

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

*For the second quarter and six months ended September 30, 2014*

**(ENGLISH TRANSLATION)**

NOTE:

This document is an excerpt translation of the Quarterly Report (“Shihanki Houkokusho”) of Meiko Electronics Co., Ltd. (the “Company”), for the second quarter and six months ended September 30, 2014, filed with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan pursuant to the Financial Instruments and Exchange Law of Japan on November 13, 2014.

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 “Regulation for Terminology, Forms and Preparation 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 second quarter (July 1, 2014 - September 30, 2014), and those for the six months ended September 30, 2014, were reviewed by KPMG AZSA LLC, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law of Japan.

# 1 Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	March 31, 2014	September 30, 2014	U.S. dollars
			September 30, 2014
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 8,978	¥ 10,376	\$ 94,804
Notes and accounts receivable-trade	17,543	21,876	199,875
Merchandise and finished goods	4,573	5,373	49,095
Work in process	2,604	3,059	27,949
Raw materials and supplies	4,424	5,169	47,230
Other	4,633	5,851	53,447
Allowance for doubtful accounts	(15)	(16)	(146)
Total current assets	42,740	51,688	472,254
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	27,791	28,809	263,214
Machinery, equipment and vehicles, net	29,927	32,137	293,620
Land	1,702	1,702	15,552
Construction in progress	7,335	7,152	65,343
Other, net	824	1,522	13,907
Total property, plant and equipment	67,579	71,322	651,636
Intangible assets	455	422	3,859
Investments and other assets	*1 4,653	*1 5,416	*1 49,486
Total non-current assets	72,687	77,160	704,981
Total assets	¥ 115,427	¥ 128,848	\$ 1,177,235

	Millions of yen		Thousands of
	March 31, 2014	September 30, 2014	U.S. dollars
<b>Liabilities</b>			<b>September 30, 2014</b>
Current liabilities			
Notes and accounts payable-trade	¥ 9,933	¥ 15,189	\$ 138,774
Short-term loans payable	8,362	16,564	151,341
Current portion of long-term loans payable	11,867	12,797	116,919
Income taxes payable	165	431	3,940
Provision for bonuses	500	502	4,591
Other	6,083	5,824	53,213
<b>Total current liabilities</b>	<b>36,910</b>	<b>51,307</b>	<b>468,778</b>
Non-current liabilities			
Long-term loans payable	29,216	26,966	246,379
Provision for directors' retirement benefits	261	239	2,184
Net defined benefit liability	1,942	2,008	18,345
Other	2,390	2,628	24,013
<b>Total non-current liabilities</b>	<b>33,809</b>	<b>31,841</b>	<b>290,921</b>
<b>Total liabilities</b>	<b>70,719</b>	<b>83,148</b>	<b>759,699</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock	12,889	12,889	117,757
Capital surplus	14,810	14,810	135,313
Retained earnings	13,756	13,131	119,983
Treasury shares	(396)	(396)	(3,621)
<b>Total shareholders' equity</b>	<b>41,059</b>	<b>40,434</b>	<b>369,432</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	98	45	407
Deferred gains or losses on hedges	(82)	(114)	(1,046)
Foreign currency translation adjustment	3,766	5,458	49,868
Remeasurements of defined benefit plans	(133)	(123)	(1,125)
<b>Total accumulated other comprehensive income</b>	<b>3,649</b>	<b>5,266</b>	<b>48,104</b>
<b>Total net assets</b>	<b>44,708</b>	<b>45,700</b>	<b>417,536</b>
<b>Total liabilities and net assets</b>	<b>¥ 115,427</b>	<b>¥ 128,848</b>	<b>\$ 1,177,235</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Six Months Ended September 30, 2014**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2013	Six months ended September 30, 2014	U.S. dollars Six months ended September 30, 2014
Net sales	¥ 37,724	¥ 44,235	\$ 404,155
Cost of sales	32,736	40,343	368,594
Gross profit	4,988	3,892	35,561
Selling, general and administrative expenses	*1 4,296	*1 5,154	*1 47,090
Operating income (loss)	692	(1,262)	(11,529)
Non-operating income			
Interest income	8	16	148
Dividend income	15	18	163
Foreign exchange gains	847	1,874	17,120
Other	110	74	672
Total non-operating income	980	1,982	18,103
Non-operating expenses			
Interest expenses	447	482	4,400
Other	243	208	1,903
Total non-operating expenses	690	690	6,303
Ordinary income	982	30	271
Extraordinary income			
Gain on sales of non-current assets	2	0	4
Compensation income	160	—	—
Total extraordinary income	162	0	4
Extraordinary losses			
Loss on sales and retirement of non-current assets	166	70	636
Impairment loss	62	—	—
Loss on valuation of investment securities	—	8	75
Total extraordinary losses	228	78	711
Income (loss) before income taxes	916	(48)	(436)
Income taxes	680	446	4,075
Income (loss) before minority interests	236	(494)	(4,511)
Net income (loss)	¥ 236	¥ (494)	\$ (4,511)

