

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

*For the first quarter and three months ended June 30, 2019*

**(ENGLISH TRANSLATION)**

**NOTE:**

This document is an excerpt translation of the Quarterly Report (“Shihanki Houkokusho”) of Meiko Electronics Co., Ltd. (the “Company”), for the first quarter and three months ended June 30, 2019, filed with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan pursuant to the Financial Instruments and Exchange Act of Japan on August 9, 2019.

Please note that the quarterly consolidated financial statements in this document are a translation of the reviewed quarterly consolidated financial statements presented in Japanese. The translation of the quarterly consolidated financial statements and notes has NOT been audited by KPMG AZSA LLC, who reviewed the original Japanese figures.

The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. The final decision and responsibility for investments rests solely with the reader of this document.

## **Financial Information**

### **1 Basis of preparation of the quarterly consolidated financial statements**

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

### **2 Review reports**

The quarterly consolidated financial statements of the Company for the first quarter (April 1, 2019 – June 30, 2019), and those for the three months ended June 30, 2019, were reviewed by KPMG AZSA LLC, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

# 1 Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2019	June 30, 2019	June 30, 2019	June 30, 2019
<b>Assets</b>				
Current assets				
Cash and deposits	¥ 11,657	¥ 13,309	\$	123,521
Notes and accounts receivable-trade	*2 25,834	*2 27,873	*2	258,687
Merchandise and finished goods	5,885	5,872		54,499
Work in process	4,675	4,574		42,453
Raw materials and supplies	5,414	5,815		53,965
Other	2,701	2,897		26,874
Allowance for doubtful accounts	(144)	(141)		(1,310)
Total current assets	<u>56,022</u>	<u>60,199</u>		<u>558,689</u>
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	17,844	17,325		160,792
Machinery, equipment and vehicles, net	24,481	24,381		226,275
Land	1,488	1,488		13,813
Construction in progress	9,581	11,237		104,285
Other, net	5,160	6,170		57,262
Total property, plant and equipment	<u>58,554</u>	<u>60,601</u>		<u>562,427</u>
Intangible assets	269	277		2,570
Investments and other assets	*1 5,811	*1 4,741	*1	43,999
Total non-current assets	<u>64,634</u>	<u>65,619</u>		<u>608,996</u>
Total assets	¥ <u>120,656</u>	¥ <u>125,818</u>	\$	<u>1,167,685</u>

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2019	June 30, 2019	June 30, 2019	June 30, 2019
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade	*2 ¥ 15,797	*2 ¥ 17,171	*2 \$	159,361
Short-term borrowings	7,638	5,496		51,004
Current portion of long-term borrowings	*4 14,386	*4 14,379	*4	133,446
Income taxes payable	221	114		1,055
Provision for bonuses	667	368		3,414
Provision for bonuses for directors and other officers	19	—		—
Other	9,205	*2 9,149	*2	84,917
Total current liabilities	47,933	46,677		433,197
Non-current liabilities				
Long-term borrowings	*4 34,765	*4 42,939	*4	398,509
Provision for retirement benefits for directors	217	217		2,017
Retirement benefit liability	2,689	2,692		24,984
Other	1,464	1,736		16,103
Total non-current liabilities	39,135	47,584		441,613
Total liabilities	87,068	94,261		874,810
Net assets				
Shareholders' equity				
Share capital	12,889	12,889		119,615
Capital surplus	6,464	6,464		59,996
Retained earnings	11,490	12,063		111,955
Treasury shares	(397)	(397)		(3,682)
Total shareholders' equity	30,446	31,019		287,884
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	(65)	(56)		(524)
Deferred gains or losses on hedges	183	115		1,070
Foreign currency translation adjustment	3,322	766		7,111
Remeasurements of defined benefit plans	(298)	(287)		(2,666)
Total accumulated other comprehensive income	3,142	538		4,991
Total net assets	33,588	31,557		292,875
Total liabilities and net assets	¥ 120,656	¥ 125,818	\$	1,167,685

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Three Months Ended June 30, 2019**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30, 2018	Three months ended June 30, 2019	Three months ended June 30, 2019
Net sales	¥ 30,338	¥ 29,219	\$ 271,175
Cost of sales	24,972	24,652	228,790
Gross profit	5,366	4,567	42,385
Selling, general and administrative expenses	2,873	2,847	26,423
Operating profit	2,493	1,720	15,962
Non-operating income			
Interest income	10	17	156
Dividend income	3	4	35
Subsidy income	13	121	1,124
Foreign exchange gains	585	—	—
Other	44	52	485
Total non-operating income	655	194	1,800
Non-operating expenses			
Interest expenses	205	174	1,611
Loss on valuation of derivatives	143	—	—
Foreign exchange losses	—	369	3,424
Other	106	70	654
Total non-operating expenses	454	613	5,689
Ordinary profit	2,694	1,301	12,073
Extraordinary income			
Gain on sales of non-current assets	0	0	0
Gain on sales of investment securities	—	4	33
Total extraordinary income	0	4	33
Extraordinary losses			
Loss on sales and retirement of non-current assets	24	45	412
Loss on sales of investment securities	—	0	0
Total extraordinary losses	24	45	412
Profit before income taxes	2,670	1,260	11,694
Income taxes	388	163	1,513
Profit	2,282	1,097	10,181
Profit attributable to owners of parent	¥ 2,282	¥ 1,097	\$ 10,181

