

**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, 2018*

**(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, 2018, 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, 2018.

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, 2018 – June 30, 2018), and those for the three months ended June 30, 2018, 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, 2018	June 30, 2018	June 30, 2018	June 30, 2018
<b>Assets</b>				
Current assets				
Cash and deposits	¥ 15,422	¥ 12,983	\$	117,544
Notes and accounts receivable-trade	*2 24,911	*2 28,952	*2	262,130
Merchandise and finished goods	4,460	5,631		50,986
Work in process	4,719	4,552		41,214
Raw materials and supplies	5,117	5,430		49,166
Other	1,993	1,967		17,805
Allowance for doubtful accounts	(252)	(216)		(1,958)
Total current assets	56,370	59,299		536,887
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	18,430	18,537		167,828
Machinery, equipment and vehicles, net	21,494	21,689		196,369
Land	1,488	1,488		13,475
Construction in progress	2,764	4,315		39,065
Other, net	5,557	5,522		49,995
Total property, plant and equipment	49,733	51,551		466,732
Intangible assets	210	223		2,017
Investments and other assets	*1 4,003	*1 5,074	*1	45,946
Total non-current assets	53,946	56,848		514,695
Total assets	¥ 110,316	¥ 116,147	\$	1,051,582

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2018	June 30, 2018	June 30, 2018	June 30, 2018
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade	*2 ¥ 16,152	*2 ¥ 18,806	*2 \$	170,267
Short-term loans payable	*4 13,263	*4 9,959	*4	90,170
Current portion of long-term loans payable	*4 10,478	*4 10,419	*4	94,330
Income taxes payable	67	327		2,965
Provision for bonuses	640	359		3,249
Provision for directors' bonuses	60	—		—
Other	*2 8,265	9,249		83,740
Total current liabilities	48,925	49,119		444,721
Non-current liabilities				
Long-term loans payable	*4 23,303	*4 32,188	*4	291,429
Provision for directors' retirement benefits	217	217		1,968
Net defined benefit liability	2,658	2,690		24,357
Other	2,171	2,011		18,194
Total non-current liabilities	28,349	37,106		335,948
Total liabilities	77,274	86,225		780,669
Net assets				
Shareholders' equity				
Capital stock	12,889	12,889		116,691
Capital surplus	11,745	6,464		58,529
Retained earnings	5,400	7,421		67,188
Treasury shares	(396)	(396)		(3,589)
Total shareholders' equity	29,638	26,378		238,819
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	22	7		63
Deferred gains or losses on hedges	299	308		2,785
Foreign currency translation adjustment	3,512	3,642		32,984
Remeasurements of defined benefit plans	(429)	(413)		(3,738)
Total accumulated other comprehensive income	3,404	3,544		32,094
Total net assets	33,042	29,922		270,913
Total liabilities and net assets	¥ 110,316	¥ 116,147	\$	1,051,582

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Three Months Ended June 30, 2018**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2017	Three months ended June 30, 2018	U.S. dollars Three months ended June 30, 2018
Net sales	¥ 25,528	¥ 30,338	\$ 274,677
Cost of sales	21,266	24,972	226,092
Gross profit	4,262	5,366	48,585
Selling, general and administrative expenses	2,750	2,873	26,015
Operating profit	1,512	2,493	22,570
Non-operating income			
Interest income	5	10	87
Dividend income	6	3	24
Foreign exchange gains	—	585	5,293
Other	62	57	525
Total non-operating income	73	655	5,929
Non-operating expenses			
Interest expenses	335	205	1,855
Loss on valuation of derivatives	102	143	1,292
Foreign exchange losses	155	—	—
Other	31	106	959
Total non-operating expenses	623	454	4,106
Ordinary profit	962	2,694	24,393
Extraordinary income			
Gain on sales of non-current assets	0	0	3
Total extraordinary income	0	0	3
Extraordinary losses			
Loss on sales and retirement of non-current assets	38	24	217
Impairment loss	13	—	—
Total extraordinary losses	51	24	217
Profit before income taxes	911	2,670	24,179
Income taxes	363	388	3,514
Profit	548	2,282	20,665
Loss attributable to non-controlling interests	(17)	—	—
Profit attributable to owners of parent	¥ 565	¥ 2,282	\$ 20,665

