



41st Interim MEIKO REPORT

(From April 1, 2015 to September 30, 2015)

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Securities code: 6787

MEIKO ELECTRONICS CO., LTD.



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 41st fiscal term (year ending March 31, 2016) to explain the business conditions of the first half period ended September 30 and our future business strategy.

President & CEO **Yuichiro Naya**

While ensuring a proper understanding of customer needs, we will continue to supply the highest quality PCBs.

Q1 Please describe the business environment and operating results for the first half ended September 30, 2015?

With strong momentum in the markets, Meiko posted growth both in sales and earnings by actively implementing countermeasures. Operating income returned to profitability.

Within the business environment surrounding the Meiko Group, the economies of the U.S. and Europe have been following moderate recovery trends, while the outlook for economies in the markets of China and emerging countries still remains uncertain with signs of growth losing momentum. On the other hand, Japan's economy showed a steady upward trend, due mainly to a recovery in consumer spending, improved corporate business results, and a rebound in capital investment.

In the automobile industry, which is one of the Meiko Group's main business partners, the market remained firm on the back of moves by manufacturers, which had adjusted orders placed due to a temporary increase in spare parts, to resume procurements in order to optimize inventory levels. In the smartphone-related markets, market demand on a global basis is expected to post

Summary of consolidated operating results for the first half of FY2015

(in 100 million yen)

	Results for the first half of FY 2015	Results for the first half of FY2014	Year-on-year change
Net sales	473.5	442.3	+31.2
Operating income	5.8	(12.6)	+18.4
Ordinary income	(3.1)	0.3	(3.3)
Net loss attributable to owners of parent	(100.5)	(4.9)	(95.5)

Key points of the financial results for the first half of FY2015

Summary	Achieved growth both in sales and earnings. Boosted operating income with a swing back to the black. (Year-on-year basis): 3.1 billion yen increase in net sales; 1.8 billion yen increase in operating income Net income marked a deficit of 10 billion yen due to the booking of impairment losses
Key points	<ol style="list-style-type: none"> 1. Strong momentum from sales of products for vehicles and smartphones 2. Significant improvement in marginal profit ratios resulting from increased production yields, lower costs of resources, etc. 3. Cuts in fixed costs and selling, general and administrative expenses through the implementation of structural reforms in the second quarter (from July to September) 4. Three overseas plants achieved a swing back to the black in operating income.

10% or higher growth on the year, although the market in China, which had been the market leader, is now showing a slowdown in growth rates, having reached a mature stage.

Under such circumstances, to increase orders received, the Group actively executed sales and marketing countermeasures, focusing on automobile makers, to acquire new customers and expand orders from existing customers, as well as proposals for new products designed for Advanced Driver Assistance Systems (ADAS), such as high-heat dissipation PCBs and high-frequency PCBs. As a result, the Company achieved stable sales growth. Furthermore, the smartphone-related business posted strong sales performance, which was attributed to favorable orders received due to increased production by some major overseas customers, and a steady rise in the number of customers in China's markets.

Regarding production, as a result of company-wide improvement efforts, the Group resolved the issue of deteriorating production yields, which had adversely impacted operating performance significantly in the previous fiscal year. In addition, we carried out structural reforms including personnel

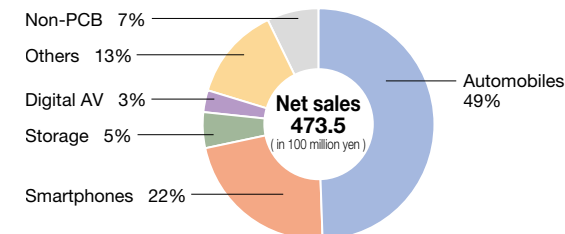
cuts publicized in August 2015 as scheduled. As a result, operating income improved appreciably.