**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended June 30, 2019**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2018	Three months ended June 30, 2019	U.S. dollars
Profit	¥ 2,282	¥ 1,097	\$ 10,181
Other comprehensive income			
Valuation difference on available-for-sale securities	(15)	9	84
Deferred gains or losses on hedges	9	(68)	(632)
Foreign currency translation adjustment	131	(2,556)	(23,720)
Remeasurements of defined benefit plans, net of tax	16	11	104
Total other comprehensive income	141	(2,604)	(24,164)
Comprehensive income	2,423	(1,507)	(13,983)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 2,423	¥ (1,507)	\$ (13,983)

## **Notes to the Consolidated Financial Statements**

### Matters concerning Going Concern Assumption

Not applicable

### Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the “Company”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.75 to \$1, the approximate rate of exchange at June 30, 2019. 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

All consolidated overseas subsidiaries that adopted the International Financial Reporting Standards (IFRS) have applied IFRS 16 “Leases” from the first quarter ended June 30, 2019 and have changed to a method of booking all leases as a lessee under assets and liabilities on the consolidated balance sheet, as a rule. In applying the accounting standards, the subsidiaries have adopted a method of recognizing the cumulative effects of the application of the accounting standards on the date of the start of application for transition purposes.

As a result, “Other” under current assets as of June 30, 2019 decreased ¥27 million, “Other, net” under property, plant and equipment increased ¥1,229 million, “Investments and other assets” decreased ¥746 million, “Other” under current liabilities increased ¥108 million, and “Other” under non-current liabilities increased ¥351 million. The effect of this change on the profit or loss for the three months ended June 30, 2019 was not material.

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

#### (Computation of Tax Expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after the adoption of tax-effect accounting that is applicable to profit before income taxes for the fiscal year ending March 31, 2020, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

## Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2019	June 30, 2019	June 30, 2019	
Investments and other assets	¥ 153	¥ 149	\$	1,387

\*2 Accounting treatment for notes maturing on June 30, 2019

Notes maturing on the final day of a quarterly reporting period are accounted for as if they had been settled on the final day of the period.

As the final day of the first quarter was a bank holiday, the following notes that matured on that day were accounted for as though they had been settled on the maturity date, June 30, 2019.

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2019	June 30, 2019	June 30, 2019	
Notes receivable-trade	¥ 120	¥ 116	\$	1,078
Notes payable-trade	¥ 217	¥ 74	\$	682
Notes payable-facilities	¥ —	¥ 7	\$	69

3 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2019	June 30, 2019	June 30, 2019	
Discounted notes receivable-trade	¥ 37	¥ 40	\$	372

\*4 Financial covenants

Consolidated fiscal year ended March 31, 2019

Of long-term borrowings (including borrowings scheduled for repayment within one year), ¥49,628 million have financial covenant attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (when there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) ¥21,962 million; or (ii) 80% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.

Three months ended June 30, 2019

Of long-term borrowings (including borrowings scheduled for repayment within one year), ¥54,681 million have financial covenant attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (where there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) ¥21,962 million; or (ii) 80% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.



## Consolidated Statements of Cash Flows

No consolidated statements of cash flow were prepared for the three months ended June 30, 2019. Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2019 is shown below:

	Millions of yen		Thousands of U.S. dollars	
	Three months ended June 30, 2018	Three months ended June 30, 2019	Three months ended June 30, 2019	Three months ended June 30, 2019
Depreciation	¥ 1,528	¥ 1,629	\$	15,119

## Total Shareholders' Equity

Three months ended June 30, 2018

### 1 Cash dividends paid

Resolution

Board meeting on May 28, 2018

Type of shares ..... Common shares

Total dividends (Millions of yen) ..... 262

Dividend per share (Yen) ..... 10.00

Record date ..... March 31, 2018

Effective date ..... June 12, 2018

Dividend resource ..... Retained earnings

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

Not applicable

### 3 Significant changes in shareholders' equity

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

Three months ended June 30, 2019

### 1 Cash dividends paid

Resolution

Board meeting on May 27, 2019

Type of shares ..... Common shares

Total dividends (Millions of yen) ..... 523

Dividend per share (Yen) ..... 20.00

Record date ..... March 31, 2019

Effective date ..... June 11, 2019

Dividend resource ..... Retained earnings

2 Of the dividends whose record date falls during the three months ended June 30, 2019, those dividends whose effective date will fall after the last day of the first quarter

Not applicable

### Segment Information

As the Group's businesses are primarily in PCB design, manufacturing, sales, and ancillary operations, the description of other businesses is omitted as they are of little significance.

### Per Share Information

The basis for calculating profit per share is shown below:

Item	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit per share (Yen)	87.20	41.91
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	2,282	1,097
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	2,282	1,097
Average number of common shares outstanding for the period (Shares)	26,174,012	26,173,897

Note: Diluted profit per share is not disclosed, as there were no diluted shares.

### Significant Subsequent Events

Not applicable

## **2 Other**

### (1) Dividends of surplus

The Board of Directors passed a resolution at its meeting on May 27, 2019 to pay year-end dividends to shareholders who are recorded in the shareholder registry as of March 31, 2019 as follows:

- 1) Total dividends 523 million yen
- 2) Dividend per share 20.00 yen
- 3) Effective date of claim for payment and payment commencement date June 11, 2019

### (2) Litigation

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

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