**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended June 30, 2018**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2017	Three months ended June 30, 2018	U.S. dollars Three months ended June 30, 2018
Profit	¥ 548	¥ 2,282	\$ 20,665
Other comprehensive income			
Valuation difference on available-for-sale securities	19	(15)	(135)
Deferred gains or losses on hedges	(73)	9	81
Foreign currency translation adjustment	545	131	1,187
Remeasurements of defined benefit plans, net of tax	16	16	144
Total other comprehensive income	507	141	1,277
Comprehensive income	1,055	2,423	21,942
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 1,072	¥ 2,423	\$ 21,942
Comprehensive income attributable to non-controlling interests	(17)	—	—

## **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 ¥110.45 to \$1, the approximate rate of exchange at June 30, 2018. 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, 2019, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

### Additional information

#### (Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

Effective from the beginning of the first quarter ended June 30, 2018, the Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

## Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2018	June 30, 2018	June 30, 2018	
Investments and other assets	¥ 215	¥ 215	\$	1,945

\*2 Accounting treatment for notes maturing on June 30, 2018

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 first 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, June 30, 2018.

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2018	June 30, 2018	June 30, 2018	
Notes receivable-trade	¥ 51	¥ 88	\$	797
Notes payable-trade	¥ 63	¥ 72	\$	648
Notes payable-facilities	¥ 1	¥ —	\$	—

3 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2018	June 30, 2018	June 30, 2018	
Discounted notes receivable-trade	¥ 49	¥ 49	\$	440

\*4 Financial covenants

Consolidated fiscal year ended March 31, 2018

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥30,556 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, 2018

Of short-term loans payable and long-term loans payable (including loans payable scheduled for repayment within one year), ¥41,433 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, 2018. Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2018 is shown below:

	Millions of yen		Thousands of
	Three months ended June 30, 2017	Three months ended June 30, 2018	U.S. dollars
Depreciation	¥ 1,380	¥ 1,528	\$ 13,830

## Total Shareholders' Equity

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 fell after the last day of the first quarter

Not applicable

Three months ended June 30, 2018

### 1 Cash dividends paid

Resolution	
Board meeting on May 28, 2018	
Type of shares	Common shares
Total dividends (Millions of yen)	262
Dividend per share (Yen)	10.00
Record date	March 31, 2018
Effective date	June 12, 2018
Dividend resource	Retained earnings

2 Of the dividends whose record date falls during the three months ended June 30, 2018, those dividends whose effective date will fall after the last day of the first quarter

Not applicable

### 3 Significant changes in shareholders' equity

By resolution of the Board Meetings held on February 16, 2018 and May 28, 2018, the Company acquired and cancelled Class A preference shares as of April 2, 2018 and June 26, 2018. As a result, capital surplus for the three months ended June 30, 2018 decreased by ¥5,281 million, to ¥6,464 million as of June 30, 2018.

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

Item	Three months ended June 30, 2017	Three months ended June 30, 2018
(1) Profit per share (Yen)	18.21	87.20
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	565	2,282
Amounts not attributable to common shareholders (Millions of yen)	88	—
Of which the amount of Class A preferred dividends (Millions of yen)	[88]	[—]
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	477	2,282
Average number of common shares outstanding for the period (Shares)	26,174,053	26,174,012
(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, 2018 is not disclosed, as there were no diluted shares.

## Significant Subsequent Events

Not applicable

## **2 Other**

### (1) Dividends of surplus

The Board of Directors passed a resolution at its meeting on May 28, 2018 to pay year-end dividends to shareholders who are recorded in the shareholder registry as of March 31, 2018 as follows:

- |  |                 |
|--|-----------------|
| 1) Total dividends   | 262 million yen |
| 2) Dividend per share  | 10.00 yen       |
| 3) Effective date of claim for payment and payment commencement date | June 12, 2018   |

### (2) Litigation

Legal action was brought against Meiko Tech Co., Ltd., a consolidated subsidiary of the Company, by Hohsen Corp. on September 27, 2017. According to the complaint, Hohsen Corp. is demanding compensation for losses totaling ¥291 million from the Company's subsidiary, etc. on the grounds that it suffered such losses due to fictitious trades that were carried out at Hohsen Corp. under the direction of a former executive of the Company's subsidiary.

The Company recognizes that there are no obligations or grounds to respond to the demand claimed by the plaintiff, and intends to make such claims in the litigation.