

40th Interim MEIKO REPORT

(April 1, 2014 to September 30, 2014)

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Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

The cover features a large blue sphere with a white circuit board pattern. Inside the sphere are several circular inset images: a woman on a headset, a woman at a computer, a woman driving a car, a woman holding a smartphone, a woman taking a selfie, a woman at a desk, a red sports car, and a woman playing a trumpet. The text '40th MEIKO REPORT' is at the bottom left in white.

40th
MEIKO REPORT



I would like to express my sincere gratitude to all shareholders and investors for their outstanding support for our business.

I am pleased to take the opportunity of presenting our interim MEIKO REPORT for the 40th fiscal term (ending March 31, 2015) to explain the business conditions for the first-half period ended September 30, 2014 and our future strategy.

President & CEO **Yuichiro Naya**

Capturing the market needs accurately, we will continue to offer the best printed circuit boards.



Please describe the business environment and operating results for the first half ended September 30, 2014.



Meiko achieved growth in net sales due to brisk market conditions, but it faced a tough earnings environment.

In the business environment surrounding the Meiko Group, the U.S. economy continued showing moderate upward trends, while economies in countries of Europe and Asia have slowed down, showing signs of uncertainty over the future outlook. In the Japanese economy, on the other hand, a moderate recovery continued on the back of the government's economic policies.

In the automobile industry, one of the Meiko Group's major business partners, globally vigorous demand for vehicles contributed to steady growth in markets. In the electronics industry, in particular, smartphone-related markets mainly in China have been on upward trends. Under such circumstances, the Group concentrated its management resources on favorable automobile-related and overseas smartphone-related businesses through the selection and focus of business. It also executed the following measures: staff composition and product mix aimed at the expansion of orders and improvement in productivity; review of production facilities; thorough reduction in fixed costs and expenses, etc.

The efforts for strengthening the organization and its

Key points in the first half of FY2014

Overview of operating results	Increase in sales and decrease in earnings on a year-on-year basis Net sales: up 17%, Operating income: down 1.95 billion yen
Positive factors (year-on-year change)	Strong growth in sales Steady performance of automotive PCBs: Guangzhou, Wuhan Increasing orders of smartphone PCBs: Wuhan, Vietnam
Negative Factors (year-on-year change)	Rising personnel expenses in China's factories Worsening profit margins due to the buildup of unprofitable goods

marketing ability helped to boost net sales, which posted 44.2 billion yen, greater than the business plan. However, operating income fell below the initial plan mainly due to the following reasons: a surge in labor costs in overseas operations, a decline in orders from some overseas customers, and a fall in productivity caused by the drastic change in personnel.

Regrettably, the overall operating performances ended with an unsatisfactory outcome, as the Group was unable to meet shareholders' expectations. However, we identified factors which caused the poor results and are now forming measures by examining each factor.



Please provide your forecasts for the full-year operating performances of FY2014.



We will aim to overcome challenges in the production system as early as possible and strengthen profitability to achieve higher margins

For the full-year forecast, we expect net sales to grow steadily, backed by strong performance in vehicle-related sales and orders received for smartphones primarily in the Chinese markets. For earnings, we are now examining the details of each factor which brought about such poor performances and developing measures for improvement. For instance, we will take the following measures to manage soaring labor costs in overseas plants and to improve productivity. They are: to review the allocation of resources and place adequate personnel in the right positions; to replace aging production equipment and enhance automation; and to boost profit margins by expanding orders of high-value-added products, etc. We will exert companywide efforts to execute these measures and resolve problems as quickly as possible while bolstering profitability. To produce significant effects in a short time through these efforts would be tough, but we expect positive

results will come out gradually. For these aforementioned reasons, we forecast full-year financial results for FY2014 will be as shown in the table on page 3.



What is your management strategy for the future?



We will aim to expand business globally with the focus on automobile-related and smartphone-related products, and thereby, will achieve a robust management structure.

