

42nd Interim

(From April 1, 2016 to September 30, 2016)

MEIKO ELECTRONICS CO., LTD.

Securities code: 6787

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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 42st fiscal term (year ending March 31, 2017) to explain the business conditions of the first half period ended September 30 and our future business strategy.

President & CEO **Yuichiro Naya**

Summary of consolidated operating results for the first half of FY2016

(in 100 million yen)

	Results for the first half of FY 2016	Results for the first half of FY2015	Year-on-year change
Net sales	457.4	473.5	(16.1)
Operating income	26.6	5.8	+20.8
Ordinary income	1.4	(3.1)	+4.5
Net loss attributable to owners of parent	(3.8)	(100.5)	+96.7

We will continue to that provides the best

Q1 Would you describe the business environment and operating results for the first six months of the fiscal year under review?

Both sales and operating income marked strong growth, but ordinary income was adversely affected by foreign exchange losses due to the strong yen.

Within the business environment surrounding the Meiko Group, the U.S. economy has been underpinned by a solid expansion of employment and growth of household consumption, while Europe's economy has recorded moderate growth with a recovery of consumer spending supported by a market view that the impact of the U.K.'s decision to leave the European Union will be minor for the time being. In Asian countries, centered on China, concerns about a substantial economic downturn have been waning due to the Chinese government's initiatives to address its structural problems and take financial measures. Japan's economy was on the moderate recovery trend backed by growth in consumer spending and improved corporate earnings, among other factors. However, corporations revised forecasts downward, driven by the surging yen and other negative factors that cast a

The following is a summary of the financial results for the first half of FY2016 and key points.

Summary	<ol style="list-style-type: none"> 1. Despite strong sales growth, yen-based net sales stood at 45,700 million yen, a 3.4% decline year-on year, due to a surge in the value of yen. 2. Operating income marked 2,660 million yen, an increase of 2,080 million yen year on year (460%), which is attributable to increased orders received. 3. Interest-bearing debts decreased 5,300 million yen from the end of the previous fiscal year.
Key points	<ol style="list-style-type: none"> 1. Sales of substrates for vehicles remained firm, supported by market momentum. 2. Sales of substrates for smartphones posted spectacular growth due to increased orders from major customers. 3. Ordinary income was adversely affected by foreign exchange losses caused by the strong yen, which has persisted since the beginning of the year. 4. Earnings increased and positive free cash flows remained firm.

meet needs as the PCB manufacturer value and services.

shadow of uncertainty over the economic outlook.

In the automobile industry, one of the Meiko Group's main business partners, the market remained firm on the back of globally strong demand for automobiles and increasing use of electronics with expectations for safe driving applications and further advances in automated operation. In the smartphone industry, growth slowed in the global market, while markets centered on emerging countries maintained strong momentum. The market in China sees signs of change such as the emergence of several makers as leading players amidst manufacturing overcapacity.

Under such a market situation, the Meiko Group achieved sales growth by executing measures that responded adequately to increased demand for substrates, based on solid demand for vehicles mainly in the U.S. and China, and proactively enhancing sales of new products for advanced driver assistance systems (ADAS). Sales of substrates for smartphones also marked strong performance, which was attributable to increased orders from global customers and a growing number of manufacturers in the Chinese market.

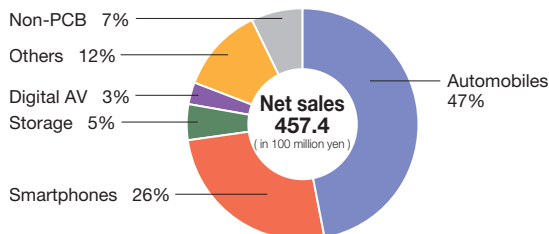
In terms of production and management, the Group has been

strengthening its management structure through structural reforms which started from 2014, improving yield, reducing fixed costs and sales and administrative expenses, and taking other measures. In the first quarter of the fiscal year under review, although the Group experienced ordinary losses due to a decline in net sales caused by the yen's strength, which continued from the beginning of the year, and foreign exchange losses, a boost in sales during the following quarter and the positive effects of structural reforms returned ordinary income to profitability on a six-month accumulated basis during the second quarter of the fiscal year under review.

