

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

For the third quarter and nine months ended December 31, 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 third quarter and nine months ended December 31, 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 February 12, 2016.

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 third quarter (October 1, 2015 – December 31, 2015), and those for the nine months ended December 31, 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 U.S. dollars	
	March 31, 2015	December 31, 2015	December 31, 2015	December 31, 2015
Assets				
Current assets				
Cash and deposits	¥ 9,710	¥ 14,858	\$ 123,269	
Notes and accounts receivable-trade	22,743	*4 22,952	*4 190,425	
Merchandise and finished goods	5,680	5,216	43,276	
Work in process	3,170	3,451	28,631	
Raw materials and supplies	4,833	4,951	41,078	
Other	5,429	3,122	25,905	
Allowance for doubtful accounts	(17)	(25)	(211)	
Total current assets	51,548	54,525	452,373	
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	27,530	23,201	192,490	
Machinery, equipment and vehicles, net	30,966	26,494	219,813	
Land	1,702	1,488	12,348	
Construction in progress	3,241	2,292	19,014	
Other, net	1,475	1,667	13,827	
Total property, plant and equipment	64,914	55,142	457,492	
Intangible assets	294	245	2,035	
Investments and other assets	*2, 3 6,208	*2 3,652	*2 30,301	
Total non-current assets	71,416	59,039	489,828	
Total assets	¥ 122,964	¥ 113,564	\$ 942,201	

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2015	December 31, 2015	December 31, 2015	December 31, 2015
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 12,613	*4 ¥ 13,508	*4 \$	112,068
Short-term loans payable	*6 13,259	*6 15,866	*6	131,633
Current portion of long-term loans payable	*6 14,100	*6 13,306	*6	110,393
Income taxes payable	720	94		779
Provision for bonuses	460	268		2,220
Other	5,967	*4 6,155	*4	51,076
Total current liabilities	47,119	49,197		408,169
Non-current liabilities				
Long-term loans payable	*6 32,475	*6 31,368	*6	260,254
Provision for directors' retirement benefits	239	239		1,983
Net defined benefit liability	2,146	2,219		18,408
Other	2,362	4,325		35,885
Total non-current liabilities	37,222	38,151		316,530
Total liabilities	84,341	87,348		724,699
Net assets				
Shareholders' equity				
Capital stock	12,889	12,889		106,932
Capital surplus	14,810	14,810		122,874
Retained earnings	4,052	(6,281)		(52,107)
Treasury shares	(396)	(396)		(3,289)
Total shareholders' equity	31,355	21,022		174,410
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	131	102		850
Deferred gains or losses on hedges	(162)	(349)		(2,896)
Foreign currency translation adjustment	7,454	5,637		46,765
Remeasurements of defined benefit plans	(155)	(196)		(1,627)
Total accumulated other comprehensive income	7,268	5,194		43,092
Total net assets	38,623	26,216		217,502
Total liabilities and net assets	¥ 122,964	¥ 113,564	\$	942,201

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income
For the Nine Months Ended December 31, 2015
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2015
Net sales	¥ 67,476	¥ 71,882	\$ 596,383
Cost of sales	61,758	62,232	516,317
Gross profit	5,718	9,650	80,066
Selling, general and administrative expenses	7,863	7,545	62,601
Operating income (loss)	(2,145)	2,105	17,465
Non-operating income			
Interest income	29	17	142
Dividend income	20	24	203
Subsidy income	38	58	485
Foreign exchange gains	5,086	—	—
Other	111	102	836
Total non-operating income	5,284	201	1,666
Non-operating expenses			
Interest expenses	770	950	7,879
Foreign exchange losses	—	91	757
Commission for syndicate loan	123	559	4,635
Other	135	166	1,377
Total non-operating expenses	1,028	1,766	14,648
Ordinary income	2,111	540	4,483
Extraordinary income			
Gain on sales of non-current assets	3	11	95
Compensation income	—	13	104
Gain on liquidation of subsidiaries and associates	—	8	69
Total extraordinary income	3	32	268
Extraordinary losses			
Loss on sales and retirement of non-current assets	143	140	1,162
Impairment loss	—	*1 8,061	*1 66,882
Loss on valuation of investment securities	9	—	—
Business structure improvement expenses	32	587	4,867
Total extraordinary losses	184	8,788	72,911
Income (loss) before income taxes	1,930	(8,216)	(68,160)
Income taxes	1,384	1,655	13,738
Net income (loss)	546	(9,871)	(81,898)
Profit (loss) attributable to owners of parent	¥ 546	¥ (9,871)	\$ (81,898)