**Consolidated Statements of Comprehensive Income**  
**For the Six Months Ended September 30, 2014**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2013	Six months ended September 30, 2014	U.S. dollars Six months ended September 30, 2014
Income (loss) before minority interests	¥ 236	¥ (494)	\$ (4,511)
Other comprehensive income			
Valuation difference on available-for-sale securities	35	(53)	(486)
Deferred gains or losses on hedges	74	(33)	(299)
Foreign currency translation adjustment	1,707	1,692	15,461
Remeasurements of defined benefit plans, net of tax	—	10	91
Total other comprehensive income	1,816	1,616	14,767
Comprehensive income	2,052	1,122	10,256
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 2,052	¥ 1,122	\$ 10,256
Comprehensive income attributable to minority interests	—	—	—

**(3) Consolidated Statements of Cash Flows**  
**For the Six Months Ended September 30, 2014**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2013	Six months ended September 30, 2014	U.S. dollars Six months ended September 30, 2014
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes	¥ 916	¥ (48)	\$ (436)
Depreciation	2,974	3,279	29,955
Impairment loss	62	—	—
Increase (decrease) in allowance for doubtful accounts	1	1	10
Increase (decrease) in provision for bonuses	8	2	19
Increase (decrease) in provision for directors' retirement benefits	—	(22)	(201)
Increase (decrease) in provision for retirement benefits	105	—	—
Increase (decrease) in net defined benefit liability	—	82	745
Interest and dividend income	(24)	(34)	(311)
Loss (gain) on valuation of investment securities	—	8	75
Interest expenses	447	482	4,400
Foreign exchange losses (gains)	(929)	(1,748)	(15,972)
Loss (gain) on sales and retirement of property, plant and equipment	164	69	632
Compensation income	(160)	—	—
Decrease (increase) in notes and accounts receivable-trade	(3,730)	(3,693)	(33,741)
Decrease (increase) in inventories	(1,809)	(1,352)	(12,353)
Increase (decrease) in notes and accounts payable-trade	1,246	4,477	40,904
Decrease (increase) in other assets	(112)	(413)	(3,763)
Increase (decrease) in other liabilities	152	472	4,317
Subtotal	(689)	1,562	14,280
Interest and dividend income received	24	34	311
Interest expenses paid	(462)	(488)	(4,463)
Proceeds from compensation	160	—	—
Proceeds from subsidy income	500	—	—
Income taxes paid	(983)	(185)	(1,694)
Net cash provided by (used in) operating activities	(1,450)	923	8,434
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(2,101)	(3,772)	(34,462)
Proceeds from sales of property, plant and equipment	41	2	15
Purchase of intangible assets	(56)	(19)	(177)
Purchase of investment securities	(163)	(936)	(8,549)
Purchase of insurance funds	(8)	(5)	(43)
Proceeds from maturity of insurance funds	357	92	840
Other, net	93	43	398
Net cash provided by (used in) investing activities	(1,837)	(4,595)	(41,978)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	803	7,697	70,324
Proceeds from long-term loans payable	9,836	3,463	31,636
Repayments of long-term loans payable	(6,949)	(6,051)	(55,281)
Repayments of installment payables	(66)	(213)	(1,950)
Cash dividends paid	(0)	(130)	(1,192)
Other, net	—	(40)	(363)
Net cash provided by (used in) financing activities	3,624	4,726	43,174
Effect of exchange rate change on cash and cash equivalents	175	344	3,144
Net increase (decrease) in cash and cash equivalents	512	1,398	12,774
Cash and cash equivalents at beginning of period	8,788	8,759	80,029
Cash and cash equivalents at end of period	*1 ¥ 9,300	*1 ¥ 10,157	*1 \$ 92,803

## **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 Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥109.45 to \$1, the approximate rate of exchange at September 30, 2014. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### Change in Accounting Policies

Effective from the three-month period ended June 30, 2014, the Company and its consolidated domestic subsidiaries have applied article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued on May 17, 2012 (hereinafter, the “Statement No. 26”)) and article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012 (hereinafter, the “Guidance No. 25”)), based on which the calculation methods for retirement benefit obligations and service costs have been changed. The period attribution method for estimated retirement benefits has been changed from the straight-line basis to the benefit formula basis. And the method of determining the discount rate has been revised from applying the number of years close to employees’ average remaining service period as the remaining period of the bond based on which the discount rate is determined, to using the single weighted-average discount rate that takes into account the assumed payment period of retirement benefits and the amount of each assumed payment period.