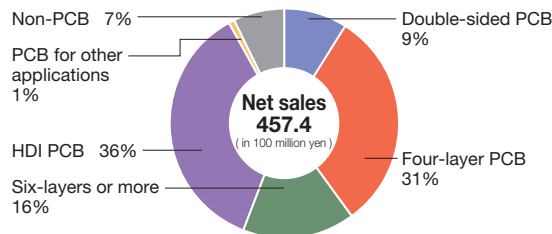
As a result, the Group posted net sales of 45,741 million yen on a consolidated basis for the first six months of the fiscal year under review, marking a 1,609 million yen decrease (or a 3.4% decline) year on year. Regarding profit and loss, the Group logged operating income of 2,663 million yen (or a 361.8% increase year on year), ordinary income of 142 million yen (ordinary loss of 308 million yen in the same period of the previous fiscal year), and quarterly loss attributable to owners of parent of 383 million yen (quarterly loss attributable to owners of parent of 10,047 million yen during the same period of the previous fiscal year).

Sales composition by PCB sales

By application :



By product :



Q 2 Would you outline the plan for strengthening production bases in Vietnam and what the plan will achieve?

The Meiko Group aims to strengthen its manufacturing structure targeting growth businesses such as automobiles, smartphones, and modules.

We will strengthen the production structure of two manufacturing subsidiaries based in Vietnam—Meiko Electronics Vietnam Co., Ltd. (Thach That Plant) and Meiko Electronics Thang Long Co., Ltd. (Thang Long Plant). The manufacturing facility for smartphone products has been operating at full capacity, supported by favorable orders, and order volume is expected to increase further in the coming years. Regarding in-vehicle products, we aim to acquire more customers by targeting companies based in Europe and the U.S., in addition to existing subsidiaries of Japanese companies; therefore, we foresee a shortage of production capacity.

Furthermore, we plan to reinforce the flexible printed circuit (FPC) business and the electronics manufacturing service (EMS) business with the main operating bases located in Vietnam. In addition to the Guangzhou Plant and the Wuhan Plant in China, positioning these two plants in Vietnam as strategic hubs to perform business globally, we will emphasize capital investment.

Q 3 What is your forward-looking view of the business environment and what initiatives will you take in the second half of the fiscal year under review?

We will launch the next growth strategy targeting the automobile market, which continues to have growth potential, and the smartphone market, which should get onto a stable track.

Given the business environment in the second half of the fiscal year under review, the global market for smartphone products is reaching a plateau, while emerging markets continue to grow. In such a situation, two companies, one based in South Korea and the other based in the U.S., dominate the market. In the Chinese market, where there had been several hundred smartphone makers that gradually faded away, three companies with particularly large market shares stand out as top players. This tells us that the market in China is shifting from a chaotic situation to stability. The Meiko Group achieved significant growth in both sales and profits through transactions with these leading market players. Emphasizing relationships with them, the Group will strive to expand sales of high added-value substrates designed for smartphones, aiming to secure stable sales and profits.

The automobile market has remained firm. In addition to the

Consolidated financial forecasts for FY2016

(in 100 million yen)

	Results for the first half of FY 2016			Results for FY2015	Year-on-year change
	Results for the first half	Forecasts for the second half	Full-year forecasts		
Net sales	457.4	454.6	912.0	952.8	(40.8)
Operating income	26.6	17.4	44.0	33.3	10.7
Ordinary income	1.4	13.6	15.0	(4.9)	19.9
Net income (loss) attributable to owners of parent	(3.8)	14.8	11.0	(112.5)	123.5

expanding hybrid vehicle and electric vehicle segment, the market is growing in a direction toward the application of ADAS systems, safe driving, and automated operation in the future. Following that direction, we take the view that various functions will be mounted on vehicles and the market for manufactured electronic circuit substrates will grow correspondingly. The Group is proactively researching and developing substrates that are suitable for various functions demanded by the new market in future, as well as offering suggestions to customers. Our pipeline has a variety of substrates. These include substrates already manufactured in large volumes, substrates that will be ready for mass production in a few years, substrates under joint development with customers, and substrates at the proposal stage.

