (Note 11):				
Current	**453**	1,166	1,056	**4,019**
Deferred	**1,265**	47	1,168	**11,234**
Total income taxes	**1,718**	1,213	2,224	**15,253**
Net income (Loss)	**(11,251)**	(9,573)	23	**(99,899)**
Net Income (Loss) attributable to non-controlling interests	**(1)**	-	-	**(2)**
Net Income (Loss) attributable to owners of the Company	**¥ (11,250)**	¥ (9,573)	¥ 23	**$ (99,897)**

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock:				
Net income (loss)	**¥ (429.83)**	¥ (365.76)	¥ 1.11	**$ (3.82)**
Cash dividends applicable to the year	-	-	10.00	-

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years ended March 31, 2016, 2015 and 2014

	Millions of yen						Thousands of U.S. dollars (Note 1)	
		2016		2015		2014		**2016**
Net Income (Loss)	¥	**(11,251)**	¥	(9,573)	¥	23	$	**(99,899)**
Other Comprehensive Income (Note 15):								
Unrealized gains (losses) on available-for-sale securities		**(98)**		33		213		**(875)**
Deferred gains (losses) on hedges		**(175)**		(80)		124		**(1,555)**
Foreign currency translation adjustments		**(3,094)**		3,688		3,162		**(27,472)**
Remeasurements of defined benefit plans		**(91)**		(22)		-		**(809)**
Total other comprehensive income		**(3,458)**		3,619		3,499		**(30,711)**
Comprehensive Income (Loss)	¥	**(14,709)**	¥	(5,954)	¥	3,522	$	**(130,610)**
Comprehensive Income (Loss) Attributable to:								
Owners of the Company	¥	**(14,709)**	¥	(5,954)	¥	3,522	$	**(130,607)**
Non-controlling interests		**(0)**		-		-		**(3)**

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, 2016, 2015 and 2014

	Millions of yen														
	Shareholders' Equity								Accumulated Other Comprehensive Income						
	Common Stock		Preferred Stock												
	Number of Shares	Amount	Number of Shares	Amount	Capital Surplus	Retained Earnings	Treasury Stock at cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance at March 31, 2013	19,403,320	¥ 10,546	-	¥ -	¥ 12,467	¥ 13,827	¥ (396)	¥ 36,444	¥ (115)	¥ (206)	¥ 604	¥ -	¥ 283	¥ -	¥ 36,727
Net income attributable to owners of the Company	-	-	-	-	-	23	-	23	-	-	-	-	-	-	23
Issuance of new shares	7,400,000	2,343	-	-	2,343	-	-	4,686	-	-	-	-	-	-	4,686
Cash dividends paid	-	-	-	-	-	(94)	-	(94)	-	-	-	-	-	-	(94)
Net increase (decrease)	-	-	-	-	-	-	-	-	213	124	3,162	(133)	3,366	-	3,366
Balance at March 31, 2014	26,803,320	¥ 12,889	-	¥ -	¥ 14,810	¥ 13,756	¥ (396)	¥ 41,059	¥ 98	¥ (82)	¥ 3,766	¥ (133)	¥ 3,649	¥ -	¥ 44,708
Net loss attributable to owners of the Company	-	-	-	-	-	(9,573)	-	(9,573)	-	-	-	-	-	-	(9,573)
Cash dividends paid	-	-	-	-	-	(131)	-	(131)	-	-	-	-	-	-	(131)
Net increase (decrease)	-	-	-	-	-	-	-	-	33	(80)	3,688	(22)	3,619	-	3,619
Balance at March 31, 2015	26,803,320	¥ 12,889	-	¥ -	¥ 14,810	¥ 4,052	¥ (396)	¥ 31,355	¥ 131	¥ (162)	¥ 7,454	¥ (155)	¥ 7,268	¥ -	¥ 38,623
Net loss attributable to owners of the Company	-	-	-	-	-	**(11,250)**	-	**(11,250)**	-	-	-	-	-	-	**(11,250)**
Issuance of new shares	-	-	**50**	**2,500**	**2,500**	-	-	**5,000**	-	-	-	-	-	-	**5,000**
Transfer to capital surplus from preferred stock	-	-	-	**(2,500)**	**2,500**	-	-	-	-	-	-	-	-	-	-
Change of scope of consolidation	-	-	-	-	-	**(462)**	-	**(462)**	-	-	-	-	-	-	**(462)**
Change of scope of consolidation - foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	-	**116**	-	**116**	-	**116**
Sales of shares of consolidated subsidiaries	-	-	-	-	**(65)**	-	-	**(65)**	-	-	-	-	-	**262**	**197**
Net increase (decrease)	-	-	-	-	-	-	-	-	**(99)**	**(175)**	**(3,094)**	**(91)**	**(3,459)**	**(1)**	**(3,460)**
Balance at March 31, 2016	**26,803,320**	**¥ 12,889**	**50**	**¥ -**	**¥ 19,745**	**¥ (7,660)**	**¥ (396)**	**¥ 24,578**	**¥ 32**	**¥ (337)**	**¥ 4,476**	**¥ (246)**	**¥ 3,925**	**¥ 261**	**¥ 28,764**