As a consequence of organizational structural reforms and efforts to strengthen its sales base, the Company posted sales of 47.3 billion yen on a consolidated basis for the first six months of the fiscal year under review, marking a 3.1 billion yen increase compared to the same period of the previous fiscal year. Regarding profit and loss, with improvements in fixed costs and selling, general and administrative expenses, the Group marked spectacular performance gains with a record 500 million yen in operating income and a swing to profitability. However, ordinary loss and net loss attributable to owners of the parent increased compared to the corresponding period of the year earlier, largely due to negative impacts from the strength of the yen and impairment losses booked in the first quarter of the fiscal year under review.

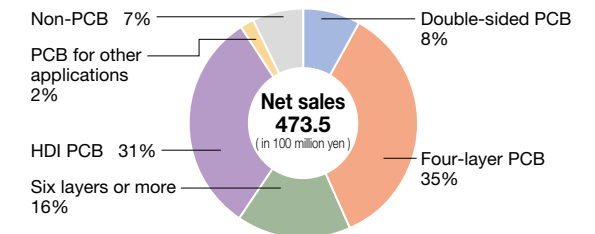
Our operating performance for the second quarter improved significantly compared to that of the first quarter, in spite of a net loss resulting from posting impairment losses. With company-wide efforts to resolve poor production yields, we improved the marginal profit ratio, quickly achieved profitability in terms of operating income at three overseas plants, and also slashed fixed costs and selling, general and administrative expenditures through the implementation of structural reforms. We believe this series of achievements will lead to the sustainable generation of earnings in the coming years.

Sales composition by PCB sales

By application :



By product :



Q2 Please tell us about Meiko Solar Park Fukushima, which was launched in this quarter?

The Meiko Solar Park Fukushima is a solar power generation facility that contributes to the region and society.

The Meiko Solar Park Fukushima is a large-scale solar power generation facility constructed within the Fukushima Plant site.

The Fukushima Plant site has about 40,000 square meters of idle land that had been planned initially for the construction of additional plant facilities. However, the Company had foregone additional construction due to the impacts of the Fukushima Daiichi Nuclear Power Plant Accidents and reconsidered how the land would be used. Given the size of the site, the Company came to the decision that using it as a solar power plant to supply renewable energy would be optimal because it would enable the Company to contribute to the region and society by reducing environmental burdens, and also support its business operations. So, the Company launched a solar power generation operation on June 10, 2015, and started selling the electricity generated to power companies.

Q3 What initiatives will you be executing in the second half of the fiscal year ending March 31, 2016?

The Company aims to achieve a rebound in operating results by increasing production globally with the focus on vehicles and smartphone-related markets, which are continuing to show strong momentum.

In the second half of the fiscal year under review, the Company forecasts, in the automobile industry, an increase in the number of vehicles sold, as well as steady growth in demand for vehicle-related products including better functions for automated driving and safety, while projecting a stable upward trend in the smartphone-related product business centered on markets in China and emerging countries.

Under these circumstances, bearing in mind the Group's basic management philosophy, "To contribute to society by providing customers with the highest value and superior service," we consider it imperative to positively address management issues, to have an accurate understanding of customer needs, and to expand our business scale globally, in order to enhance profitability. We will continue to promote the following key measures, aiming to cultivate new customers in growth markets and increase orders received from existing customers.

With respect to profitability, we worked actively to raise productivity, the top-priority issue, having had some successes that included improving poor production yields in the first half of the fiscal year under review. Keeping in our mind that these

Consolidated financial forecasts for FY2015

(in 100 million yen)

	FY2015			Results for FY2014	Year-on-year change
	Results for the first half	Forecasts for the second half	Full-year forecasts		
Net sales	473.5	457.4	931.0	909.0	22.0
Operating income	5.8	18.2	24.0	(28.7)	52.7
Ordinary income	(3.1)	7.1	4.0	10.8	(6.8)
Net income (loss) attributable to owners of parent	(100.5)	2.5	(98.0)	(95.7)	(2.3)

achievements should not be transitory, we will underscore our commitment to continuously strengthening the management base.

Q4 Please give a message to the shareholders

We will strive to maintain stable dividends and focus on 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 of the first half of the fiscal year.