Since the Great East Japan Earthquake, the Group's operating performance had remained sluggish due to various factors, which caused considerable concerns to shareholders. However, it has got back onto a recovery track since last year, supported by the positive effects of structural reforms and the strengthening of production capacity undertaken positively by the entire Group. We will move forward as we enter the next path of growth.

Future business environment:

- In the emerging market for smartphone products, manufacturers in China, in addition to the two global leading players, are becoming prominent.
- In the automobile market, new technologies were launched that targeted safe driving, automated operation, etc....based on solid growth in existing markets.



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Please give a message to shareholders.

We will do our utmost across the Group to achieve a stable dividend distribution for shareholders and focus on improving sustainable corporate value.

Given the Group's financial results for the second quarter of the fiscal year under review, we have examined each item of net assets that are available sources of dividends. Consequently, we regret that we will not pay an interim dividend for the fiscal year under review.

We would sincerely appreciate it if our shareholders would understand our decision.

Regarding the year-end dividend for the fiscal year ending March 31, 2017, we will announce our decision when the prospects for operating performance in the coming months are confirmed.

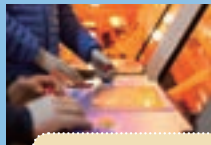
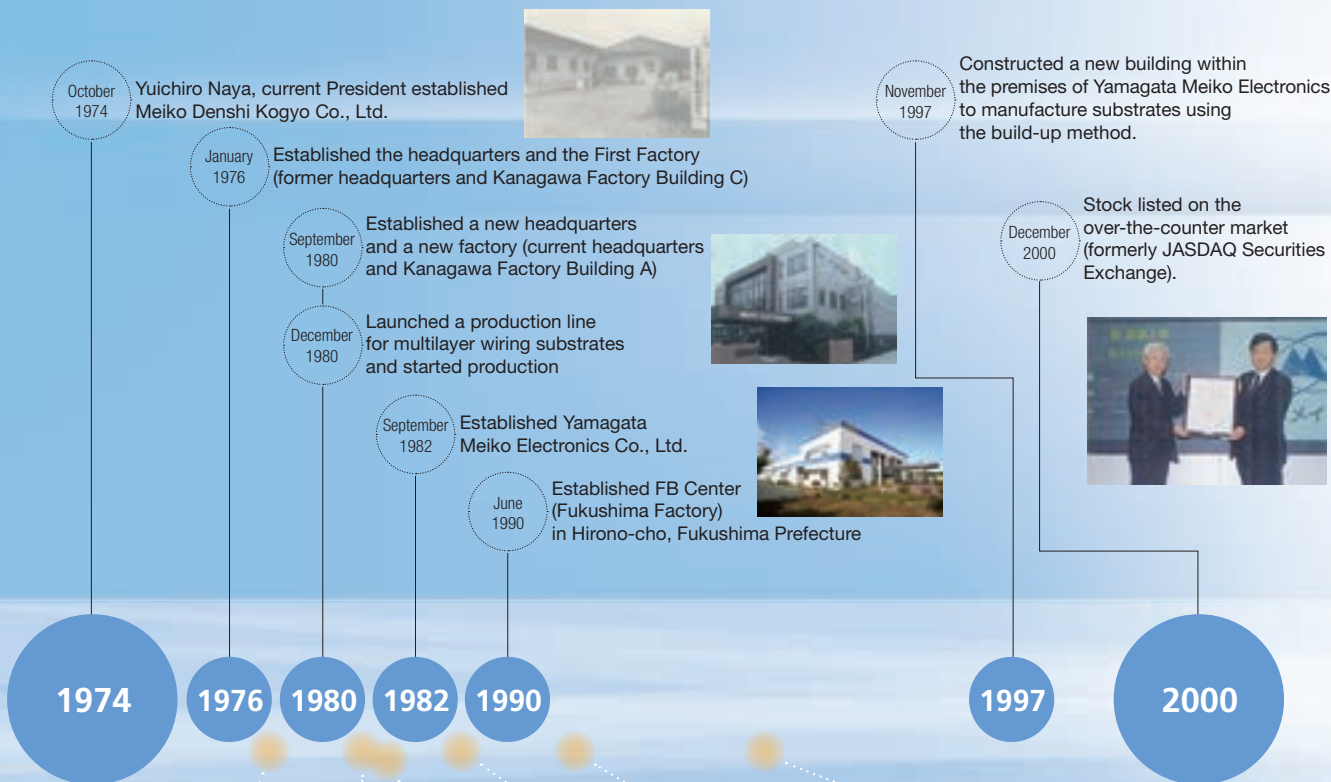
In response to the support and expectations of shareholders and all other stakeholders, the Meiko Group is committed to doing its utmost to carry out measures for the next growth strategy and to improve sustainable corporate value.

