

**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, 2017

(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, 2017, filed with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan pursuant to the Financial Instruments and Exchange Act of Japan on August 10, 2017.

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, 2017 – June 30, 2017), and those for the three months ended June 30, 2017, were reviewed by KPMG AZSA LLC, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

1 Consolidated Financial Statements

(1) Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Assets				
Current assets				
Cash and deposits	¥ 17,422	¥ 16,931	\$	151,227
Notes and accounts receivable-trade	22,035	23,803		212,605
Merchandise and finished goods	4,550	4,629		41,341
Work in process	3,390	3,701		33,054
Raw materials and supplies	4,587	4,962		44,318
Other	2,434	2,108		18,836
Allowance for doubtful accounts	(17)	(167)		(1,496)
Total current assets	54,401	55,967		499,885
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	19,050	18,941		169,177
Machinery, equipment and vehicles, net	18,540	18,690		166,934
Land	1,488	1,488		13,293
Construction in progress	1,117	3,589		32,060
Other, net	5,560	5,708		50,977
Total property, plant and equipment	45,755	48,416		432,441
Intangible assets	220	217		1,937
Investments and other assets	*1 3,202	*1 3,279	*1	29,289
Total non-current assets	49,177	51,912		463,667
Total assets	¥ 103,578	¥ 107,879	\$	963,552

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 13,195	¥ 15,127	\$ 135,112	
Short-term loans payable	*3 12,292	*3 12,775	*3 114,101	
Current portion of long-term loans payable	*3 12,323	*3 12,349	*3 110,299	
Income taxes payable	210	241	2,156	
Provision for bonuses	547	298	2,659	
Provision for directors' bonuses	40	—	—	
Other	6,398	8,722	77,902	
Total current liabilities	45,005	49,512	442,229	
Non-current liabilities				
Long-term loans payable	*3 23,893	*3 22,858	*3 204,165	
Provision for directors' retirement benefits	239	217	1,941	
Net defined benefit liability	2,699	2,732	24,399	
Other	3,202	3,403	30,396	
Total non-current liabilities	30,033	29,210	260,901	
Total liabilities	75,038	78,722	703,130	
Net assets				
Shareholders' equity				
Capital stock	12,889	12,889	115,117	
Capital surplus	11,745	11,745	104,912	
Retained earnings	1,932	2,060	18,404	
Treasury shares	(396)	(396)	(3,541)	
Total shareholders' equity	26,170	26,298	234,892	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	85	105	935	
Deferred gains or losses on hedges	59	(14)	(129)	
Foreign currency translation adjustment	2,438	2,983	26,640	
Remeasurements of defined benefit plans	(470)	(454)	(4,051)	
Total accumulated other comprehensive income	2,112	2,620	23,395	
Non-controlling interests	258	239	2,135	
Total net assets	28,540	29,157	260,422	
Total liabilities and net assets	¥ 103,578	¥ 107,879	\$ 963,552	

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income
For the Three Months Ended June 30, 2017
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2016	Three months ended June 30, 2017	U.S. dollars Three months ended June 30, 2017
Net sales	¥ 22,318	¥ 25,528	\$ 228,014
Cost of sales	18,821	21,266	189,947
Gross profit	3,497	4,262	38,067
Selling, general and administrative expenses	2,568	2,750	24,566
Operating profit	929	1,512	13,501
Non-operating income			
Interest income	6	5	46
Dividend income	3	6	56
Other	74	62	554
Total non-operating income	83	73	656
Non-operating expenses			
Interest expenses	325	335	2,990
Foreign exchange losses	1,941	155	1,381
Other	31	133	1,194
Total non-operating expenses	2,297	623	5,565
Ordinary profit (loss)	(1,285)	962	8,592
Extraordinary income			
Gain on sales of non-current assets	—	0	1
Total extraordinary income	—	0	1
Extraordinary losses			
Loss on sales and retirement of non-current assets	39	38	339
Impairment loss	1	13	114
Other	3	—	—
Total extraordinary losses	43	51	453
Profit (loss) before income taxes	(1,328)	911	8,140
Income taxes	170	363	3,248
Profit (loss)	(1,498)	548	4,892
Loss attributable to non-controlling interests	(3)	(17)	(152)
Profit (loss) attributable to owners of parent	¥ (1,495)	¥ 565	\$ 5,044

**Consolidated Statements of Comprehensive Income
For the Three Months Ended June 30, 2017**

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30, 2016	Three months ended June 30, 2017	Three months ended June 30, 2017
Profit (loss)	¥ (1,498)	¥ 548	\$ 4,892
Other comprehensive income			
Valuation difference on available-for-sale securities	(79)	19	173
Deferred gains or losses on hedges	35	(73)	(653)
Foreign currency translation adjustment	(2,277)	545	4,867
Remeasurements of defined benefit plans, net of tax	16	16	143
Total other comprehensive income	(2,305)	507	4,530
Comprehensive income	(3,803)	1,055	9,422
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ (3,795)	¥ 1,072	\$ 9,576
Comprehensive income attributable to non-controlling interests	(8)	(17)	(154)

Notes to the Consolidated Financial Statements

Matters concerning Going Concern Assumption

Not applicable

Basis of Presenting Consolidated Financial Statements

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

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 ¥111.96 to \$1, the approximate rate of exchange at June 30, 2017. 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.