	Thousands of U.S. dollars (Note 1)												
	Shareholders' Equity						Accumulated Other Comprehensive Income						
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock at cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance at March 31, 2015	$ 114,442	$ -	$ 131,504	$ 35,984	$ (3,519)	$ 278,411	$ 1,164	$ (1,438)	$ 66,183	$ (1,377)	$ 64,532	$ -	$ 342,943
Net loss attributable to owners of the Company	-	-	-	**(99,897)**	-	**(99,897)**	-	-	-	-	-	-	**(99,897)**
Issuance of new shares	-	**22,199**	**22,199**	-	-	**44,398**	-	-	-	-	-	-	**44,398**
Transfer to capital surplus from preferred stock	-	**(22,199)**	**22,199**	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of scope of consolidation	-	-	-	**(4,100)**	-	**(4,100)**	-	-	-	-	-	-	**(4,100)**
Change of scope of consolidation - foreign currency translation adjustments	-	-	-	-	-	-	-	-	**1,030**	-	**1,030**		**1,030**
Sales of shares of consolidated subsidiaries	-	-	**(570)**	-	-	**(570)**	-	-	-	-	-	**2,316**	**1,746**
Net increase (decrease)	-	-	-	-	-	-	**(875)**	**(1,555)**	**(27,472)**	**(809)**	**(30,711)**	**(2)**	**(30,713)**
Balance at March 31, 2016	**$ 114,442**	**$ -**	**$ 175,332**	**$ (68,013)**	**$ (3,519)**	**$ 218,242**	**$ 289**	**$ (2,993)**	**$ 39,741**	**$ (2,186)**	**$ 34,851**	**$ 2,314**	**$ 255,407**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
Operating Activities:				
Income (loss) before income taxes	¥ **(9,533)**	¥ (8,360)	¥ 2,247	$ **(84,646)**
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**6,471**	7,186	6,182	**57,462**
Impairment loss	**7,978**	8,821	62	**70,841**
Increase (decrease) in allowance for doubtful accounts	**7**	0	(19)	**58**
Increase (decrease) in allowance for investment loss	**(361)**	332	-	**(3,206)**
Decrease in provision for employees' retirement benefits	**-**	-	(1,517)	**-**
Increase in net defined benefit liability	**124**	182	1,735	**1,103**
Increase (decrease) in accrued bonuses	**35**	(41)	60	**309**
Decrease in provision for directors' retirement benefits	**-**	(22)	-	**-**
Interest income and dividend income	**(51)**	(55)	(38)	**(450)**
Interest expenses	**1,287**	1,061	952	**11,439**
Commission for syndicate loan	**570**	135	121	**5,058**
Foreign exchange (loss) gain	**2,141**	(4,167)	(2,054)	**19,012**
Net loss (gain) on sales and disposal of property, plant and equipment	**376**	480	(181)	**3,336**
Compensation income	**(13)**	(258)	(287)	**(112)**
Gain on liquidation of subsidiaries	**(8)**	-	-	**(73)**
Decrease (increase) in trade notes and accounts receivable	**129**	(3,173)	(5,871)	**1,147**
Decrease (increase) in inventories	**1,153**	(515)	(616)	**10,238**
Increase (decrease) in trade notes and accounts payable	**(31)**	1,281	2,000	**(272)**
Decrease (increase) in other assets	**894**	(36)	(281)	**7,940**
Increase (decrease) in other liabilities	**(192)**	1,165	601	**(1,721)**
Subtotal	**10,976**	4,016	3,096	**97,463**
Interest and dividend received	**51**	55	39	**450**
Interest paid	**(1,275)**	(1,073)	(971)	**(11,318)**
Proceeds from compensation income	**13**	258	287	**112**
Proceeds from subsidy income	**-**	-	500	**-**
Proceeds from insurance income	**1,764**	-	1,206	**15,661**
Payments for business structure improvement	**(600)**	-	-	**(5,327)**
Income taxes paid	**(997)**	(1,018)	(1,731)	**(8,850)**
Net cash provided by operating activities	**9,932**	2,238	2,426	**88,191**
Investing Activities:				
Payments for purchases of property, plant and equipment	**(2,395)**	(6,146)	(4,724)	**(21,268)**
Proceeds from sales of property, plant and equipment	**75**	48	662	**668**
Payments for purchases of intangible assets	**(46)**	(68)	(101)	**(409)**
Proceeds from liquidation of subsidiaries and affiliates	**524**	-	-	**4,654**
Payments for purchases of investment securities	**(10)**	(969)	(325)	**(84)**
Payments for insurance policies	**(5)**	(8)	(13)	**(44)**
Proceeds from maturity of insurance funds	**-**	92	357	**-**
Other, net	**120**	65	123	**1,062**
Net cash used in investing activities	**(1,737)**	(6,986)	(4,021)	**(15,421)**
Financing Activities:				
Increase (decrease) in short-term borrowings	**(87)**	3,609	(6,265)	**(769)**
Proceeds from long-term borrowings	**12,627**	14,805	18,303	**112,124**
Payments for long-term borrowings	**(14,328)**	(12,860)	(15,021)	**(127,220)**
Proceeds from issuance of common stock	**4,812**	-	4,686	**42,726**
Repayments of lease obligations	**(695)**	(85)	(16)	**(6,178)**
Payments for installment liabilities	**(559)**	(477)	(406)	**(4,966)**
Cash dividends paid	**(0)**	(131)	(94)	**(1)**
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**197**	-	-	**1,748**
Other	**-**	0	0	**-**
Net cash provided by financing activities	**1,967**	4,861	1,187	**17,464**

See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(704)**	619	379	**(6,248)**
Net Increase (Decrease) in Cash and Cash Equivalents	**9,458**	732	(29)	**83,986**
Cash and Cash Equivalents at Beginning of Year	**9,491**	8,759	8,788	**84,272**
Increase in Cash and Cash Equivalents resulting from Change of Scope of Consolidation (Note 16)	**364**	-	-	**3,230**
Cash and Cash Equivalents at End of Year	**¥ 19,313**	¥ 9,491	¥ 8,759	**$ 171,488**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years ended March 31, 2016, 2015 and 2014

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.
In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is more familiar to readers outside Japan.
In addition, the notes to the consolidated financial statements include information which is not required under Japanese GAAP, but is presented herein as additional information.
The consolidated financial statements are denominated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.62 to $1, the approximate rate of exchange at March 31, 2016. 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 12 subsidiaries (together, the "Group").
Meiko Electronics Thang Long Co., Ltd has been included in the scope of consolidation due to the increase of materiality for the year ended March 31, 2016.
Meiko Techno Co., Ltd was newly established and added to the scope of consolidation for the year ended March 31, 2016.
All significant inter-company accounts and transactions have been eliminated.
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. Investments in certain unconsolidated subsidiaries are accounted for by cost method due to immateriality in view of consolidation.

(b) Equity Method

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method. However, certain investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method and are stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial.

(c) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include time deposits, certificate of deposits, and commercial paper, all of which mature or become due within three months of the date of acquisition.

(d) Translation of Foreign Currency Accounts

Current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in the consolidated statements of operations.
Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate at the balance sheet date, except that shareholders' equity accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.
Foreign currency translation adjustments resulting from translation of foreign currency financial statements prepared by consolidated overseas subsidiaries are presented in net assets in the consolidated balance sheets.