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

Key points for improving business in the latter half of the fiscal year under review:

- Strengthening the manufacturing structure with the focus on businesses and products with growth potential
- Assuring sustainable growth in the substrate business targeting smartphone products
- Acquiring more customers for supplying in-vehicle substrates, and developing new business fields

MEIKO – 40 YEARS OF PROGRESS



The Space Invaders arcade game became extremely popular. Meiko released double-sided substrates designed for game machines.

Demand for private automobiles rose, supported by high economic growth. Released double-sided substrates and multilayer through substrates designed for automobiles.

A multi-function printer incorporating facsimile functions into a copy machine debuted in the market. Meiko released multilayer through substrates designed for multi-function printers.

Super Famicom (Nintendo) and other home video game consoles became huge hits. Meiko released multilayer through substrates.

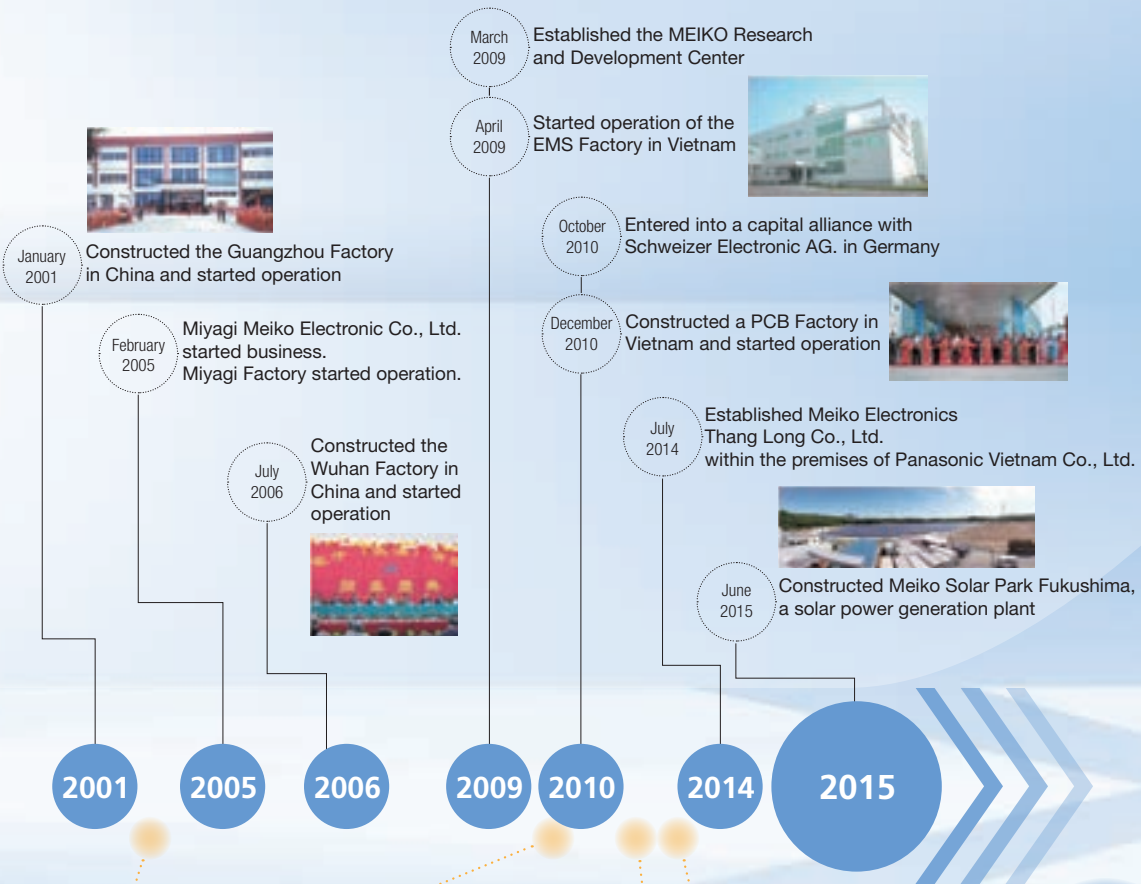


Digital video cameras were released by Matsushita Electric Industrial Co., Ltd. Meiko launched small multilayer through substrates designed for digital video cameras.