We are committed to doing our utmost to carry out measures that reward the support we receive from all stakeholders and meet their expectations, as well as improve operating performance and raise our corporate value.

We look forward to your continued support and encouragement in the future.

Key business initiatives planned for the second half of FY2015 ending March 31, 2016

- 1 Completing structural reforms undertaken
- 2 Improving financial strength
- 3 Strengthening operations at Vietnam Plant
- 4 Setting target of becoming the No. 1 plant in terms of quality, costs, and delivery

Meiko's new initiative,
Meiko Solar Park Fukushima



Meiko constructed the Meiko Solar Park Fukushima within its Fukushima Plant premises with the objectives of reconstructing its Fukushima Plant following the Great East Japan Earthquake and the nuclear power plant accidents, and contributing to the region and society by reducing environmental burdens through the introduction of renewable energy. The facility started power generation in June 2015.

Meiko Solar Park Fukushima is a large-scale solar power plant, which was constructed using 40,000 square meters of idle land within the Meiko's Fukushima Plant premises at Hironomachi, Fukushima prefecture. The Company had initially planned construction of a second plant to increase the operating capacity of the existing plant, but the project was aborted due to the earthquake and nuclear power plant accidents, making the Company reconsider using the land for purposes other than plant construction. As a result, the Company came to the decision that given the size of the site and its geographical features, using it as a solar power plant to supply renewable energy would be optimal, because it would enable the Company to contribute to the region and society by reducing environmental burdens and sustaining its business operations. Consequently, the Company launched the solar power generation operation.

The solar park's generation capacity is equivalent to the power consumption of about 720 ordinary households. Through the power generation operations, the Company intends to contribute to disseminating renewable energy, which Fukushima Prefecture and Hironomachi have been promoting since the Great East Japan Earthquake, and the shaping a better global environment and sustainable society.

Outline of Solar Park Fukushima

Area	33,813 square meters
No. of solar panels	9,772 panels
Generation capacity	2,492 KW
Assumed generation capacities per year	2,600 MWh <small>(power consumption covering about 720 ordinary households)</small>
Generation start date	June 10, 2015

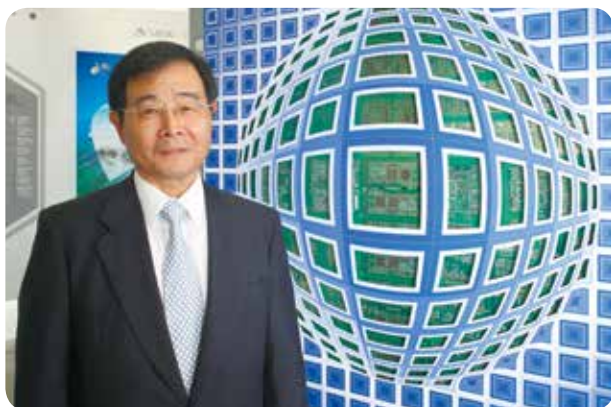
Hironomachi,
Fukushima Prefecture

Special Report : Meiko's 40-year history since its foundation

Meiko reached its 40th anniversary in November 2015 with the launch of activities to design patterns and manufacture through-hole substrates.

The Company's headquarters have been located in Ayase City, Kanagawa Prefecture since its foundation, and the business commenced there at a small factory built by renovating a hen-house with an area of about 9 tsubo (about 30 square meters).

Forty years ago when game machines using microcomputers became popular in Japan, the Company was engaged in manufacturing substrates to meet customer needs, and achieved rapid growth. In subsequent years, under a customer-centric principle, the Company undertook the manufacture of multilayer substrates having functional features at a time when demand for home-use televisions and mobile phones was high, while focusing on the manufacture of build-up substrates with a high-density wiring capability as markets faced strong demand for personal computers and smartphones.