Consolidated Statements of Comprehensive Income
For the Nine Months Ended December 31, 2015
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Nine months ended December 31, 2014	Nine months ended December 31, 2015	U.S. dollars Nine months ended December 31, 2015
Profit (loss)	¥ 546	¥ (9,871)	\$ (81,898)
Other comprehensive income			
Valuation difference on available-for-sale securities	(36)	(29)	(238)
Deferred gains or losses on hedges	(98)	(187)	(1,553)
Foreign currency translation adjustment	4,747	(1,933)	(16,036)
Remeasurements of defined benefit plans, net of tax	15	(41)	(341)
Total other comprehensive income	4,628	(2,190)	(18,168)
Comprehensive income	5,174	(12,061)	(100,066)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 5,174	¥ (12,061)	\$ (100,066)
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.

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

Basis of Presenting Consolidated Financial Statements

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.53 to \$1, the approximate rate of exchange at December 31, 2015. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Change in Accounting Policies

(Application of accounting standards for business combinations)

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

Change in Accounting Estimate

(Revision of useful life)

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

Due to this change, operating income and ordinary income for the nine months ended December 31, 2015 increased by ¥86 million each, while loss before income taxes decreased by ¥86 million compared to the previous accounting method.

Specific Accounting Treatments Adopted in Preparing the Quarterly Consolidated Financial Statements

Nine months ended December 31, 2015

Computation of Tax Expense

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

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

Consolidated Balance Sheets

1 Guarantee obligation

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

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

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

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

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2015	December 31, 2015	December 31, 2015	
Investments and other assets	¥ 19	¥ 19	\$	161

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

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

*4 Accounting treatment for notes maturing on December 31, 2015

Notes maturing on the final day of a quarterly reporting period are accounted for as if they had been settled on the final day of the period.

As the final day of the third quarter was a bank holiday, the following notes that matured on that day were accounted for as though they had been settled on the maturity date, December 31, 2015.

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2015	December 31, 2015	December 31, 2015	
Notes receivable-trade	¥ —	¥ 44	\$	362
Notes payable-trade	¥ —	¥ 59	\$	489
Notes payable-facilities	¥ —	¥ 1	\$	8

5 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2015	December 31, 2015	December 31, 2015	
Discounted notes receivable-trade	¥ 72	¥ 30	\$	249

*6 Financial covenants

Consolidated fiscal year ended March 31, 2015

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

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

Nine months ended December 31, 2015

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥34,430 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). The details of the agreement are stated based on the agreement as of the submission date of this quarterly report.

- (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. However, (ii) shall exclude the fiscal year ended March 31, 2016.
- (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

Nine months ended December 31, 2014

Not applicable

Nine months ended December 31, 2015

The Group recorded impairment loss for the following asset group.

Use	Type of assets	Location	Amount
Business assets	Buildings and structures	Ishinomaki, Miyagi, Japan	¥995 million
	Machinery, equipment and vehicles		
	Others		
	Buildings and structures	Hanoi, Vietnam	¥7,066 million
	Machinery, equipment and vehicles		
	Others		
Total			¥8,061 million

The Group carries out grouping mainly based on each plant for business assets. During the nine months ended December 31, 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 ¥8,061 million under extraordinary losses. The breakdown is: ¥3,193 million for buildings and structures; ¥3,364 million for machinery, equipment and vehicles; ¥213 million for land; ¥847 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 nine months ended December 31, 2015. Depreciation (including amortization related to intangible assets) for the nine months ended December 31, 2015 is shown below:

	Millions of yen		Thousands of U.S. dollars	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Depreciation.....	¥ 5,183	¥ 5,021	\$	41,658

Total Shareholders' Equity

Nine months ended December 31, 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 nine months ended December 31, 2014, those dividends whose effective date fell after the last day of the third quarter

Not applicable

Nine months ended December 31, 2015

1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the nine months ended December 31, 2015, those dividends whose effective date will fall after the last day of the third 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 profit or loss per share is shown below:

Item	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Profit (loss) per share (Yen)	20.84	(377.14)
Basis for calculation		
Profit (loss) attributable to owners of parent (Millions of yen)	546	(9,871)
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent pertaining to common shares (Millions of yen)	546	(9,871)
Average number of common shares outstanding for the period (Shares)	26,174,076	26,174,076

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

Significant Subsequent Events

The Company passed resolutions on the following matters 1 and 2 at its Board of Directors' meeting held on February 4, 2016.