(e) Inventories

Inventories are stated at cost, determined by the first-in-first-out method.
However, they are written down due to decreased profitability where appropriate.

(f) Depreciation and Amortization (excluding leased assets)

Depreciation of property, plant and equipment for the Company and its domestic subsidiaries is computed mainly by the declining-balance method.
Certain buildings and property, plant and equipments for overseas subsidiaries are computed by the straight-line method.
The ranges of useful lives are summarized as follows:

Buildings and structures	2 - 47 years
Machinery and vehicles	2 - 10 years

Software for company use is carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives (five years).

(Change in accounting estimates)
The useful lives of machinery of the Company and consolidated domestic subsidiaries were fundamentally reviewed upon renewal of machineries for the purpose of more suited depreciation which reflect the actual situation of use.
Accordingly, useful lives were changed from 6 to 10 years from the year ended March 31, 2016. As a result of this change, operating income increased by ¥117 million ($1,037 thousand) and loss before income taxes decreased by the same amounts for the year ended March 31, 2016.

(g) Leased assets

Leased property under finance lease arrangements which transfer ownership of the leased property to the lessee is depreciated in the same method as the one applied to property, plant and equipment owned by the Company.
Leased property under finance lease arrangements which do not transfer ownership of the leased property to the lessee is capitalized to recognize leased assets and lease obligations in the balance sheets and depreciated over the lease term of the respective assets with zero residual value.

(h) 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.

(i) Accrued Bonuses

Accrued bonuses to employees are provided for the estimated amounts, which the Company and its consolidated subsidiaries are obligated to pay to employees after the fiscal year-end based on services rendered during the current fiscal year.

(j) Impairment Losses on Fixed Assets

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

(k) Investment Securities

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

(l) Income Taxes

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

(m) Derivative Financial Instruments

The Group uses foreign currency forward contracts, interest rate swaps and copper price swaps as a means of hedging exposure to foreign currencies, interest risks and market fluctuation. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on transactions arising from derivative except for hedge purposes are recognized in the consolidated statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
However, if the foreign currency forward contracts qualify for hedge accounting, hedged items such as foreign currency receivables and payables are translated at the contracted rates.
Also, if interest rate swap contracts are used as hedge and meet certain criteria, the net amount to be paid or received under the swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(n) Retirement Benefits for Employees

The benefit formula method is used as a method of attributing expected benefits to the periods through the end of the fiscal year in calculating projected benefit obligation.
Actuarial gain or loss is amortized using the declining balance method over 10 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.
Past service cost is amortized using the straight-line method over 10 years, which is less than the average remaining years of service of the employees.
Certain consolidated subsidiaries apply the simplified method in which the retirement benefit amount required for voluntary termination at year-end is deemed a projected benefit obligation for the calculation of liability associated with retirement and retirement benefit expenses.

(Change in accounting estimates)
(Change in amortization period of actuarial gain or loss)
Previously, the actuarial gain or loss on net defined benefit liability was amortized over 13 years. However, the average remaining years of service of the employees fell below 13 years, and, therefore, it is amortized over 10 years from the year ended March 31, 2015.
The effect of this change on profit or loss before income taxes and minority interests for the year ended March 31, 2015, was immaterial.

(o) Provision for Directors' Retirement Benefits

The Company and its domestic consolidated subsidiaries account for the provision for directors' retirement benefits at balance sheet date in accordance with internal regulations.

(p) Appropriations of Retained Earnings

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

(q) Per Share Information

Dividends per share shown in the consolidated statements of operations have been presented on an accrual basis and include, in each fiscal period, dividends approved after each balance sheet date, but applicable to the fiscal period then ended.
Net income (loss) per share is computed by dividing net income (loss) attributable to common shareholders of the Company by the weighted-average number of common shares outstanding for the period.
The diluted net income per share is omitted as the Company was in net loss for the years ended March 31, 2016 and 2015 and had no potential dilutive shares for the year ended March 31, 2014.

(r) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

The Accounting Standards Board of Japan has issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.
(1) Goodwill not subjected to amortization
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalized expenditures for research and development activities
(4) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets

(s) Application of "Revised Accounting Standards regarding Business Combinations"

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards") from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred.
In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.
The Company also changed the presentation of net income and of the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.
With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No.21, article 44-5 (3) of Statement No.22 and article 57-4 (3) of Statement No.7 and recognized in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the previous fiscal years.
As a result of these changes, capital surplus as of March 31, 2016 decreased by ¥64 million ($568 thousand).
In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities".
The effects on earnings per share are immaterial.

(t) Accounting Standard Issued but Not Yet Applied

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26"))
(1) Overview
Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:
1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.
(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2017.
(3)Effects of application of the Guidance
The impact is under assessment at the time of preparation for the year ended March 31, 2016.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2016.

3. Investment Securities

All the equity securities, classified as available-for-sale securities, are included in non-current investment securities.
The carrying amounts and aggregate fair values of the available-for-sale securities as of March 31, 2016 and 2015 are as follows:

	2016					
	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	**¥ 230**	**¥ 126**	**¥ 104**	**$ 2,046**	**$ 1,121**	**$ 925**
Securities whose carrying value doesn't exceed their acquisition cost:						
Equity securities	**500**	**557**	**(57)**	**4,443**	**4,951**	**(508)**
Total	**¥ 730**	**¥ 683**	**¥ 47**	**$ 6,489**	**$ 6,072**	**$ 417**

	2015		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 877	¥ 684	¥ 193
Securities whose carrying value doesn't exceed their acquisition cost:			
Equity securities	-	-	-
Total	¥ 877	¥ 684	¥ 193

Information on available-for-sale securities whose fair value is not readily determinable as of March 31, 2016 and 2015 are described in Note 12.

The Company recognized impairment losses of ¥361 million ($3,206 thousand), ¥24 million and ¥27 million on available-for-sale securities during the years ended March 31, 2016, 2015 and 2014.

4. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2016 and 2015 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term borrowings with average interest rate of 2.08% for 2016 and 2.39% for 2015	**¥ 12,613**	¥ 13,259	**$ 111,996**
Current portion of long-term borrowings with average interest rate of 1.71% for 2016 and 1.54% for 2015	**11,746**	14,100	**104,295**
Current portion of lease obligations	**577**	94	**5,126**
Current portion of other liabilities with average interest rate of 1.79% for 2016 and 1.69% for 2015	**528**	481	**4,692**
Total short-term	**25,464**	27,934	**226,109**
Long-term borrowings with average interest rate of 1.98% for 2016 and 1.50% for 2015, less current portion	**32,254**	32,475	**286,398**
Lease obligations, less current portion	**2,140**	543	**19,000**
Long-term other payable, less current portion	**960**	1,313	**8,520**
Total long-term	**35,354**	34,331	**313,918**
Total	**¥ 60,818**	¥ 62,265	**$ 540,027**

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances at March 31, 2016 and 2015.
Average interest rate of lease obligations are not disclosed since the amount equivalent to interest expense included in total lease payments is allocated over the lease term using the straight-line method.
Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances at April 1, 2015 and March 31, 2016.

The aggregate annual maturities of long-term debt as of March 31, 2016 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	**¥ 12,274**	**$ 108,987**
2018	**12,475**	**110,773**
2019	**8,972**	**79,665**
2020	**6,438**	**57,164**
2021 and thereafter	**5,329**	**47,316**
Total	**¥ 45,488**	**$ 403,905**

The aggregate annual maturities of lease obligations as of March 31, 2016 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	**¥ 577**	**$ 5,126**
2018	**590**	**5,237**
2019	**605**	**5,371**
2020	**377**	**3,348**
2021 and thereafter	**568**	**5,044**
Total	**¥ 2,717**	**$ 24,126**

Financial covenants

For the year ended March 31, 2016
Short-term borrowings and long-term borrowings including the current portion amounting to ¥36,060 million ($320,192 thousand) include certain financial covenants which forfeit the benefit of term with regard to the debts on certain loan agreement in the event the Company is in breach of either of the following covenants (stricter covenants are described if there are several covenants).
(1) For each fiscal year, ordinary losses shall not be recorded on the consolidated statement of operations under Japanese GAAP for two consecutive years.
(2) Total net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at least higher of either (i) ¥21,962 million ($195,010 thousand), or (ii) 80% of the total net assets recorded on the consolidated balance sheet as of the end of the previous fiscal year (except for the year ended March 31, 2016).
(3) The total amount of interest bearing debts on the consolidated balance sheet at each fiscal year-end shall be lower than the amount equivalent to the net sales on the consolidated statement of operations for that fiscal year divided by 12 and multiplied by 8.

For the year ended March 31, 2015
Short-term borrowings and long-term borrowings including the current portion amounting to ¥34,635 million ($307,535 thousand) include certain financial covenants which forfeit the benefit of term with regard to the debts on certain loan agreement in the event the Company is in breach of either of the following covenants (stricter covenants are described if there are several covenants).
(1) For each fiscal year, ordinary losses shall not be recorded on the consolidated statement of operations under Japanese GAAP for two consecutive years.
(2) Total net assets on the consolidated balance sheet at each fiscal year-end shall be maintained at least higher of either (i) 75% of the total net assets on the consolidated balance sheet as of March 31, 2014, or (ii) 75% of the total net assets on the consolidated balance sheet as of the end of the previous fiscal year.
(3) The total amount of interest bearing debts on the consolidated balance sheet at each fiscal year-end shall be lower than the amount equivalent to the net sales on the consolidated statement of operations for that fiscal year divided by 12 and multiplied by 8.

5. Retirement Benefits

The Company and its certain consolidated subsidiaries provide a lump-sum retirement plan as defined benefit pension plan for employees' retirement benefits.
Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and benefit costs for their lump-sum retirement plans.
Although the Company and certain domestic consolidated subsidiaries also contribute to a multi-employer pension plan, related benefit obligation, plan assets and benefit costs are excluded from the following calculation because it is difficult to assess the plan assets reasonably.

Defined benefit pension plans, except plan applying the simplified method

(1) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	¥ **1,674**	¥ 1,520	$ **14,863**
Service cost	**144**	142	**1,276**
Interest cost	**11**	15	**104**
Actuarial loss	**61**	59	**541**
Benefits paid	**(99)**	(62)	**(875)**
Other (decrease due to employment transfer)	**(16)**	-	**(146)**
Balance at end of year	¥ **1,775**	¥ 1,674	$ **15,763**

(2) Reconciliation from projected benefit obligations to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unfunded projected benefit obligations	¥ **1,775**	¥ 1,674	$ **15,763**
Total liability at end of year	¥ **1,775**	¥ 1,674	$ **15,763**
Net defined benefit liability	¥ **1,775**	¥ 1,674	$ **15,763**
Total liability at end of year	¥ **1,775**	¥ 1,674	$ **15,763**

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	¥ **144**	¥ 142	$ **1,276**
Interest cost	**11**	15	**104**
Amortization of actuarial loss	**36**	29	**315**
Amortization of past service cost	**8**	8	**72**
Total benefit costs	¥ **199**	¥ 194	$ **1,767**

(4) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service cost	¥ **(8)**	¥ (8)	$ **(72)**
Actuarial loss	**25**	30	**226**
Total	¥ **17**	¥ 22	$ **154**

(5) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized past service cost	¥ **49**	¥ 57	$ **433**
Unrecognized actuarial loss	**197**	172	**1,753**
Total	¥ **246**	¥ 229	$ **2,186**

(6) Actuarial assumptions

	2016	2015
Discount rate	**0.3%**	0.7%

Defined benefit pension plan applying the simplified method

(1) Movement in net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	¥ **472**	¥ 422	$ **4,188**
Benefit costs	**83**	60	**735**
Benefits paid	**(57)**	(14)	**(504)**
Increase due to employment transfer	**16**	-	**146**
Others	**(2)**	4	**(20)**
Balance at end of year	¥ **512**	¥ 472	$ **4,545**

(2) Reconciliation from projected benefit obligations to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unfunded projected benefit obligations	¥ **512**	¥ 472	$ **4,545**
Total liability at end of year	¥ **512**	¥ 472	$ **4,545**
Net defined benefit liability	¥ **512**	¥ 472	$ **4,545**
Total liability at end of year	¥ **512**	¥ 472	$ **4,545**

(3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit costs calculated using the simplified method	¥ **83**	¥ 60	$ **735**
Total costs at end of year	¥ **83**	¥ 60	$ **735**

Multi-employer pension plan

The amount required to contribute to the multi-employer pension plan which is accounted for in the same way as defined contribution plans is ¥90 million ($798 thousand) and ¥122 Million for the years ended March 31, 2016 and 2015, respectively.

