

**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, 2014*

**(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, 2014, 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 8, 2014.

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 “Regulation for Terminology, Forms and Preparation 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, 2014 - June 30, 2014), and those for the three months ended June 30, 2014, 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, 2014	June 30, 2014	U.S. dollars
			June 30, 2014
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 8,978	¥ 12,235	\$ 120,721
Notes and accounts receivable-trade	17,543	19,143	188,878
Merchandise and finished goods	4,573	4,943	48,773
Work in process	2,604	2,798	27,603
Raw materials and supplies	4,424	4,690	46,272
Other	4,633	5,607	55,330
Allowance for doubtful accounts	(15)	(15)	(147)
Total current assets	42,740	49,401	487,430
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	27,791	27,175	268,131
Machinery, equipment and vehicles, net	29,927	29,685	292,891
Land	1,702	1,702	16,795
Construction in progress	7,335	6,399	63,140
Other, net	824	1,394	13,755
Total property, plant and equipment	67,579	66,355	654,712
Intangible assets	455	430	4,247
Investments and other assets	*1 4,653	*1 4,568	*1 45,070
Total non-current assets	72,687	71,353	704,029
Total assets	¥ 115,427	¥ 120,754	\$ 1,191,459

	Millions of yen		Thousands of
	March 31, 2014	June 30, 2014	U.S. dollars
			June 30, 2014
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable-trade	¥ 9,933	¥ 13,686	\$ 135,036
Short-term loans payable	8,362	11,886	117,279
Current portion of long-term loans payable	11,867	11,715	115,589
Income taxes payable	165	38	374
Provision for bonuses	500	286	2,819
Other	6,083	6,414	63,292
<b>Total current liabilities</b>	<b>36,910</b>	<b>44,025</b>	<b>434,389</b>
Non-current liabilities			
Long-term loans payable	29,216	29,243	288,537
Provision for directors' retirement benefits	261	239	2,358
Net defined benefit liability	1,942	1,962	19,354
Other	2,390	2,528	24,941
<b>Total non-current liabilities</b>	<b>33,809</b>	<b>33,972</b>	<b>335,190</b>
<b>Total liabilities</b>	<b>70,719</b>	<b>77,997</b>	<b>769,579</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock	12,889	12,889	127,168
Capital surplus	14,810	14,810	146,127
Retained earnings	13,756	12,213	120,515
Treasury shares	(396)	(396)	(3,911)
<b>Total shareholders' equity</b>	<b>41,059</b>	<b>39,516</b>	<b>389,899</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	98	123	1,210
Deferred gains or losses on hedges	(82)	(102)	(1,011)
Foreign currency translation adjustment	3,766	3,348	33,046
Remeasurements of defined benefit plans	(133)	(128)	(1,264)
<b>Total accumulated other comprehensive income</b>	<b>3,649</b>	<b>3,241</b>	<b>31,981</b>
<b>Total net assets</b>	<b>44,708</b>	<b>42,757</b>	<b>421,880</b>
<b>Total liabilities and net assets</b>	<b>¥ 115,427</b>	<b>¥ 120,754</b>	<b>\$ 1,191,459</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Three Months Ended June 30, 2014**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2013	Three months ended June 30, 2014	U.S. dollars Three months ended June 30, 2014
Net sales	¥ 18,260	¥ 20,959	\$ 206,796
Cost of sales	15,906	19,443	191,836
Gross profit	2,354	1,516	14,960
Selling, general and administrative expenses	2,118	2,602	25,675
Operating income (loss)	236	(1,086)	(10,715)
Non-operating income			
Interest income	4	5	54
Dividend income	3	3	28
Foreign exchange gains	1,066	—	—
Other	58	18	178
Total non-operating income	1,131	26	260
Non-operating expenses			
Interest expenses	216	232	2,293
Foreign exchange losses	—	354	3,493
Other	73	43	425
Total non-operating expenses	289	629	6,211
Ordinary income (loss)	1,078	(1,689)	(16,666)
Extraordinary income			
Gain on sales of non-current assets	1	0	4
Compensation income	160	—	—
Total extraordinary income	161	0	4
Extraordinary losses			
Loss on sales and retirement of non-current assets	122	15	151
Total extraordinary losses	122	15	151
Income (loss) before income taxes	1,117	(1,704)	(16,813)
Income taxes	654	(292)	(2,883)
Income (loss) before minority interests	463	(1,412)	(13,930)
Net income (loss)	¥ 463	¥ (1,412)	\$ (13,930)