1 Issue of Class A preference shares through third-party allotment

- | | |
|--|---|
| (1) Class of new shares to be issued: | Class A preference shares |
| (2) Payment date: | March 31, 2016 |
| (3) Number of new shares to be issued: | 50 shares |
| (4) Issue price (amount paid) and amount of paid-in capital to be increased: | |
| Issue price (amount paid): | ¥100,000,000 per share |
| Amount of paid-in capital to be increased: | ¥50,000,000 per share |
| (5) Total amount of issue price and total amount of paid-in capital to be increased: | |
| Total amount of issue price: | ¥5,000,000,000 |
| Total amount of paid-in capital to be increased: | ¥2,500,000,000 |
| (6) Method of allotment | |
| | Third-party allotment of all shares to Chiiki Chukakukigyo Kasseika Fund (hereinafter referred to as the "Allottee"). |
| (7) Use of funds | |
| | The funds are planned to be used mainly for capital expenditure to seek future business expansion, as well as for the improvement in equity capital. |
| (8) Other important matters | |
| | The dividend rate (annual) of Class A preference shares is set at 7.0%, cumulative and non-participating. In addition, holders of preference shares can receive a dividend in preference to holders of common shares. |
| | Class A preference shares do not carry voting rights, and have transfer restrictions. |
| | Class A preference shares have put options or subject to call using cash as consideration, as well as put options or subject to call using common shares as consideration. |
| | For all Class A preference shares, the maximum dilution rate in cases where all the put options using common shares as consideration is exercised is approximately 152.84%, with no amount equivalent to cumulative unpaid dividends nor daily prorated unpaid preferred dividends. |

The Company and the Allottee consent to the conditions of exercise of put options for the Class A preference shares using common shares as consideration in the investment agreement, whereunder the put option using common shares as consideration can be exercised if March 31, 2020 has passed, and if an event stipulated in the investment agreement has occurred.

Payment by the Allottee pertaining to the Class A preference shares is subject to the approval of each of the following proposals at the extraordinary shareholders' meeting to be held on March 30, 2016: (1) revision of the Articles of Incorporation; (2) issue of preference shares; and (3) the appointment of one outside director and one outside auditor of the Company nominated by the Allottee in advance.

2 Reduction of capital and capital reserve (hereinafter referred to as the "Reduction of Amount of Capital, etc.")

(1) Purpose

With the aim of achieving soundness in finance and early recording of distributable amount, the capital and capital reserve will be reduced by the amount to be increased due to the payment for the Class A preference shares, and the amount so reduced shall be transferred to "Other capital surplus."

(2) Outline of the Reduction of Amount of Capital, etc.

- (i) Amount of capital to be reduced: ¥2,500,000,000
- (ii) Amount of capital reserve to be reduced: ¥2,500,000,000
- (iii) Method of reduction of the amount of capital, etc.

After the Reduction of Amount of Capital, etc. in accordance with the provisions of Article 447, Paragraph 3 and Article 448, Paragraph 3 of the Companies Act, the amount so decreased will be transferred entirely to "Other capital surplus."

(iv) Schedule

- February 4 (Thursday), 2016: Resolution by the Board of Directors concerning the Reduction of Amount of Capital, etc.
- February 15 (Monday), 2016: Public notice for creditors to raise objections (scheduled)
- March 15 (Tuesday), 2016: Final date for creditors to raise objections (scheduled)
- March 30 (Wednesday), 2016: Extraordinary shareholder's meeting (scheduled)
- March 31 (Thursday), 2016: Effective date of the Reduction of Amount of Capital, etc. (scheduled)

(3) Other

The Reduction of Amount of Capital, etc. will be carried out on the condition that the above-mentioned issue of Class A preference shares becomes effective.

In addition, the Reduction of Amount of Capital, etc. is a process in which the capital and capital reserve in "Net assets" of the balance sheet are transferred and recorded to the account of "Other capital surplus," with the "Amount of net assets" of the Company remaining unchanged.

2 Other

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