

**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, 2022***

**(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, 2022, 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 November 10, 2022.

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 second quarter (July 1, 2022 – September 30, 2022), and those for the six months ended September 30, 2022, 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, 2022	September 30, 2022	September 30, 2022	
<b>Assets</b>				
Current assets				
Cash and deposits	¥ 10,700	¥ 19,026	\$ 131,387	
Notes and accounts receivable-trade	35,749	42,843	295,853	
Merchandise and finished goods	10,238	12,767	88,163	
Work in process	8,074	8,626	59,564	
Raw materials and supplies	11,457	15,643	108,023	
Other	2,315	4,365	30,152	
Allowance for doubtful accounts	(165)	(180)	(1,243)	
Total current assets	78,368	103,090	711,899	
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	25,644	29,094	200,909	
Machinery, equipment and vehicles, net	41,092	45,951	317,320	
Land	2,445	2,531	17,480	
Construction in progress	9,926	17,006	117,437	
Other, net	3,455	3,683	25,433	
Total property, plant and equipment	82,562	98,265	678,579	
Intangible assets				
Goodwill	304	6,900	47,648	
Other	651	714	4,933	
Total intangible assets	955	7,614	52,581	
Investments and other assets	*1 6,444	*1 7,909	*1 54,611	
Total non-current assets	89,961	113,788	785,771	
Total assets	¥ 168,329	¥ 216,878	\$ 1,497,670	

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2022		September 30, 2022		September 30, 2022	
Liabilities						
Current liabilities						
Notes and accounts payable-trade	¥	24,319	¥	24,404	\$	168,522
Short-term borrowings	*3	28,167	*3	55,495	*3	383,230
Current portion of long-term borrowings	*3	5,962	*3	6,500	*3	44,886
Income taxes payable		985		1,898		13,107
Provision for bonuses		1,064		1,186		8,187
Provision for bonuses for directors		59		3		20
Other		12,472		13,088		90,381
Total current liabilities		73,028		102,574		708,333
Non-current liabilities						
Long-term borrowings	*3	32,267	*3	33,417	*3	230,762
Provision for retirement benefits for directors		216		216		1,491
Provision for share awards		115		145		999
Provision for share awards for directors		25		29		200
Retirement benefit liability		2,717		4,480		30,936
Other		1,275		1,362		9,410
Total non-current liabilities		36,615		39,649		273,798
Total liabilities		109,643		142,223		982,131
Net assets						
Shareholders' equity						
Share capital		12,889		12,889		89,003
Capital surplus		6,700		6,700		46,272
Retained earnings		28,062		33,837		233,664
Treasury shares		(2,186)		(2,181)		(15,060)
Total shareholders' equity		45,465		51,245		353,879
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities		4		9		60
Deferred gains or losses on hedges		(42)		(107)		(739)
Foreign currency translation adjustment		13,174		23,427		161,780
Remeasurements of defined benefit plans		(113)		(101)		(697)
Total accumulated other comprehensive income		13,023		23,228		160,404
Non-controlling interests		198		182		1,256
Total net assets		58,686		74,655		515,539
Total liabilities and net assets	¥	168,329	¥	216,878	\$	1,497,670

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Six Months Ended September 30, 2022**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022	
Net sales	¥ 69,471	¥ 81,710	\$ 564,258	
Cost of sales	57,310	69,189	477,795	
Gross profit	12,161	12,521	86,463	
Selling, general and administrative expenses	*1 6,611	*1 7,880	*1 54,412	
Operating profit	5,550	4,641	32,051	
Non-operating income				
Interest income	22	50	346	
Dividend income	13	4	26	
Foreign exchange gains	91	4,237	29,260	
Other	231	304	2,102	
Total non-operating income	357	4,595	31,734	
Non-operating expenses				
Interest expenses	327	430	2,971	
Other	232	65	451	
Total non-operating expenses	559	495	3,422	
Ordinary profit	5,348	8,741	60,363	
Extraordinary income				
Gain on sale of non-current assets	3	0	1	
Gain on sale of investment securities	10	—	—	
Total extraordinary income	13	0	1	
Extraordinary losses				
Loss on sale and retirement of non-current assets	59	137	949	
Loss on disaster	24	60	417	
Business restructuring expenses	—	16	110	
Loss related to COVID-19	*2 628	—	—	
Other	18	—	—	
Total extraordinary losses	729	213	1,476	
Profit before income taxes	4,632	8,528	58,888	
Income taxes	482	2,157	14,889	
Profit	4,150	6,371	43,999	
Loss attributable to non-controlling interests	(40)	(49)	(334)	
Profit attributable to owners of parent	¥ 4,190	¥ 6,420	\$ 44,333	

**Consolidated Statements of Comprehensive Income**  
**For the Six Months Ended September 30, 2022**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022	
Profit	¥ 4,150	¥ 6,371	\$ 43,999	
Other comprehensive income				
Valuation difference on available-for-sale securities	(3)	4	26	
Deferred gains or losses on hedges	(256)	(65)	(450)	
Foreign currency translation adjustment	1,263	10,287	71,034	
Remeasurements of defined benefit plans, net of tax	26	11	78	
Total other comprehensive income	1,030	10,237	70,688	
Comprehensive income	5,180	16,608	114,687	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	¥ 5,219	¥ 16,623	\$ 114,795	
Comprehensive income attributable to non-controlling interests	(39)	(15)	(108)	