**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended June 30, 2014**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2013	Three months ended June 30, 2014	U.S. dollars Three months ended June 30, 2014
Income (loss) before minority interests	¥ 463	¥ (1,412)	\$ (13,930)
Other comprehensive income			
Valuation difference on available-for-sale securities	6	25	245
Deferred gains or losses on hedges	52	(21)	(204)
Foreign currency translation adjustment	1,785	(416)	(4,111)
Remeasurements of defined benefit plans, net of tax	—	5	49
Total other comprehensive income	1,843	(407)	(4,021)
Comprehensive income	2,306	(1,819)	(17,951)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 2,306	¥ (1,819)	\$ (17,951)
Comprehensive income attributable to minority interests	—	—	—

## **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 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 ¥101.35 to \$1, the approximate rate of exchange at June 30, 2014. 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

Effective from the three-month period ended June 30, 2014, the Company and its consolidated domestic subsidiaries have applied article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012 (hereinafter, the "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012 (hereinafter, the "Guidance No. 25")), based on which the calculation methods for retirement benefit obligations and service costs have been changed. The period attribution method for estimated retirement benefits has been changed from the straight-line basis to the benefit formula basis. And the method of determining the discount rate has been revised from applying the number of years close to employees' average remaining service period as the remaining period of the bond based on which the discount rate is determined, to using the single weighted-average discount rate that takes into account the assumed payment period of retirement benefits and the amount of each assumed payment period.

These revisions have no impact on retained earnings and income and loss at the beginning of the first three-month period ended June 30, 2014.

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

Three months ended June 30, 2014

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, 2015, and multiplied by this estimated effective tax rate.

Consolidated Balance Sheets

\*1 Amount of allowance directly deducted from the amount of assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2014	June 30, 2014	June 30, 2014
Investments and other assets	¥ 21	¥ 21	\$ 204

2 Discounted notes receivable are summarized below:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2014	June 30, 2014	June 30, 2014
Discounted notes receivable—trade	¥ 38	¥ 35	\$ 346

Consolidated Statements of Cash Flows

No consolidated statements of cash flow were prepared for the three months ended June 30, 2014. Depreciation for the first three-month period of the consolidated fiscal year under review (including depreciation associated with intangible assets) is described below.

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30, 2013	Three months ended June 30, 2014	Three months ended June 30, 2014
Depreciation	¥ 1,477	¥ 1,588	\$ 15,670

Total Shareholders' Equity

Three months ended June 30, 2013

1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the three months ended June 30, 2013, those dividends whose effective date fell after the last day of the first quarter

Not applicable

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 will fall after the last day of the first quarter

Not applicable

### Segment Information

As the Group's businesses are all in the single segment of PCB design, manufacturing, sales, and ancillary operations, this section is omitted.

### Per Share Information

The basis for calculating net income or net loss per share is shown below:

Item	Three months ended June 30, 2013	Three months ended June 30, 2014
Net income (loss) per share (Yen)	24.65	(53.94)
Basis for calculation		
Net income (loss) (Millions of yen)	463	(1,412)
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income (loss) attributable to common shares (Millions of yen)	463	(1,412)
Average number of common shares outstanding for the period (Shares)	18,774,076	26,174,076

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

### Significant Subsequent Events

Not applicable

## **2 Other**

As per a resolution passed by the Board of Directors at its meeting held on May 28, 2014, a year-end dividend will be paid as follows for the fiscal year ended March 31, 2014 to shareholders recorded in the shareholder registry as of March 31, 2014:

- 1 Total dividends: 131 million yen
- 2 Dividend per share: 5.00 yen
- 3 Effective date of claim for payment and payment commencement date: June 12, 2014