	Millions of yen	
(1) Funded status	2015	2014
Fair value of plan assets	¥ 67,202	¥ 59,789
Total amount of pension benefit obligation recorded by pension fund and minimum actuarial reserve	65,970	61,919
Funded status	¥ 1,232	¥ (2,130)

The above funded status is presented based on the most recent available information (as of March 31, 2015 and 2014 for fiscal 2016 and 2015, respectively).

(2) Contribution share ratio of the Company

	2015	2014
Contribution share ratio	6.80%	6.63%

Note: The above ratio does not match the Group's actual share ratio.

(3) Supplementary information
As of March 31, 2015, the difference described in (1) above was calculated by the sum of the balance of the unamortized past service cost of ¥ 1,940 million, accumulated deficit of the fund of ¥ (702) million and the past service cost is amortized equally over a remaining period of 6 years and 1 month.
As of March 31, 2014, the difference described in (1) above was calculated by the sum of the balance of the unamortized past service cost of ¥ (838) million, accumulated deficit of the fund of ¥ (1,292) million and the past service cost is amortized equally over a remaining period of 6 years and 4 months

The Social Welfare Pension Fund of Nippon Electronic Circuits (the "Fund") that the Company and certain consolidated domestic subsidiaries have joined resolved an ordinary dissolution of the fund at a meeting of board members of the Fund on February 25, 2015.

6. Net assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

7. Impairment loss

Impairment losses recognized for the years ended March 31, 2016 and 2015 are as follows:

Use	Type of assets	Location		Millions of yen		Thousands of U.S. dollars
				2016		**2016**
Business assets	Buildings and structures and Machinery and vehicles, etc.	Ishinomaki, Miyagi	¥	**998**	$	**8,864**
Business assets	Buildings and structures and Machinery and vehicles, etc.	Hanoi, Vietnam		**6,980**		**61,977**
Total			¥	**7,978**	$	**70,841**

The Group carries out grouping mainly based on each plant for business assets.
For the year ended March 31, 2016, the Group recognized impairment losses of ¥7,978 million ($70,841 thousand) due to decline in profitability, which resulted in decreasing the book values of such assets to recoverable amounts.
Impairment losses comprise of ¥3,161 million ($28,065 thousand) for Buildings and structures, ¥3,327 million ($29,545 thousand) for Machinery and vehicles, ¥837 million ($7,434 thousand) for Construction in progress, ¥213 million ($1,895 thousand) for Land and ¥440 million ($3,902 thousand) for others.
The recoverable value of this assets group was measured based on the higher of net selling price or the value in use.
The net selling price is computed based on the fixed asset tax valuation with reasonable adjustments.
The value in use is computed based on the future cash flow discounted at 14.0%.

Use	Type of assets	Location		Millions of yen
				2015
Business assets	Buildings and structures and Machinery and vehicles, etc.	Wuhan, Hubei, China	¥	4,244
Business assets	Buildings and structures and Machinery and vehicles, etc.	Hanoi, Vietnam		4,508
Idle assets	Machinery and vehicles	Yamato, Kanagawa, Japan		69
Total			¥	8,821

The Group carries out grouping mainly based on each plant for business assets and based on each asset for idle assets.
For the year ended March 31, 2015, the Group recognized impairment losses of ¥8,821 million due to decline in profitability, which resulted in decreasing the book values of such assets to recoverable amounts for business assets and to the net selling price for idle assets.
Impairment losses comprise of ¥3,448 million for Buildings and structures, ¥4,551 million for Machinery and vehicles, ¥460 million for Construction in progress and ¥362 million for others.

Impairment losses recognized for the year ended March 31, 2014 are omitted due to their immateriality.

8. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2016 and 2015 are as follows:

		Millions of yen			Thousands of U.S. dollars
		2016		2015	**2016**
Guarantee of installment liabilities denominated in U.S. dollar Meiko Electronics Thang Long Co., Ltd.	¥	-	¥	2,328	$ -
Trade notes discounted		**55**		72	**486**

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥828 million ($7,348 thousand), ¥908 million and ¥1,013 million for the years ended March 31, 2016, 2015 and 2014, respectively.

10. Net Gain (Loss) on Sales and Disposal of Property, Plant and Equipment

Significant components of net gain (loss) on sales and disposal of property, plant and equipment for the years ended March 31, 2016, 2015 and 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars
Gain:	**2016**	2015	2014	**2016**
Buildings and structures	¥ **-**	¥ -	¥ 30	$ **-**
Machinery and vehicles	**4**	0	4	**38**
Land	**-**	-	379	**-**
Construction in progress	**-**	3	-	**-**
Others	**8**	0	0	**70**
Total gain	**12**	3	413	**108**
Loss:				
Buildings and structures	**(4)**	(12)	(15)	**(36)**
Machinery and vehicles	**(365)**	(266)	(114)	**(3,242)**
Land	**(0)**	(0)	(1)	**(2)**
Construction in progress	**-**	(84)	(91)	**-**
Intangible assets	**-**	(114)	(6)	**-**
Others	**(19)**	(7)	(5)	**(164)**
Total loss	**(388)**	(483)	(232)	**(3,444)**
Net gain (loss)	¥ **(376)**	¥ (480)	¥ 181	$ **(3,336)**