With its listing on JASDAQ in December 2000, the Company developed its businesses with the focus on global operations. First, it constructed a mass-production plant in Guangzhou, China, and formulated a production structure capable of handling customer orders for mass production. Following the move into China, the Company successfully entered Vietnam and built a succession of new factories, achieving business expansion. As a consequence, the Company currently operates four production bases in Japan (Kanagawa, Fukushima, Yamagata, and Ishinomaki), which are tailored for quick-turn prototype products and flexible production, while having established global production structures at four manufacturing bases overseas (Guangzhou, Wuhan, Vietnam, and Thang Long), which are for mass production. Consequently, we have been operating business internationally with business partners both in Japan and overseas.

The Company's customer-centric principle has also penetrated the area of PCB development, having enabled the Company to acquire cutting-edge technologies. More recently, we developed high-current and high-heat dissipation PCBs tailored for environmentally friendly hybrid automobiles and special high-frequency PCBs designed for the latest smartphone devices. Our R&D division is also engaged in joint research through industry-academic collaborations, pursuing proprietary technologies.

We are confident that Meiko's strengths lie in having the adaptability to respond to changing environments and rapid decision-making, which have remained unchanged since its foundation. Moving forward following the 40th anniversary, we will work to contribute to our stakeholders and society by continuing to take up the challenge of striving to create "the best," which is Meiko's management philosophy, and enhancing our corporate value.

Age of Internet of Things (IoT) and Meiko

-Meiko's technologies serve diverse fields-

The Internet has conventionally been used for communication among people. In recent years, however, people have started using Internet systems by connecting physical objects to them or for communication between objects. Called the Internet of Things (IoT), these applications are rapidly becoming popular. The network of physical objects is spreading throughout the electronics industry. You will find it in a variety of items used for our daily lives ranging from automobiles and digital devices to consumer electric appliances, as well as security systems of automobiles, smartphones, and wearable devices.

With a flexible and solid technical base in various fields, Meiko focuses on promoting technologies demanded in the near future. And, in fact, it has created a number of functional products and cutting-edge technologies that are adaptable to the IoT age.

Let's take the example of PCBs used for automobiles' Advanced



Driver Assistance Systems (or ADAS). ADAS provide the following functions: stopping a car by applying an automatic brake just before a rear-end collision with another vehicle and controlling the steering so that the vehicle is prevented from drifting out of the driving lane. Among ADAS, the PCB used in the support system for preventing collisions is made from expensive materials with special high-frequency features. However, Meiko has achieved lower costs and enhanced wiring flexibility with the development of the high-frequency hybrid material PCB. It achieves this by laminating a high-frequency material and a conventional material with its proprietary technologies, and forming a non-through hole structure.

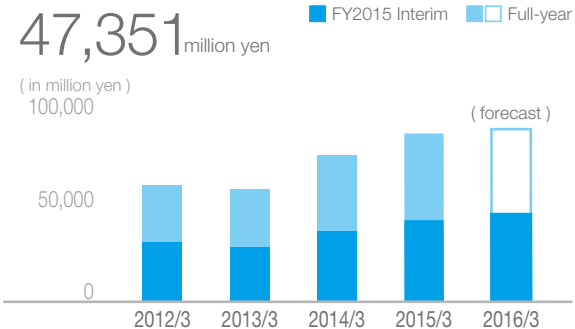
The Company has also been developing PCBs through the application of a molecule bonding technology called Molecular Direct Metalizing (MDiM) in its most recent research through industry-academic collaborations. Application of MDiM technology enables the manufacture of a super-thin flexible material PCB, which cannot be produced by conventional manufacture methods. Because the MDiM has the advantage of forming a PCB with high-speed transmission capabilities, it is a very beneficial material for communication devices such as smartphones and wearable devices.

The PCB used for the motherboard of a small communication device, such as a smartphone, is a so-called buildup PCB, which is a super-thin PCB with high-density extra-thin wiring. Meiko's primary expertise has been in manufacturing this PCB. Leveraging the buildup PCB and proprietary cutting-edge technology, we will drive the development of a future-oriented PCB, which is adaptable to the IoT age in the years to come.