MOVA, a mobile wireless telephone device, was released in the market. Meiko released small multilayer through substrates designed for mobile wireless phones.



Meiko will move ahead toward the future.



To the future

Demand for smartphones rose. Meiko released 10-layer multilayer substrates designed for smartphones.



In conjunction with the launch of terrestrial digital broadcasting, demand for flat-screen TVs rose. Meiko released build-up substrates designed for flat-screen TVs.



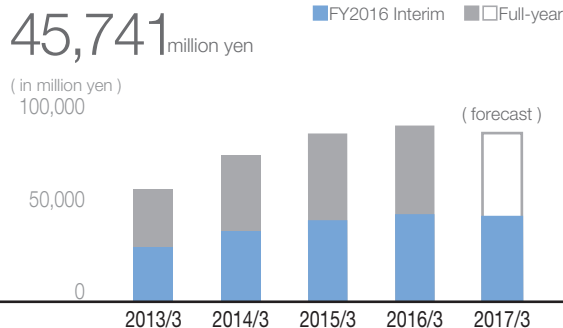
Demand for environmentally friendly vehicles increased. Meiko released thick copper substrates suitable for high currents for use in hybrid automobiles and electric vehicles.



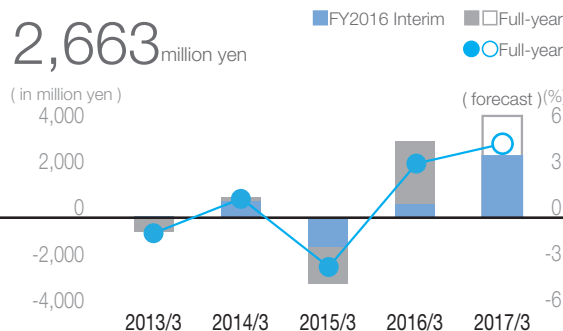
Demand for LED lighting increased. Meiko released aluminum substrates with high heat dissipation for LED lighting.

The Meiko Group possesses advanced technologies and broad experience ranging from substrates for automobiles to substrates for smartphones, and is capable of meeting demand for the next generation of the Internet of Things (IoT) and automated operation by applying integrated technologies. Leveraging cutting-edge technologies and new ideas, we will contribute to creating a better society.