11. 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 32.2%, 35.6% and 38.0% for the years ended March 31, 2016, 2015 and 2014, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred Tax Assets:			
Elimination of unrealized profits	¥ **25**	¥ 37	$ **222**
Accrued bonuses	**161**	156	**1,427**
Net defined benefit liability	**635**	695	**5,637**
Provision for directors' retirement benefits	**73**	77	**649**
Accrued enterprise tax	**16**	74	**144**
Allowance for doubtful accounts	**13**	353	**119**
Tax loss carryforwards	**3,269**	2,404	**29,027**
Valuation loss of inventories	**57**	75	**501**
Difference on depreciation period	**598**	500	**5,311**
Impairment loss	**1,977**	1,666	**17,554**
Loss on valuation of investment securities	**60**	16	**537**
Allowance for investment loss	**-**	60	**-**
Loss on revaluation of golf club memberships	**20**	21	**177**
Deferred losses on hedges	**82**	69	**730**
Other	**56**	232	**500**
Less: valuation allowance	**(5,961)**	(3,710)	**(52,933)**
Total	¥ **1,081**	¥ 2,725	$ **9,602**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred Tax Liabilities:			
Reserve for advanced depreciation of property, plant and equipment	¥ **-**	¥ (100)	$ **-**
Retained earnings of foreign subsidiaries	**(182)**	(158)	**(1,618)**
Deferred gains on transfer	**(72)**	-	**(638)**
Other	**(14)**	(62)	**(128)**
Total	¥ **(268)**	¥ (320)	$ **(2,384)**
Deferred Tax Assets, Net:	¥ **813**	¥ 2,405	$ **7,218**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for years ended March 31, 2016 and 2015 are omitted due to pre-tax loss.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for year ended March 31, 2014 is as follows:

	2014
Statutory tax rate	38.0%
Expenses not deductible for tax purpose	0.4%
Per capita inhabitant tax	0.8%
Foreign tax credit	(7.1)%
Special tax credit for income tax	(6.7)%
Tax rate difference in foreign subsidiaries	14.1%
Retained earnings of foreign subsidiaries	17.2%
Decrease of tax loss carryforwards	30.0%
Reduction of deferred tax assets due to income tax rates change	0.8%
Valuation allowance	9.9%
Other, net	1.6%
Actual effective tax rate	99.0%

Amendments to the amount of deferred tax assets and liabilities for enacted changes in tax laws and rates

The Partial Revision of the Income Tax Act (Act. No.. 15, 2016) and the Partial Revision of the Local Income Tax Act (Act. No. 13, 2016) were enacted by the National Diet on March 29, 2016 and the statutory tax rate applied to calculate deferred tax assets and deferred tax liabilities was changed from 32.2% to 30.8% for temporary differences expected to be realized in the period between April 1, 2016 and March 31, 2018, and to 30.6% for temporary differences expected to be realized on or after April 1, 2018.
The impact of this change was immaterial.

12. Financial Instruments

(a) Qualitative information on financial instruments
(1) Policies for using financial instruments
The Group finances necessary funds mainly through bank loans and bond issues according to the capital investment plan for the production and sales of PCB.
Temporary and excessive funds are operated by highly stable financial instruments and the Group finances short-term operating capital by bank loans.
Derivative transactions are only utilized to hedge the risks mentioned in (2) below.

(2) Details of financial instruments used and exposures to risk and how they arise
Operating receivables such as trade notes and accounts receivable are exposed to credit risk. Some operating receivables, which are denominated in foreign currencies due to global operations, are exposed to foreign currency fluctuation risk. The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating payables dominated in the same foreign currency. Investments securities mainly consist of securities of companies in which a business relationship has been established and they are exposed to market fluctuation risk.

Operating payables such as trade notes and accounts payable are due within one year.
Some of the operating payables relating to imports of raw materials are dominated in foreign currencies and are exposed to foreign currency fluctuation risk.
The Group might utilize foreign exchange forward contracts if necessary except for those within the range of the operating receivables dominated in the same foreign currency.
Loans and lease obligations for finance lease transactions are mainly used for the purpose of financing capital investments.
Some of them are variable interest loans and are exposed to interest fluctuation risk.
The Group utilizes interest rate swaps to hedge the risk. Regarding derivative transactions, the Group utilizes foreign exchange forward contracts to hedge foreign currency fluctuation risk of operating receivables and payables dominated in foreign currencies and interest rate swaps to hedge interest fluctuation risk.
The Group utilizes commodity forward contracts to hedge copper price fluctuation risk.

(3) Policies and processes for managing the risk
(i) Credit risk management (risk of default by the counterparties)
The sales management department in the Company follows sales management rules, monitors the customers' credit conditions periodically and manages the due date and balance per customer. The Company keeps track of the adverse financial conditions of its customers in the early stage to mitigate the uncollectible risk.
The Company enters into derivative transactions only with the credit worthy financial institutions to mitigate the credit risk.

(ii) Market risk management (risk of foreign currency fluctuations and interests)
Regarding the trade receivables and trade payables dominated in foreign currencies, the Company utilizes foreign exchange forward contracts if necessary to hedge the foreign currency fluctuation risk, which is controlled by each currency and on a monthly basis. For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjust Company's portfolio on an ongoing basis considering the business relationship with counterparties. Derivative transactions are based on the internal rules and executed after getting the approval from the approver and managed by Finance Dept. Contents of the derivative transactions are reported to Board of Directors' meeting periodically.

(iii) Liquidity risk management (risk of default at the due dates)
The Company prepares and updates the cash management plan based on the reports from each department to manage liquidity risk on a timely basis.

(4) Supplemental information on fair values
As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist.
As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.
Also, for the contract amount regarding derivative transactions described in Note 13, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair values of financial instruments
Book values of the financial instruments included in the consolidated balance sheets and their fair values at March 31, 2016 and 2015 are as follows:

	2016					
	Millions of yen			**Thousands of U.S. dollars**		
	Book Value	**Fair Value**	**Difference**	**Book Value**	**Fair Value**	**Difference**
Assets						
Cash and cash equivalents ¥	**19,313 ¥**	**19,313 ¥**	**- $**	**171,488 $**	**171,488 $**	**-**
Time deposits	**219**	**219**	**-**	**1,948**	**1,948**	**-**
Trade notes and accounts receivable	**21,759**	**21,759**	**-**	**193,205**	**193,205**	**-**
Investment securities:						
Available-for-sale securities	**730**	**730**	**-**	**6,489**	**6,489**	**-**
Liabilities						
Trade notes and accounts payable ¥	**11,605 ¥**	**11,605 ¥**	**- $**	**103,049 $**	**103,049 $**	**-**
Short-term borrowings	**12,613**	**12,613**	**-**	**111,996**	**111,996**	**-**
Long-term borrowings	**44,000**	**44,287**	**287**	**390,693**	**393,242**	**2,549**
Lease obligations	**2,717**	**2,751**	**34**	**24,126**	**24,426**	**300**
Long-term other payable	**1,488**	**1,500**	**12**	**13,212**	**13,324**	**112**
Derivative financial instruments ¥	**(337) ¥**	**(337) ¥**	**- $**	**(2,993) $**	**(2,993) $**	**-**