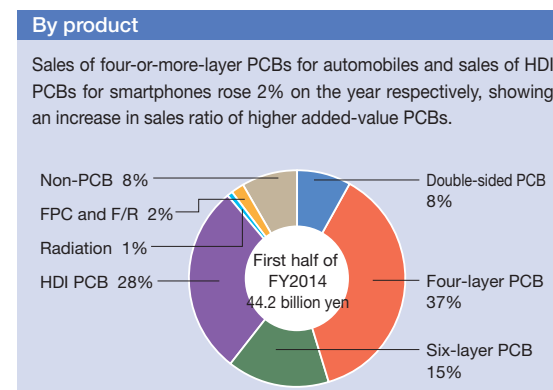
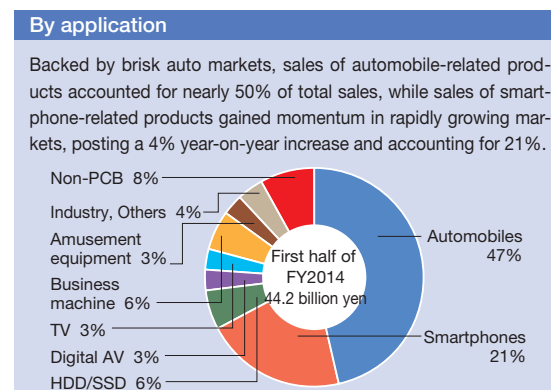
As the Group management strategy, we have an eye on expanding business on a global-scale by surely capturing markets which have potential for solid growth from worldwide viewpoints, and achieving stable growth with high profitability. We believe auto-related and smartphone-related markets have growth potential. Being in line with the management

Overview of consolidated operating results for the first half of FY2014

(in 100 million yen)

	Results for the first half of FY2014	Results for the first half of FY2013	Year-on-year change
Net sales	442.3	377.2	65.1
Operating income	(12.6)	6.9	(19.5)
Ordinary income	0.3	9.8	(9.5)
Quarterly net income	(4.9)	2.4	(7.3)

Sales composition by PCBs



strategy, the Group will aim to surely capture business opportunities and boost profits by overcoming challenges in the production structure. At the same time, we will execute various measures which are: improve productivity centered on overseas factories; proactively conduct marketing to acquire new customers; and strengthen the ability to receive orders, etc.

Our rival companies, in particular overseas competitors, are rapidly expanding their businesses, backed by their upgraded technology and cost competitive edge. The Group will compete with them by fully using its advantageous aspects. For example, we will develop new technologies and establish robust production systems, thereby, allowing us to offer superior quality products to corporate customers with short delivery times. Thus, we will strive to achieve stable business growth.

In addition, the Group is going to engage in a new initiative, the solar power business, which will be operated by using idle land on the premises of the Fukushima Factory in the Hirono district, Futaba-gun, Fukushima Prefecture. The construction of buildings commenced recently. Our goal is to contribute to local communities by promoting renewable energy as well as to create momentum for the reconstruction of the regions damaged by the Great East Japan Earthquake.



Please give a message to the shareholders



We will focus on maintaining stable dividend payments and raising corporate value.

We at Meiko regard returning profits to shareholders as one of our top management priorities, and take business results

and other matters comprehensively into consideration for profit sharing as we work to maintain stable dividends. In order to secure profits for shareholders in the future, we are making it a basic policy to allocate internal reserves to investments to further strengthen and improve our business base, and to use them to further expand our business.

Regarding the interim dividend payment for the current fiscal period, we regret to say that it will be postponed in consideration of the consolidated financial results for the first half of the fiscal period.

The business environment surrounding the Group remains difficult. Nevertheless, Meiko will bear in its mind the mission of responding to the support and expectations from shareholders and other stakeholders, and exert its utmost efforts for various measures to improve its operating performance and increase its corporate value. We look forward to your continued support and encouragement in the future.

Forecasts of consolidated financial results for FY2014

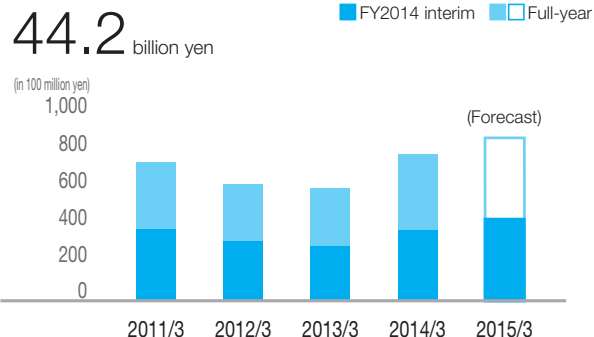
(in 100 million yen)

	FY2014			Results for FY2013	Year-on-year change
	Results for the first half	Forecasts of financial results for the second half	Full-year forecasts		
Net sales	442.3	437.7	880.0	792.3	87.7
Operating income	(12.6)	18.6	6.0	9.2	(3.2)
Ordinary income	0.3	10.0	10.3	19.3	(9.0)
Net income	(4.9)	7.6	2.7	0.2	2.5

