

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

*For the first quarter and three months ended June 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 first quarter and three months ended June 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 August 14, 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 first quarter (April 1, 2015 – June 30, 2015), and those for the three months ended June 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  | June 30, 2015 | U.S. dollars  |
|  |                 |               | June 30, 2015 |
| <b>Assets</b>                          |                 |               |               |
| Current assets                         |                 |               |               |
| Cash and deposits                      | ¥ 9,710         | ¥ 13,316      | \$ 108,759    |
| Notes and accounts receivable-trade    | 22,743          | 22,532        | 184,024       |
| Merchandise and finished goods         | 5,680           | 6,206         | 50,683        |
| Work in process                        | 3,170           | 3,487         | 28,480        |
| Raw materials and supplies             | 4,833           | 5,059         | 41,315        |
| Other                                  | 5,429           | 4,602         | 37,588        |
| Allowance for doubtful accounts        | (17)            | (18)          | (143)         |
| Total current assets                   | 51,548          | 55,184        | 450,706       |
| Non-current assets                     |                 |               |               |
| Property, plant and equipment          |                 |               |               |
| Buildings and structures, net          | 27,530          | 25,288        | 206,531       |
| Machinery, equipment and vehicles, net | 30,966          | 29,649        | 242,149       |
| Land                                   | 1,702           | 1,489         | 12,157        |
| Construction in progress               | 3,241           | 2,330         | 19,033        |
| Other, net                             | 1,475           | 1,197         | 9,775         |
| Total property, plant and equipment    | 64,914          | 59,953        | 489,645       |
| Intangible assets                      | 294             | 280           | 2,288         |
| Investments and other assets           | *2, 3 6,208     | *2 4,554      | *2 37,195     |
| Total non-current assets               | 71,416          | 64,787        | 529,128       |
| Total assets                           | ¥ 122,964       | ¥ 119,971     | \$ 979,834    |

|   | Millions of yen |               | Thousands of U.S. dollars |               |
|---|-----------------|---------------|---------------------------|---------------|
|   | March 31, 2015  | June 30, 2015 | March 31, 2015            | June 30, 2015 |
| <b>Liabilities</b>                                    |                 |               |                           |               |
| Current liabilities                                   |                 |               |                           |               |
| Notes and accounts payable-trade                      | ¥ 12,613        | ¥ 13,734      | \$ 112,170                |               |
| Short-term loans payable                              | *5 13,259       | *5 16,260     | *5 132,796                |               |
| Current portion of long-term loans payable            | *5 14,100       | *5 13,555     | *5 110,706                |               |
| Income taxes payable                                  | 720             | 46            | 375                       |               |
| Provision for bonuses                                 | 460             | 273           | 2,232                     |               |
| Other   | 5,967           | 6,944         | 56,711                    |               |
| Total current liabilities                             | 47,119          | 50,812        | 414,990                   |               |
| Non-current liabilities                               |                 |               |                           |               |
| Long-term loans payable                               | *5 32,475       | *5 33,221     | *5 271,328                |               |
| Provision for directors' retirement benefits          | 239             | 239           | 1,952                     |               |
| Net defined benefit liability                         | 2,146           | 2,148         | 17,546                    |               |
| Other   | 2,362           | 4,168         | 34,040                    |               |
| Total non-current liabilities                         | 37,222          | 39,776        | 324,866                   |               |
| Total liabilities                                     | 84,341          | 90,588        | 739,856                   |               |
| <b>Net assets</b>                                     |                 |               |                           |               |
| Shareholders' equity                                  |                 |               |                           |               |
| Capital stock   | 12,889          | 12,889        | 105,264                   |               |
| Capital surplus                                       | 14,810          | 14,810        | 120,957                   |               |
| Retained earnings                                     | 4,052           | (5,776)       | (47,173)                  |               |
| Treasury shares                                       | (396)           | (396)         | (3,237)                   |               |
| Total shareholders' equity                            | 31,355          | 21,527        | 175,811                   |               |
| Accumulated other comprehensive income                |                 |               |                           |               |
| Valuation difference on available-for-sale securities | 131             | 157           | 1,285                     |               |
| Deferred gains or losses on hedges                    | (162)           | (168)         | (1,372)                   |               |
| Foreign currency translation adjustment               | 7,454           | 8,085         | 66,034                    |               |
| Remeasurements of defined benefit plans               | (155)           | (218)         | (1,780)                   |               |
| Total accumulated other comprehensive income          | 7,268           | 7,856         | 64,167                    |               |
| Total net assets                                      | 38,623          | 29,383        | 239,978                   |               |
| <b>Total liabilities and net assets</b>               | ¥ 122,964       | ¥ 119,971     | \$ 979,834                |               |