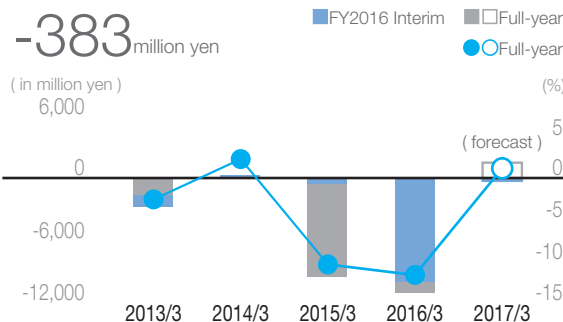
Net sales



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 FY2015 (As of March 31, 2016)	At the end of the second quarter for the fiscal year under review (As of September 30, 2016)
Assets		
Current assets	55,329	55,346
Noncurrent assets	54,275	47,282
Property, plant and equipment	50,733	44,129
Intangible assets	212	223
Investments and other assets	3,329	2,929
Total assets	109,605	102,628
Liabilities		
Current liabilities	41,990	43,043
Noncurrent liabilities	38,851	33,953
Total liabilities	80,841	76,997
Net assets		
Shareholders' equity	24,578	24,194
Capital	12,888	12,888
Capital surplus	19,745	11,745
Retained earnings	(7,659)	(43)
Treasury stocks	(396)	(396)
Cumulative other comprehensive income	3,925	1,193
Valuation difference on available-for-sale securities	32	(38)
Deferred gains or losses on hedges	(337)	(236)
Foreign currency translation adjustment	4,475	1,690
Remeasurements of defined benefit plans	(246)	(221)
Non-controlling interests	260	243
Total net assets	28,764	25,631
Total liabilities and net assets	109,605	102,628

Key points in the financial results

• Consolidated balance sheet

Total assets stood at 102,628 million yen, a decline of 6,976 million yen from the end of the previous fiscal year. The decline was mainly due to a decrease of 514 million yen in cash and deposits of current assets, an increase of 604 million yen in inventories, and a decline of 6,604 million yen in property, plant and equipment.

Total liabilities amounted to 76,997 million yen, a decline of 3,844 million yen from the end of the previous fiscal year. The decline is mainly attributed to a reduction of 700 million yen in the current portion of long-term loans payable and a decline of 4,736 million yen in long-term loans payable in fixed liabilities, which offset an increase of 1,107 million yen in notes and accounts payable-trade.

Net assets were 25,631 million yen, a decline of 3,132 million yen from the end of the previous

Consolidated statement of income

(in million yen)

	First half of the 41st term (year to date) (April 1, 2015 to Sept. 30, 2015)	First half of the 42st term (year to date) (April 1, 2016 to Sept. 30, 2016)
Net sales	47,351	45,741
Cost of sales	41,662	38,053
Gross profit	5,689	7,688
Selling, general and administrative expenses	5,112	5,024
Operating income	576	2,663
Non-operating income	120	472
Non-operating expenses	1,005	2,993
Ordinary income / loss	(308)	142
Extraordinary income	29	—
Extraordinary losses	8,469	59
Loss before income taxes	(8,749)	82
Income taxes	1,298	458
Net income (loss)	(10,047)	(376)
Profit attributable to non-controlling interests	—	7
Loss attributable to owners of parent	(10,047)	(383)

fiscal year, mainly due to a reduction of 2,785 million yen in foreign currency translation adjustment. A total of 8,000 million yen was transferred from the legal capital surplus to other retained earnings, and 8,000 million yen was transferred from other retained earnings to retained earnings brought forward in accordance with a resolution of the annual general shareholders' meeting held on June 28, 2016.

• Consolidated statement of income

Net sales on a consolidated yen basis declined 1,600 million yen from the same period of the previous fiscal year to 45,700 million yen due to the negative impacts of the strong yen, which have persisted since the beginning of the year, although sales of products for vehicles and smartphones remained firm.