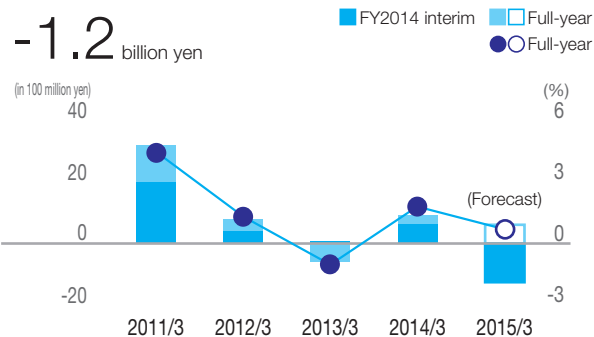
Efforts for improving operating performances

1. Improvement in earnings by the automation of production lines
2. Reduction in fixed costs and sales and administrative expenses
3. Reduction in number of unprofitable products
4. Quality improvement
5. Reduction in costs of materials

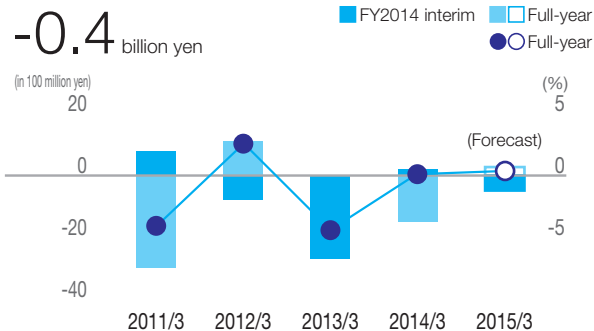
Net sales



Operating income / Operating margin



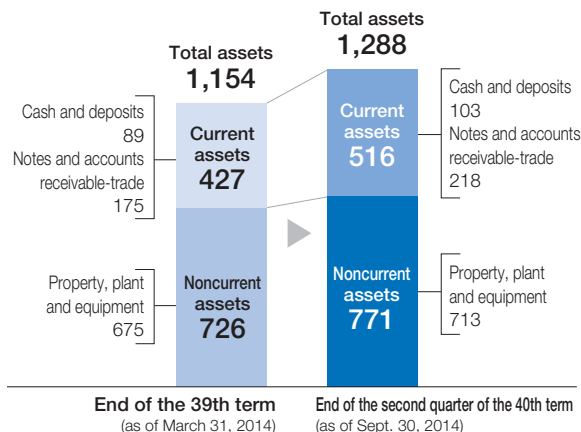
Net income / Net margin



Overview of consolidated balance sheet

Assets

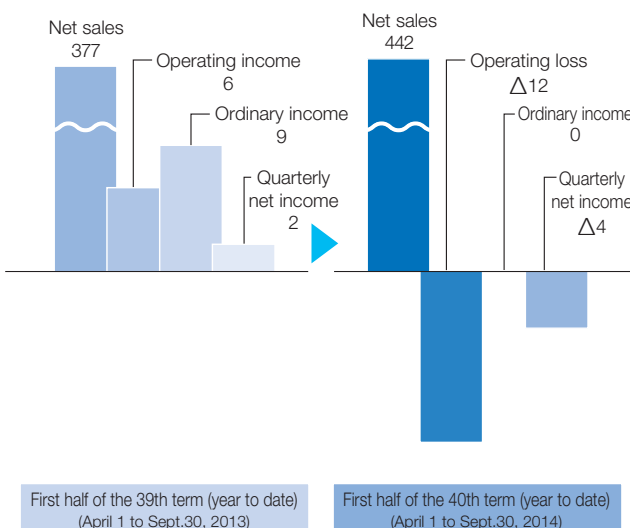
(in 100 million yen)



Major changes: In current assets, notes and accounts receivable-trade, and cash and deposits increased by about 4.3 billion yen and about 1.4 billion yen respectively. In noncurrent assets, property, plant and equipment rose about 3.7 billion yen.