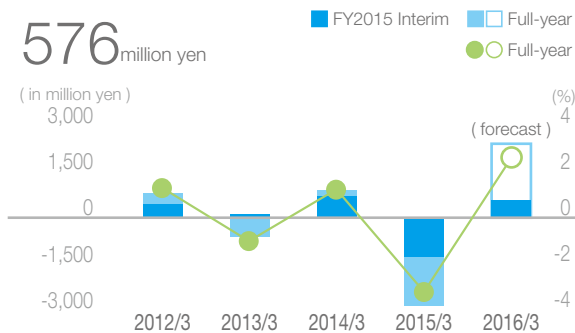


Consolidated financial data

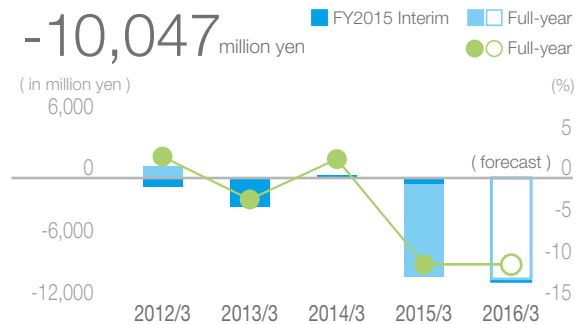
Net sales



Operating income/Operating margin



Net income*/Net margin



*Net income represents net income attributable to owners of parent.

Consolidated balance sheet

(in million yen)

	End of FY2014 (As of March 31, 2015)	At the end of the second quarter for the fiscal year under review (As of September 30, 2015)
Assets		
Current assets	51,547	51,851
Noncurrent assets	71,416	60,077
Property, plant and equipment	64,914	56,201
Intangible assets	293	264
Investments and other assets	6,208	3,611
Total assets	122,963	111,928
Liabilities		
Current liabilities	47,119	50,354
Noncurrent liabilities	37,222	34,870
Total liabilities	84,341	85,225
Net assets		
Shareholders' equity	31,354	20,845
Capital	12,888	12,888
Capital surplus	14,809	14,809
Retained earnings	4,052	(6,456)
Treasury stocks	(396)	(396)
Cumulative other comprehensive income	7,267	5,856
Valuation difference on available-for-sale securities	131	49
Deferred gains or losses on hedges	(161)	(427)
Foreign currency translation adjustment	7,453	6,442
Remeasurements of defined benefit plans	(155)	(207)
Total net assets	38,622	26,702
Total liabilities and net assets	122,963	111,928

Key points in the financial results

• Consolidated balance sheet

Total assets at the end of the second quarter of the fiscal year under review were 111,928 million yen on a consolidated basis, a decline of 11,035 million yen from the end of the previous fiscal year. Total liabilities were 85,225 million yen, an increase of 884 million yen from the end of the previous fiscal year. Net assets were 26,702 million yen, a decline of 11,919 million yen from the end of the previous fiscal year.

The primary causes of the substantial decline in total assets and net assets were impairment losses booked at the end of the first quarter of the fiscal year under review.

Consolidated statement of income

(in million yen)

	First half of the 40th term (year to date) (April 1, 2014 to Sept. 30, 2014)	First half of the 41st term (year to date) (April 1, 2015 to Sept. 30, 2015)
Net sales	44,234	47,351
Cost of sales	40,342	41,662
Gross profit	3,892	5,689
Selling, general and administrative expenses	5,154	5,112
Operating income / loss	(1,261)	576
Non-operating income	1,981	120
Non-operating expenses	689	1,005
Ordinary income / loss	29	(308)
Extraordinary income	0	29
Extraordinary losses	77	8,469
Loss before income taxes	(47)	(8,749)
Income taxes	445	1,298
Net income (loss)	(493)	(10,047)
Loss attributable to owners of parent	(493)	(10,047)

• Consolidated statement of income

Net sales amounted to 47,400 million yen, an increase of 3,100 million yen compared to the corresponding period of the previous fiscal year. In terms of profit and loss, operating income marked 576 million yen, a swing back to profitability, but the strong yen and other factors generated negative impacts, resulting in an ordinary loss of 308 million yen. Net loss attributable to owners of the parent amounted to 10,000 million yen, due mainly to the booking of extraordinary losses including an impairment loss of 8,100 million yen in fixed assets.