Despite the negative impacts on profit/loss of the strong yen, operating income marked

Consolidated statement of cash flows

(in million yen)

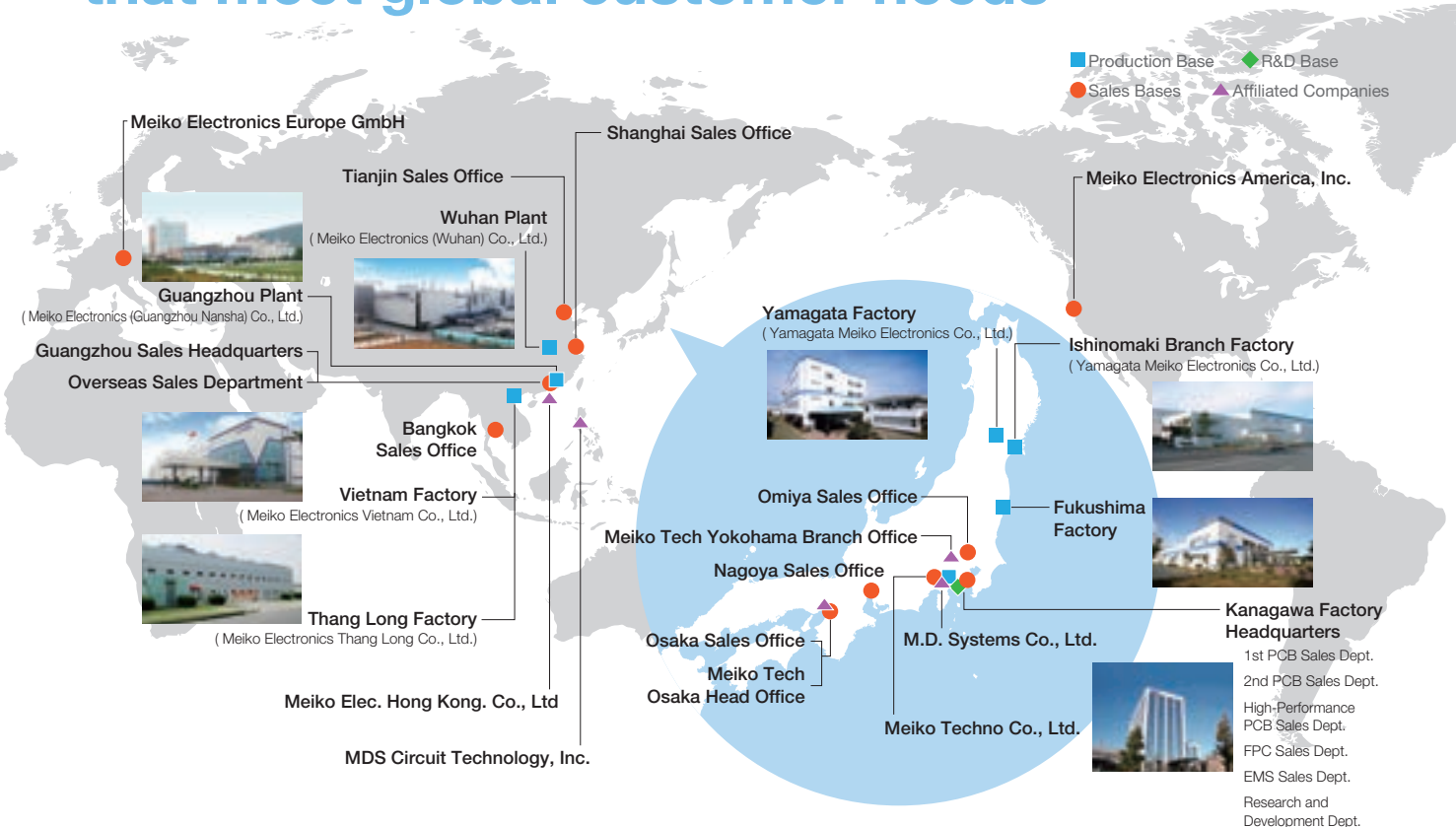
	First half of the 41st term (year to date) (April 1, 2015 to Sept. 30, 2015)	First half of the 42st term (year to date) (April 1, 2016 to Sept. 30, 2016)
Net cash generated from operating activities	4,039	3,453
Net cash expended in investment activities	(932)	(1,169)
Net cash generated from financing activities	(1,614)	(1,853)
The effect of changes in the exchange rate on cash and cash equivalents	(151)	(947)
Net increase (decrease) in cash and cash equivalents	1,340	(517)
Cash and cash equivalents at the beginning of the period	9,490	19,312
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	11,194	18,795