	2015		
	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents ¥	9,491 ¥	9,491 ¥	-
Time deposits	219	219	-
Trade notes and accounts receivable	22,743	22,743	-
Investment securities:			
Available-for-sale securities	877	877	-
Liabilities			
Trade notes and accounts payable ¥	12,613 ¥	12,613 ¥	-
Short-term borrowings	13,259	13,259	-
Long-term borrowings	46,575	46,690	115
Long-term other payable	1,794	1,801	7
Derivative financial instruments ¥	(231) ¥	(231) ¥	-

The financial instruments whose fair value is extremely difficult to determine are not included above.

Derivative financial instruments are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

(1) Valuation method of the fair value of financial instruments and information of investment securities and derivative transactions

(i). Cash and cash equivalents, (ii). Time deposits, (iii). Trade notes and accounts receivable
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
(iv). Investment securities
Fair value of equity securities is based on the quoted price on stock exchange. Please refer to Note 5 regarding the information of the fair value for the investment in securities by classification.
(v). Trade notes and accounts payable, (vi) Short-term borrowings
The carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.
(vii). Long-term borrowings, (viii). Lease obligations, (ix).Long-term other payable
The fair values are measured as the net present value of estimated future cash flows by discounting the principal and interest value using the loan interest rate applied to the new loans or the lease contracts. If the variable interest rate loans meet certain criteria for the short cut method (If interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not remeasured at market price and the amount to be received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed), the sum of principal and the interest processed as interest rate swaps are discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.
(x). Derivative transactions
Please refer to Note 13.

(2) Unlisted securities of ¥142 million yen ($1,253 thousand) as of March 31, 2016 and ¥1,936 million yen as of March 31, 2015 are not included in the above table because the securities do not have fair market values and it is extremely difficult to estimate fair values.

(c) The redemption schedule for financial instruments and securities with maturity as of March 31, 2016 and 2015 is as follows:

	2016			
	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	¥ **19,313**	¥ **-**	¥ **-**	¥ **-**
Time deposits	**219**	**-**	**-**	**-**
Trade notes and accounts receivable	**21,759**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	¥ **41,291**	¥ **-**	¥ **-**	¥ **-**

	2016			
	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	$ **171,488**	$ **-**	$ **-**	$ **-**
Time deposits	**1,948**	**-**	**-**	**-**
Trade notes and accounts receivable	**193,205**	**-**	**-**	**-**
Investment securities:				
Available-for-sale securities with maturities	**-**	**-**	**-**	**-**
Total	$ **366,641**	$ **-**	$ **-**	$ **-**

	2015			
	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	¥ 9,491	¥ -	¥ -	¥ -
Time deposits	219	-	-	-
Trade notes and accounts receivable	22,743	-	-	-
Investment securities:				
Available-for-sale securities with maturities	-	-	-	-
Total	¥ 32,453	¥ -	¥ -	¥ -

13. Derivatives

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2016 and 2015 are as follows:

		2016					
		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**	**¥ 22,586**	**¥ 15,792**	**¥ (282)**	**$ 200,550**	**$ 140,225**	**$ (2,506)**
Special Method							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 1,950**	**¥ 1,440**	**¥ (28)**	**$ 17,315**	**$ 12,786**	**$ (248)**
Commodity related :							
Benchmark Method							
Copper price swap contracts	**Raw materials**	**¥ 331**	**¥ -**	**¥ (55)**	**$ 2,935**	**$ -**	**$ (487)**

		2015		
		Millions of yen		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate related:				
Benchmark Method				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 20,945	¥ 13,955	¥ (225)
Special Method				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 2,460	¥ 1,950	¥ (27)
Commodity related :				
Benchmark Method				
Copper price swap contracts	Raw materials	¥ 63	¥ -	¥ (6)

Fair value is principally based on quoted price obtained from financial institutions signing the contract.

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2016 and 2015.

14. Compensation Income

Compensation income consists of compensation payments from Tokyo Electric Power Company for lost earnings due to accidents at Fukushima Daiichi Nuclear Power Station ("NPS") and Fukushima Daini NPS of Tokyo Electric Power Company.

15. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2016, 2015 and 2014 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Unrealized gains (losses) on available-for-sale securities:				
Gains (losses) arising during the year	¥ **(146)**	¥ 26	¥ 331	$ **(1,300)**
Reclassifications and adjustments	**-**	16	-	**-**
Before income tax effects	**(146)**	42	331	**(1,300)**
Income tax effects	**48**	(9)	(118)	**425**
Total	¥ **(98)**	¥ 33	¥ 213	$ **(875)**
Deferred gains (losses) on hedges:				
Gains (losses) arising during the year	¥ **(406)**	¥ (304)	¥ (2)	$ **(3,602)**
Reclassifications and adjustments	**300**	196	179	**2,660**
Before income tax effects	**(106)**	(108)	177	**(942)**
Income tax effects	**(69)**	28	(53)	**(613)**
Total	¥ **(175)**	¥ (80)	¥ 124	$ **(1,555)**
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ **(3,094)**	¥ 3,688	¥ 3,162	$ **(27,472)**
Total	¥ **(3,094)**	¥ 3,688	¥ 3,162	$ **(27,472)**
Remeasurements of defined benefit plans:				
Adjustments arising during the year	¥ **(61)**	¥ (59)	¥ -	$ **(540)**
Reclassifications and adjustments	**44**	37	-	**386**
Before income tax effects	**(17)**	(22)	-	**(154)**
Income tax effects	**(74)**	0	-	**(655)**
Total	¥ **(91)**	¥ (22)	¥ -	$ **(809)**
Total other comprehensive income	¥ **(3,458)**	¥ 3,619	¥ 3,499	$ **(30,711)**

16. Supplementary Cash Flow Information

Details of assets and liabilities at the beginning of the consolidation relating to Meiko Electronics Thang Long Co., Ltd., a newly consolidated subsidiary due to increased its materiality, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Current assets	¥ **589**	$ **5,232**
Non-current assets	**2,342**	**20,797**
Total assets	¥ **2,931**	$ **26,029**
Current liabilities	¥ **634**	$ **5,631**
Non-current liabilities	**1,718**	**15,251**
Total liabilities	¥ **2,352**	$ **20,882**

Significant non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Assets and liabilities relating to finance lease transactions	¥ **2,965**	¥ 657	$ **26,325**

17. Segment Information

Information about reported segment sales, segment profit, segment assets and other items under the new accounting standards is not disclosed as the Group's reportable segment is mainly printed circuit boards ("PCB"), and the related business and other business is immaterial.