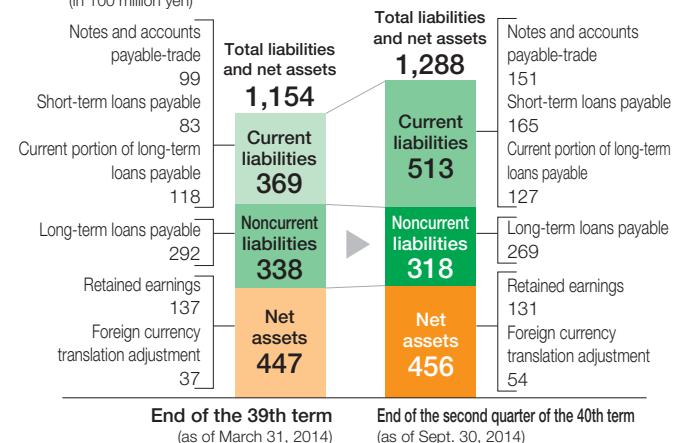
Overview of consolidated statement of income

(in 100 million yen)



Liabilities and net assets

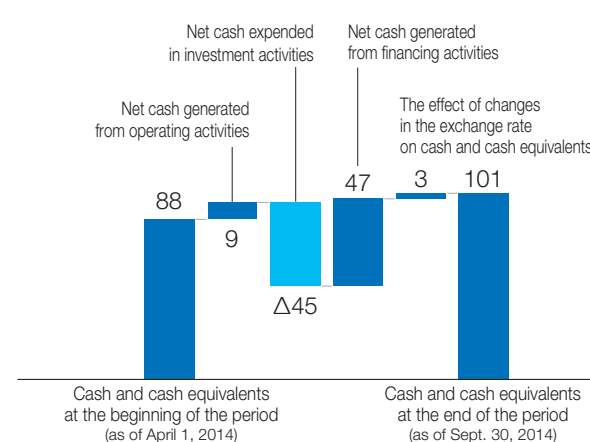
(in 100 million yen)



Major changes: In current liabilities, notes and accounts payable-trade, and short-term loans payable increased about 5.3 billion yen, about 8.2 billion yen respectively, while in noncurrent liabilities, long-term loans payable declined about 2.2 billion yen.

Overview of consolidated statement of cash flows

(in 100 million yen)



Major changes: Cash and cash equivalents during the first half from April 1 to September 30, 2014 increased about 1.4 billion yen from the end of the previous fiscal year to about 10.1 billion yen.

Meiko's production and sales systems that meet global customer needs

■ Production base ◆ R&D base ● Sales Bases ▲ Affiliated Companies



Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Headquarters	5-14-15 Ogami, Ayase, Kanagawa
Capital	12,888 million yen
No. of Employees	11,763 (consolidated) (Japan: 814) (overseas: 10,949)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Seiichi Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director	Kunihiko Sato
Director	Marc Schweizer
Director	Yoon Ho, Shin
Senior Corporate Auditor	Hitoshi Iyomoto
Audit & Supervisory Board Member	Hiroshi Tsukii
Audit & Supervisory Board Member	Yasunobu Koshimura

Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Manufacturing of PCBs
M.D. Systems Co., Ltd.	Design of PCBs
Meiko Tech Co., Ltd.	Sales of PCBs
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Electronics (Wuhan) Co., Ltd.	Manufacturing and sales of PCBs
Meiko Elec. Hong Kong. Co., Ltd.	Sales of PCBs
Meiko Electronics Vietnam Co., Ltd.	Manufacturing and sales of PCBs
Meiko Electronics Thang Long Co., Ltd.	Manufacturing of PCBs
MDS Circuit Technology, Inc.	Design of PCBs
Meiko Electronics America, Inc.	Sales of PCBs
Meiko Electronics Europe GmbH	Sales of PCBs

Stock Information

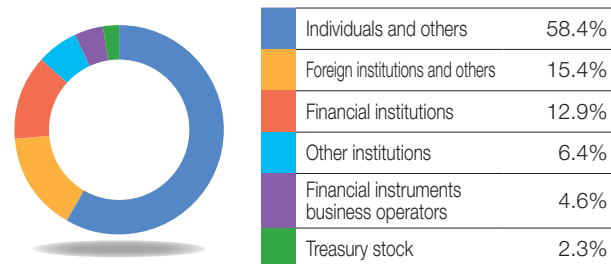
Number of Shares Authorized	63,200,000 shares
Number of Shares Issued	26,174,076 shares (Excluding treasury stock of 629,244 shares)
Number of Shareholders	7,135

Principal Shareholders

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,698	18.0
GOLDMAN SACHS INTERNATIONAL	1,054	4.0
Japan Trustee Services Bank, Ltd. (trust account)	789	3.0
PLEASANT VALLEY	631	2.4
Meiko Kosan Co., Ltd.	608	2.3
Yuho, Ltd.	521	2.0
Haruyuki Naya	488	1.9
Seiichi Naya	441	1.7
HILLCREST, L. P.	379	1.5
Sumitomo Mitsui Banking Corporation	377	1.4

* The Company owns treasury stock of 629,244 shares and is excluded from the above principal shareholders.
The percentages for the total number of issued shares have been calculated after excluding treasury stock.