2,600 million yen, 4.6 times greater than the result for the same period of the previous fiscal year, achieving a significant improvement. This was attributable to a substantial increase in net sales and positive effects from a series of measures carried out since 2014 to improve management strength. As a consequence, ordinary income returned to profitability.

• Consolidated statement of cash flows

Net cash generated from operating activities was an inflow of 3,453 million yen, while net cash expended on investment activities was an outflow of 1,169 million yen. The outflow was mainly due to the acquisition of property, plant and equipment. Cash outflows in financing activities marked 1,853 million yen, which was due to repayments of 6,101 million yen in long-term loans payable, an inflow of 1,152 million yen in short-term loans payable and an inflow of 2,887 million yen in long-term loans payable.

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



MANAGEMENT VOICE

VOL. 1

Hitoshi Iyomoto,

Audit & Supervisory Board Member
(Standing)

Anticipating the sound and sustainable growth of the Meiko Group, I have focused on audits and advice centered on workplaces and candid exchanges with management. After experiencing significant ups and downs over the past several years, the Group has seen a steady recovery of operating performance since the beginning of the fiscal year under review. We consider this to be attributable to structural reforms, on which Production, Sales, and Administration Departments focused their joint efforts. The Group is also taking appropriate countermeasures for issues in the internal control system which I have been monitoring as an Audit & Supervisory Board Member.

I will continue working with the management team to ensure that the Group increases its corporate value and meets shareholders' expectations. Your continued support would be much appreciated.



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	10,453 (consolidated) (Japan: 792) (overseas: 9,661)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives (as of June 28, 2016)

President & CEO	Yuichiro Naya
Director	Seiichi Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director	Maren Schweizer
Director	Yoon Ho, Shin
Director	Hajime Nakano
Audit & Supervisory Board Member (Standing)	Hitoshi Iyomoto
Audit & Supervisory Board Member	Arifumi Sunada
Audit & Supervisory Board Member	Takashi Harada

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	(Common Stock)	70,000,000 shares
	(Class-A preferred Stock)	50 shares
Number of Shares Issued	(Common Stock)	26,174,076 shares
	(excluding treasury stock of 629,244 shares)	
	(Class-A preferred Stock)	50 shares
Number of Shareholders	(Common Stock)	5,689
	(Class-A preferred Stock)	1

Principal Shareholders

(Common Stock)

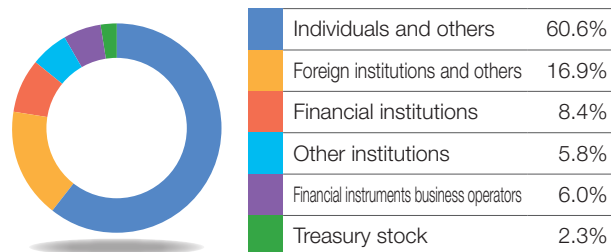
Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
YUICHIRO NAYA	4,702	18.0
GOLDMAN SACHS INTERNATIONAL	705	2.7
PLEASANT VALLEY	631	2.4
MEIKO KOSAN CO., LTD.	608	2.3
YUHO, LTD.	521	2.0
HARUYUKI NAYA	488	1.9
BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	476	1.8
SEIICHI NAYA	444	1.7
TATSUO KAGAWA	417	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.

(Class-A preferred Stock)

Name of Shareholder	Number of Shares held (thousands of shares)	% of shares held
Chiiki Chukakukigyo Kasseika Fund	50	100.0

Shareholding Structure (Common Stock)



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
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Transfer Office	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Contact	Tel : +81-3-3323-7111
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.

The homepage
has been
redesigned.



TOP page



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.