(Supplementary information)
(1) Information about products and services
Information about products and services is not disclosed since sales amount of single unit of product or service to external customers accounted for more than 90% of consolidated net sales.

(2) Information about geographical areas
(a) Net sales

	2016					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**¥ 26,570**	**¥ 52,994**	**¥ 12,016**	**¥ 3,707**	**¥ -**	**¥ 95,287**

	2016					
	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Other	Total
Net sales	**$ 235,922**	**$ 470,560**	**$ 106,696**	**$ 32,917**	**$ -**	**$ 846,095**

	2015					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 25,274	¥ 50,024	¥ 10,916	¥ 4,681	¥ -	¥ 90,895

	2014					
	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Net sales	¥ 24,919	¥ 42,452	¥ 7,848	¥ 4,013	¥ -	¥ 79,232

Net sales by destination were recognized based on the location of customers and classified by country or regions.

(b) Property, plant and equipment

	2016			
	Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	**¥ 5,448**	**¥ 45,282**	**¥ 4**	**¥ 50,734**

	2016			
	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property, plant and equipment	**$ 48,379**	**$ 402,079**	**$ 29**	**$ 450,487**

	2015			
	Millions of yen			
	Japan	Asia	Other	Total
Property, plant and equipment	¥ 5,867	¥ 59,046	¥ 1	¥ 64,914

(3) Information about major customers
Information about major customers is not presented since no single customer accounts for 10% or more of consolidated net sales.

(4) Information about impairment loss
Information about impairment loss by reportable segment for the year ended March 31, 2016 is not disclosed as the Group's reportable segment is mainly printed circuit boards ("PCB") and the related business, and other business is immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2015 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business.
There were no applicable matters for the year ended March 31, 2014.

18. Related party transactions

For the year ended March 31, 2016
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2016 since Meiko Electronics Thang Long Co., Ltd. was included in the scope of consolidation from the year ended March 31, 2016.

(2) Directors and major individual shareholders

Name	Location	Capital	Occupation	Percentage for possession of Voting Rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance at March 31, 2016
Seiichi Naya	-	-	Director and senior managing executive officer of the Company	Directly owned (%) 1.7	-	Sales of subsidiaries' shares	¥197 million ($1,748 thousand)	-

Note: ※1 Seiichi Naya is an actual younger brother of Yuichiro Naya, representative director and executive officer of the Company
※2 The terms and conditions of the transactions for sales of subsidiaries' shares are determined based on negotiation with reference to the stock price calculated by a third party appraiser.

For the year ended March 31, 2015
Transactions with related parties
(1) Unconsolidated subsidiary

Name	Location	Capital	Details of business	Percentage for possession of Voting Rights	Relationship	Details of transaction ※2	Transaction amount ※1	Balance at March 31, 2015
Meiko Electronics Thang Long Co., Ltd.	Hanoi, Vietnam	$9,000 thousands	Electronics-related business	Directly own (%) 100.0	Manufacturing of the Company's product, guarantee of liabilities and concurrent director	Guarantee of liabilities	¥2,328 million	-

(2) Directors and major individual shareholders
There were no applicable matters for the year ended March 31, 2015.

19. Significant Subsequent Events

At the Board of Directors' meeting held on May 16, 2016, a submission of a proposal of reduction of legal capital surplus and appropriation of surplus to the 41th annual general shareholders' meeting to be held on June 28, 2016, was resolved. The proposal was approved at the annual general shareholder's meeting held on June 28, 2016.

(1) Purpose of reduction of legal capital surplus and appropriation of surplus
The purpose is to enable the Company to realize the capital policy to promote financial health and maintain flexible and efficient management in the future through compensation of accumulated deficit as of March 31, 2016.

(2) Details of the reduction of legal capital surplus
Pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act, a portion of legal capital surplus will be reduced and the same amount will be transferred to other capital surplus.

(a) Amount of legal capital surplus to be reduced
¥ 8,000 million ($71,035 thousand) out of ¥12,042 million ($106,923 thousand)
(b) Amount of other capital surplus to be increased
¥ 8,000 million ($71,035 thousand)

(3) Details of the appropriation of surplus
Pursuant to the provisions of Article 452 of the Companies Act, a portion of other capital surplus will be transferred to retained earnings (accumulated deficit).

(a) Amount of other capital surplus to be reduced
¥ 8,000 million ($71,035 thousand)
(b) Amount of retained earnings (accumulated deficit) to be increased
¥ 8,000 million ($71,035 thousand)

(4) Schedules

Date of resolution at the Board of Directors' meeting	May 16, 2016
Date of public notice for making objections by creditors	May 20, 2016
The last day for making objections by creditors	June 20, 2016
Date of annual general shareholders' meeting	June 28, 2016
Planned effective date	June 30, 2016

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Meiko Electronics Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of operations for the years ended March 31, 2016, 2015 and 2014, the consolidated statements of comprehensive income for the years ended March 31, 2016, 2015 and 2014, the consolidated statements of changes in net assets and statements of cash flows for the years ended March 31, 2016, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meiko Electronics Co., Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years ended March 31, 2016, 2015 and 2014 in accordance with accounting principles generally accepted in Japan.

KPMG

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 19 "Significant Subsequent Events" to the consolidated financial statements, the company passed the resolution at the Board of Directors meeting held on May 16, 2016 to submit the proposal of reduction of legal capital surplus and appropriation of surplus to the annual general shareholders' meeting to be held on June 28, 2016. The proposal was approved at the said annual general shareholders' meeting.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 16, 2016
Tokyo, Japan