These revisions have no impact on retained earnings and income and loss at the beginning of the six-month period ended September 30, 2014.

### Specific Accounting Treatments Adopted in Preparing the Quarterly Consolidated Financial Statements

Six months ended September 30, 2014

#### Computation of Tax Expense

Tax expenses are calculated by reasonably estimating the effective tax rate after the adoption of tax-effect accounting that is applicable to income before income taxes for the fiscal year ending March 31, 2015, and multiplied by this estimated effective tax rate.



## Consolidated Balance Sheets

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

	Millions of yen		Thousands of
	March 31, 2014	September 30, 2014	U.S. dollars
Investments and other assets	¥ 21	¥ 21	\$ 193

2 Discounted notes receivable are summarized below:

	Millions of yen		Thousands of
	March 31, 2014	September 30, 2014	U.S. dollars
Discounted notes receivable—trade	¥ 38	¥ 50	\$ 456

## Consolidated Statements of Income

\*1 Main items and corresponding amounts recorded as selling, general and administrative expenses are shown below:

	Millions of yen		Thousands of
	Six months ended September 30, 2013	Six months ended September 30, 2014	U.S. dollars
Salaries, allowances, and other salaries	¥ 866	¥ 997	\$ 9,111
Research and development expenses	460	439	4,014
Provision for bonuses	111	118	1,075
Provision of allowance for doubtful accounts	0	0	2
Retirement benefit expenses	52	66	604

## Consolidated Statements of Cash Flows

\*1 The relationship between cash and cash equivalents as of September 30, 2014, and the amounts shown on the Consolidated Balance Sheets is shown below:

	Millions of yen		Thousands of
	Six months ended September 30, 2013	Six months ended September 30, 2014	U.S. dollars
Cash and deposits	¥ 9,519	¥ 10,376	\$ 94,804
Time deposits with tenors exceeding 3 months	¥ (219)	¥ (219)	\$ (2,001)
Cash and cash equivalents	¥ 9,300	¥ 10,157	\$ 92,803

Total Shareholders' Equity

Six months ended September 30, 2013

1 Cash dividends paid

Not applicable

2 Of the dividends whose record date falls during the six months ended September 30, 2013, those dividends whose effective date fell after the last day of the second quarter

Resolution

Board meeting on November 8, 2013

Type of shares .....	Common stock
Total dividends (Millions of yen) .....	94
Dividend per share (Yen) .....	5.00
Record date .....	September 30, 2013
Effective date .....	November 29, 2013
Dividend resource .....	Retained earnings

Six months ended September 30, 2014

1 Cash dividends paid

Resolution

Board meeting on May 28, 2014

Type of shares .....	Common stock
Total dividends (Millions of yen) .....	131
Dividend per share (Yen) .....	5.00
Record date .....	March 31, 2014
Effective date .....	June 12, 2014
Dividend resource .....	Retained earnings

2 Of the dividends whose record date falls during the six months ended September 30, 2014, those dividends whose effective date will fall after the last day of the second quarter

Not applicable

### Segment Information

As the Group's businesses are all in the single segment of PCB design, manufacturing, sales, and ancillary operations, this section is omitted.

### Per Share Information

The basis for calculating net income or net loss per share is shown below:

Item	Six months ended September 30, 2013	Six months ended September 30, 2014
Net income (loss) per share (Yen)	12.56	(18.86)
Basis for calculation		
Net income (loss) (Millions of yen)	236	(494)
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income (loss) attributable to common shares (Millions of yen)	236	(494)
Average number of common shares outstanding for the period (Shares)	18,774,076	26,174,076

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

### Significant Subsequent Events

Not applicable

## **2 Other**

As per a resolution passed by the Board of Directors at its meeting held on November 7, 2014, no interim dividend will be paid for the fiscal year ending March 31, 2015.