• Consolidated balance sheet

Net cash generated from operating activities in the first six months of the fiscal year under review was an inflow of 4,039 million yen (vs. an inflow of 923 million yen in the corresponding period of the previous fiscal year), while net cash expended on investment activities was an outflow of 932 million yen (vs. an outflow of 4,594 million yen in the same period of the previous fiscal year), resulting in a net inflow of 3,107 million yen as free cash flows.

On the other hand, cash outflows in financing activities marked 1,614 million yen (vs. cash inflows of 4,725 million yen in the same period of the previous fiscal year), mainly due to repayments of borrowings. However, total cash flows posted an inflow of 1,704 million yen, showing a recovery in financial strength toward profitability.

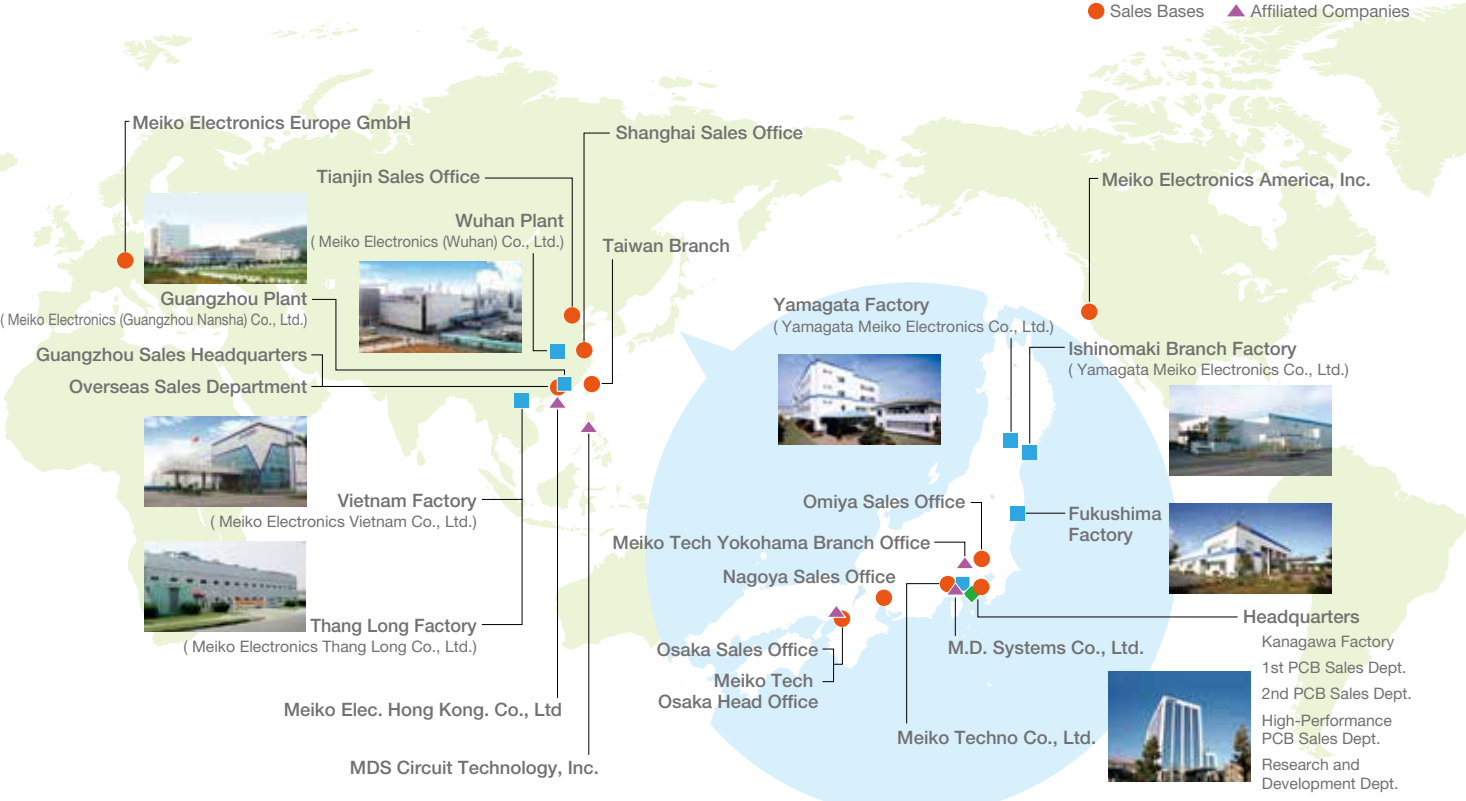
Consolidated statement of cash flows

(in million yen)

	First half of the 40th term (year to date) (April 1, 2014 to Sept. 30, 2014)	First half of the 41st term (year to date) (April 1, 2015 to Sept. 30, 2015)
Net cash generated from operating activities	923	4,039
Net cash expended in investment activities	(4,594)	(932)
Net cash generated from financing activities	4,725	(1,614)
The effect of changes in the exchange rate on cash and cash equivalents	344	(151)
Net increase (decrease) in cash and cash equivalents	1,398	1,340
Cash and cash equivalents at the beginning of the period	8,759	9,490
Net increase (decrease) in cash or cash equivalents due to change in scope of consolidation	—	363
Cash and cash equivalents at the end of the period	10,157	11,194

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	10,007 (consolidated) (Japan: 807) (overseas: 9,200)
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	Maren 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 Techno Co., Ltd.	Auxiliary electronics business
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