Specific Accounting Treatments Adopted in Preparing the Quarterly Consolidated Financial Statements

(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 profit before income taxes for the fiscal year ending March 31, 2018, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

Consolidated Balance Sheets

*1 Amount of allowance for doubtful accounts directly deducted from the amount of assets

	Millions of yen		Thousands of
	March 31, 2017	June 30, 2017	U.S. dollars
Investments and other assets	¥ 215	¥ 215	\$ 1,919

2 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of
	March 31, 2017	June 30, 2017	U.S. dollars
Discounted notes receivable-trade	¥ 43	¥ 25	\$ 220

*3 Financial covenants

Consolidated fiscal year ended March 31, 2017

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥31,135 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) ¥21,962 million; or (ii) 80% 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 months ended June 30, 2017

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥30,151 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) ¥21,962 million; or (ii) 80% 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 Cash Flows

No consolidated statements of cash flow were prepared for the three months ended June 30, 2017.

Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2017 is shown below:

	Millions of yen		Thousands of
	Three months ended June 30, 2016	Three months ended June 30, 2017	U.S. dollars
Depreciation	¥ 1,370	¥ 1,380	\$ 12,323

Total Shareholders' Equity

Three months ended June 30, 2016

1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the three months ended June 30, 2016, those dividends whose effective date fell after the last day of the first quarter

Not applicable

3 Significant changes in shareholders' equity

By resolution of the annual shareholders' meeting held on June 28, 2016, the Company reduced its capital reserve by ¥8,000 million as of June 30, 2016 in accordance with the provisions of Article 448, Paragraph 1 of the Companies Act, and transferred it to other capital surplus. In addition, the Company transferred ¥8,000 million of other capital surplus to retained earnings brought forward, in accordance with the provisions of Article 452 of the Companies Act to compensate for loss.

As a result, capital surplus was ¥11,745 million and retained earnings were ¥(1,154) million as of June 30, 2016.

Three months ended June 30, 2017

1 Cash dividends paid

Resolution

Board meeting on May 29, 2017

Type of shares	Common shares
Total dividends (Millions of yen)	262
Dividend per share (Yen)	10.00
Record date	March 31, 2017
Effective date	June 13, 2017
Dividend resource	Retained earnings

Resolution

Board meeting on May 29, 2017

Type of shares	Class A preference shares
Total dividends (Millions of yen)	175
Dividend per share (Yen)	3,500,000.00
Record date	March 31, 2017
Effective date	June 13, 2017
Dividend resource	Retained earnings

2 Of the dividends whose record date falls during the three months ended June 30, 2017, those dividends whose effective date will fall after the last day of the first quarter

Not applicable

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 profit or loss per share and the basis for calculating diluted profit per share are shown below:

Item	Three months ended June 30, 2016	Three months ended June 30, 2017
(1) Profit (loss) per share (Yen)	(60.45)	18.21
Basis for calculation		
Profit (loss) attributable to owners of parent (Millions of yen)	(1,495)	565
Amounts not attributable to common shareholders (Millions of yen)	87	88
Of which the amount of Class A preferred dividends (Millions of yen)	[87]	[88]
Profit (loss) attributable to owners of parent pertaining to common shares (Millions of yen)	(1,582)	477
Average number of common shares outstanding for the period (Shares)	26,174,076	26,174,053
(2) Diluted profit per share (Yen)	—	14.20
Basis for calculation		
Adjustments of profit attributable to owners of parent (Millions of yen)	—	88
Of which the amount of Class A preferred dividends (Millions of yen)	[—]	[88]
Increase in the number of common shares (Shares)	—	13,601,900
Of which Class A preference shares (Shares)	[—]	[13,601,900]
Descriptions of diluted shares that were not included in the calculation of diluted profit per share due to their anti-dilutive effect but that changed significantly from the end of the previous fiscal year	—	—

Note: Diluted profit per share for the three months ended June 30, 2016 is not disclosed although there were diluted shares, as the profit per share was negative.

Significant Subsequent Events

Not applicable

2 Other

The Board of Directors passed a resolution at its meeting on May 29, 2017 to pay year-end dividends to shareholders who are recorded in the shareholder registry as of March 31, 2017 as follows:

(1) Total dividends	Common shares	262 million yen
	Class A preference shares	175 million yen
(2) Dividend per share	Common shares	10.00 yen
	Class A preference shares	3,500,000.00 yen
(3) Effective date of claim for payment and payment commencement date		June 13, 2017