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

|  | Millions of yen                     |                                     | Thousands of                        |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  |                                     |                                     | U.S. dollars                        |
|  | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2015 | Three months ended<br>June 30, 2015 |
| Net sales  | ¥ 20,959                            | ¥ 22,451                            | \$ 183,361                          |
| Cost of sales                                      | 19,443                              | 20,413                              | 166,720                             |
| Gross profit                                       | 1,516                               | 2,038                               | 16,641                              |
| Selling, general and administrative expenses       | 2,602                               | 2,684                               | 21,925                              |
| Operating loss                                     | (1,086)                             | (646)                               | (5,284)                             |
| Non-operating income                               |                                     |                                     |                                     |
| Interest income                                    | 5                                   | 5                                   | 42                                  |
| Dividend income                                    | 3                                   | 3                                   | 24                                  |
| Foreign exchange gains                             | —                                   | 747                                 | 6,102                               |
| Other  | 18                                  | 57                                  | 465                                 |
| Total non-operating income                         | 26                                  | 812                                 | 6,633                               |
| Non-operating expenses                             |                                     |                                     |                                     |
| Interest expenses                                  | 232                                 | 305                                 | 2,493                               |
| Foreign exchange losses                            | 354                                 | —                                   | —                                   |
| Other  | 43                                  | 78                                  | 631                                 |
| Total non-operating expenses                       | 629                                 | 383                                 | 3,124                               |
| Ordinary loss                                      | (1,689)                             | (217)                               | (1,775)                             |
| Extraordinary income                               |                                     |                                     |                                     |
| Gain on sales of non-current assets                | 0                                   | 7                                   | 56                                  |
| Total extraordinary income                         | 0                                   | 7                                   | 56                                  |
| Extraordinary losses                               |                                     |                                     |                                     |
| Loss on sales and retirement of non-current assets | 15                                  | 42                                  | 341                                 |
| Impairment loss                                    | —                                   | *1 8,037                            | *1 65,638                           |
| Total extraordinary losses                         | 15                                  | 8,079                               | 65,979                              |
| Loss before income taxes                           | (1,704)                             | (8,289)                             | (67,698)                            |
| Income taxes                                       | (292)                               | 1,078                               | 8,802                               |
| Loss   | (1,412)                             | (9,367)                             | (76,500)                            |
| Loss attributable to owners of parent              | ¥ (1,412)                           | ¥ (9,367)                           | \$ (76,500)                         |

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

|  | Millions of yen                     |                                     | Thousands of                        |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  |                                     |                                     | U.S. dollars                        |
|  | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2015 | Three months ended<br>June 30, 2015 |
| Loss   | ¥ (1,412)                           | ¥ (9,367)                           | \$ (76,500)                         |
| Other comprehensive income                                     |                                     |                                     |                                     |
| Valuation difference on available-for-sale securities          | 25                                  | 26                                  | 215                                 |
| Deferred gains or losses on hedges                             | (21)                                | (6)                                 | (49)                                |
| Foreign currency translation adjustment                        | (416)                               | 516                                 | 4,211                               |
| Remeasurements of defined benefit plans, net of tax            | 5                                   | (63)                                | (514)                               |
| Total other comprehensive income                               | (407)                               | 473                                 | 3,863                               |
| Comprehensive income   | (1,819)                             | (8,894)                             | (72,637)                            |
| Comprehensive income attributable to                           |                                     |                                     |                                     |
| Comprehensive income attributable to owners of parent          | ¥ (1,819)                           | ¥ (8,894)                           | \$ (72,637)                         |
| Comprehensive income attributable to non-controlling interests | —                                   | —                                   | —                                   |

## 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.

### 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 ¥122.44 to \$1, the approximate rate of exchange at June 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 quarterly consolidated financial statements for the three months ended June 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, the operating loss, ordinary loss and loss before income taxes for the three month ended June 30, 2015 have decreased by ¥23 million, respectively, compared to the previous accounting method.