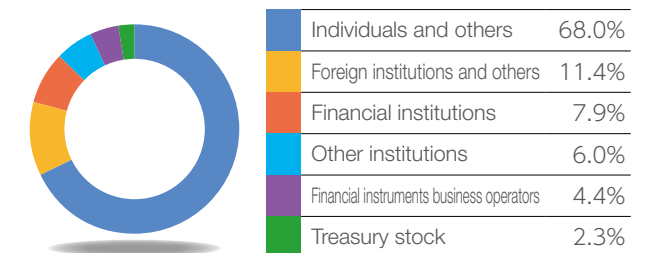
Number of Shares Authorized	63,200,000shares
Number of Shares Issued	26,174,076shares (excluding treasury stock of 629,244 shares)
Number of Shareholders	6,537

Principal Shareholders

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,700	18.0
PLEASANT VALLEY	631	2.4
Meiko Kosan Co., Ltd.	608	2.3
Yuho, Ltd.	521	2.0
Haruyuki Naya	488	1.9
Seiichi Naya	442	1.7
SBI SECURITIES Co., Ltd.	427	1.6
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	412	1.6
Tatsuo Kagawa	408	1.6
HILLCREST, L. P.	379	1.5

*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
Administrator of shareholders register and special account management institution	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Handling office of Administrator of shareholders register	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan 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

Stock exchange	JASDAQ (Standard), Tokyo Stock Exchange
Method of public notice	Electronic public notice in our official page In the event of an 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

Enquiries concerning shareholdings:

- Shareholders who need to update information on shareholdings, including change of address and method of receiving dividends, are advised to contact the securities companies where securities accounts are held.
- Shareholders who do not have accounts with securities companies and need to process payments of dividends are advised to contact Sumitomo Mitsui Trust Bank, Limited, as stated to the left.

Introduction to 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.

Meiko

Search 

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

MEIKO ELECTRONICS CO., LTD.

Headquarters 5-14-15, Ogami, Ayase, Kanagawa 252-1104, Japan
Tel: 0467 (76) 6001 (switchboard)
URL: <http://www.meiko-elec.com/>

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.

**UD
FONT**



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