Distribution of Ownership among Shareholders



Shareholders' Information

Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders' Meeting	June
Record date	Year-end dividends: March 31 Interim dividends: September 30
Method of public notice	Electronic public notice. In the event of accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei. Official page: http://www.meiko-elec.com/ir/pa.shtml
Stock exchange	JASDAQ (Standard), Tokyo Stock Exchange
Administrator of shareholders register and special account management institution	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Handling office of Administrator of shareholders register	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
(Mailing Address)	〒168-0063 2-8-4, Izumi, Suginami-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

(Inquiries by telephone) ☎ 0120-782-031

(Website) <http://www.smtb.jp/personal/agency/index.html>

[Inquiries about notices such as a change of address concerning shareholdings]

Shareholders who have accounts with securities companies are advised to contact the securities company with regard to notices, such as a change of address. Shareholders who do not hold accounts with a securities company are advised to contact the above telephone number for inquiries.

Introduction of Meiko Website



Top Page



Introduction of our products
(A Lot of MEIKO around You)



CSR Report

For our latest IR information, news releases, and other information including details on our products and CSR activities, please visit the Company website.

You can visit the Company website to find other useful information as well.

<http://www.meiko-elec.com/>



Updated news of Ishinomaki Factory after it overcame the Great East Japan Earthquake



Current Ishinomaki Factory

Three years have quickly passed since the Great East Japan Earthquake that occurred on March 11, 2011.

The earthquake struck the former Miyagi Factory and severely damaged the buildings as well as employees, causing the factory to stop operating and shut down. Last year, the former Miyagi Factory was renewed as the Ishinomaki Factory and nearly one year has passed since operations restarted. In this article, we are going to give you an update on the Ishinomaki Factory and look back at the past.



Former Miyagi Factory when it was struck by the earthquake



New start after the huge loss caused by the Great East Japan Earthquake

The former Miyagi Factory was severely damaged by the Great East Japan Earthquake on March 11, 2011. The first floor of all the factory buildings was submerged in water and completely destroyed, while the buildings' second floor was able to avoid the tsunami, but the equipment collapsed and liquid chemicals leaked. A massive amount of debris rushed into the areas surrounding the factory. To make matters much worse, six employees lost their lives and more than seventy percent of employees suffered damage. Due to these severe circumstances, the Company abandoned the idea of reconstructing buildings and decided to suspend the factory operations.

Preparations for resuming factory operations gradually started from the following year, and the construction work went through several phases. First the factory floors were cleaned by a small number of people, then useless equipment was dismantled and moved, and facilities and buildings which were miraculously undamaged were restored. Finally, in May 2013, a new factory named the Ishinomaki Factory commenced operations.



When the earthquake struck the factory



Today



When the earthquake struck the factory



Today



Aiming to create a new company that starts from scratch

In the beginning when the operations resumed, the factory mainly engaged in setting up equipment, operating it and checking functions, creating standards, etc. The new factory obtained approval to start in the formal customer audit last September and also reacquired ISO standards, meaning that its operational functions were all placed in order.

Unlike the former Miyagi Factory, the Ishinomaki Factory has unique features that are not seen in other factories. It engages in the production of a small volume of high-definition, high-spec circuits as well as a large volume of modules and special specification products, etc.

The factory is operated by a small number of employees. But because of the small organization, the employees appear to be gaining a wider variety of skills and speedily building an environment where team work is possible, thus creating confidence and motivation in the factory. All employees make the most of their abilities as they aim to make the factory No. 1 in terms of producing high-performance PCBs.

Notes on Forecasts

The information in this report contains future forecasts, such as the plans and business results of the Company. These forecasts are based on information available at the time when these forecasts were made and certain preconditions that the Company believes to be reasonable. Please note that actual business results may differ from the forecasts herein due to a variety of factors.