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

Three months ended June 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<br>U.S. dollars |
|--|-----------------------|---------------|------------------------------|
|  | March 31, 2015        | June 30, 2015 | June 30, 2015                |
| Meiko Electronics Thang Long Co., Ltd.<br>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 during 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<br>U.S. dollars |
|-----------------------------------|-----------------|---------------|------------------------------|
|                                   | March 31, 2015  | June 30, 2015 | June 30, 2015                |
| Investments and other assets..... | ¥ 19            | ¥ 19          | \$ 159                       |

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

|                                  | Millions of yen |               | Thousands of<br>U.S. dollars |
|----------------------------------|-----------------|---------------|------------------------------|
|                                  | March 31, 2015  | June 30, 2015 | June 30, 2015                |
| Investment and other assets..... | ¥ 361           | ¥ —           | \$ —                         |

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

|  | Millions of yen |               | Thousands of<br>U.S. dollars |
|--|-----------------|---------------|------------------------------|
|  | March 31, 2015  | June 30, 2015 | June 30, 2015                |
| Discounted notes receivable-trade..... | ¥ 72            | ¥ 74          | \$ 601                       |

### \*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), ¥32,535 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.



Three-month period ended June 30, 2015

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥32,884 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 Impairment loss

Three-month period ended June 30, 2015

The Group recorded impairment loss for the following asset group.

| Use             | Type of assets                    | Location                     | Amount         |
|-----------------|-----------------------------------|------------------------------|----------------|
| Business assets | Buildings and structures          | Ishinomaki,<br>Miyagi, Japan | ¥964 million   |
|                 | Machinery, equipment and vehicles |                              |                |
|                 | Others                            |                              |                |
|                 | Buildings and structures          | Hanoi, Vietnam               | ¥7,073 million |
|                 | Machinery, equipment and vehicles |                              |                |
|                 | Others                            |                              |                |
| Total           |                                   |                              | ¥8,037 million |

The Group carries out grouping mainly based on each plant for business assets. During the three month ended June 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 ¥8,037 million under extraordinary losses. The breakdown is: ¥3,194 million for buildings and structures; ¥3,358 million for machinery, equipment and vehicles; ¥213 million for land; ¥828 million for construction in progress; and ¥444 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

No consolidated statements of cash flow were prepared for the three months ended June 30, 2015.

Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2015 is shown below:

|                   | Millions of yen                     |                                     | Thousands of U.S. dollars           |        |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------|
|                   | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2015 | Three months ended<br>June 30, 2015 |        |
| Depreciation..... | ¥ 1,588                             | ¥ 1,763                             | \$                                  | 14,401 |

## Total Shareholders' Equity

Three months ended June 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 three months ended June 30, 2014, those dividends whose effective date fell after the last day of the first quarter

Not applicable

Three months ended June 30, 2015

### 1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the three months ended June 30, 2015, those dividends whose effective date will fall after the last day of the first 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   | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2015 |
|--|-------------------------------------|-------------------------------------|
| Loss per share (Yen)   | (53.94)                             | (357.86)                            |
| Basis for calculation  |                                     |                                     |
| Loss attributable to owners of parent (Millions of yen)                                | (1,412)                             | (9,367)                             |
| Amounts not attributable to common shareholders<br>(Millions of yen)                   | –                                   | –                                   |
| Loss attributable to owners of parent pertaining to<br>common shares (Millions of yen) | (1,412)                             | (9,367)                             |
| Average number of common shares outstanding for the period<br>(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**

Not applicable