**(3) Consolidated Statements of Cash Flows**  
**For the Six Months Ended September 30, 2022**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022	
<b>Cash flows from operating activities</b>				
Profit before income taxes	¥ 4,632	¥ 8,528	\$ 58,888	
Depreciation	3,777	4,632	31,985	
Amortization of goodwill	20	20	140	
Increase (decrease) in allowance for doubtful accounts	(0)	(17)	(116)	
Increase (decrease) in provision for bonuses	118	(138)	(951)	
Increase (decrease) in provision for bonuses for directors	(43)	(59)	(405)	
Increase (decrease) in provision for share awards	62	30	207	
Increase (decrease) in provision for share awards for directors	11	4	28	
Increase (decrease) in retirement benefit liability	4	57	393	
Interest and dividend income	(35)	(54)	(372)	
Interest expenses	327	430	2,971	
Insurance claim income	(78)	(23)	(157)	
Foreign exchange losses (gains)	(173)	(2,721)	(18,791)	
Loss (gain) on sale and retirement of property, plant and equipment	56	137	948	
Loss (gain) on sale of investment securities	(10)	—	—	
Loss on disaster	24	60	417	
Business restructuring expenses	—	16	110	
Loss related to COVID-19	628	—	—	
Decrease (increase) in trade receivables	(4,983)	(1,620)	(11,184)	
Decrease (increase) in inventories	(3,365)	(370)	(2,552)	
Increase (decrease) in trade payables	1,318	(4,419)	(30,514)	
Decrease (increase) in other assets	(278)	(347)	(2,398)	
Increase (decrease) in other liabilities	1,316	(324)	(2,234)	
Other, net	10	(16)	(128)	
Subtotal	3,338	3,806	26,285	
Interest and dividends received	37	49	336	
Interest paid	(335)	(422)	(2,917)	
Proceeds from insurance income	78	23	157	
Payments for business restructuring expenses	—	(16)	(110)	
Payments for loss related to COVID-19	(513)	—	—	
Income taxes refund (paid)	(261)	(1,113)	(7,679)	
Net cash provided by (used in) operating activities	2,344	2,327	16,072	
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(4,620)	(10,525)	(72,678)	
Proceeds from sale of property, plant and equipment	4	0	2	
Purchase of intangible assets	(108)	(66)	(453)	
Purchase of investment securities	(100)	—	—	
Proceeds from sale of investment securities	11	—	—	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(9,312)	(64,306)	
Purchase of insurance funds	(1)	(1)	(8)	
Other, net	87	(1,579)	(10,913)	
Net cash provided by (used in) investing activities	¥ (4,727)	¥ (21,483)	\$ (148,356)	

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ 8,541	¥ 25,500	\$ 176,089
Proceeds from long-term borrowings	—	5,000	34,528
Repayments of long-term borrowings	(4,152)	(3,315)	(22,892)
Repayments of lease obligations	(189)	(141)	(971)
Purchase of treasury shares	(956)	(0)	(3)
Proceeds from disposal of treasury shares	0	2	16
Dividends paid	(520)	(645)	(4,451)
Net cash provided by (used in) financing activities	2,724	26,401	182,316
Effect of exchange rate change on cash and cash equivalents	152	1,081	7,468
Net increase (decrease) in cash and cash equivalents	493	8,326	57,500
Cash and cash equivalents at beginning of period	12,122	10,451	72,167
Cash and cash equivalents at end of period	*1 ¥ 12,615	*1 ¥ 18,777	*1 \$ 129,667



## 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 ¥144.81 to \$1, the approximate rate of exchange at September 30, 2022. 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 Scope of Consolidation or Application of Equity Method

#### (Significant Change in Scope of Consolidation)

In the second quarter of the fiscal year ending March 31, 2023, following the Company’s acquisition of all shares of Meiko Embedded Products, Ltd., the acquired company and its subsidiary, Meiko Embedded Technology, Ltd., were included in the scope of consolidation.

Only the balance sheets of these companies were consolidated in the second quarter of the fiscal year ending March 31, 2023.

### Changes in Accounting Policies

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter ended June 30, 2022. In accordance with the transitional treatment stipulated in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future. This has no impact on quarterly consolidated financial statements.

### Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates

Thus far, the Company and its domestic consolidated subsidiaries primarily employed the declining-balance method for the depreciation of property, plant and equipment (excluding lease assets) of the Group. This was changed to the straight-line method for the depreciation from the first quarter ended June 30, 2022.

In line with the overseas expansion of production sites of its major customers, the Group is establishing mass production bases in China and Vietnam to take in orders for PCBs for automotive and smartphone applications. Stable product supply has become an issue, due to the shutdown of plant operations and supply chain disruptions caused by the recent spread of COVID-19. In addition, orders are expected to increase going forward, owing primarily to an expansion in the electrification of automobiles and 5G/6G compatibility in the field of communications. The Company is starting to implement large-scale investments into domestic plants from the fiscal year under review to address these issues.

After reconsidering the depreciation method for property, plant and equipment taking these investments into account, the decision to adopt the straight-line method of depreciation for property, plant and equipment belonging to the Company and its domestic consolidated subsidiaries is reasonable and more accurately reflects the conditions of Group management given the likelihood that these assets will be stably operated over the long term, and benefits from the return on these investments are likely to be reaped equally.

In conjunction with this change, in comparison with the depreciation of assets based on the former method, operating profit, ordinary profit and profit before income taxes for the six months ended September 30, 2022, rose ¥115 million, respectively.

#### 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, 2023, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

#### Additional Information

##### (Accounting Estimates Relating to the Spread of the Novel Coronavirus (COVID-19))

There are no material changes in assumptions including the future spread and timing of subsidence of COVID-19 that were stated in “Accounting Estimates Relating to the Spread of the Novel Coronavirus (COVID-19)” from “Additional Information” of the annual report for the fiscal year ended March 31, 2022.

## 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, 2022	September 30, 2022	September 30, 2022	
Investments and other assets.....	¥ 23	¥ 31	\$	217

2 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2022	September 30, 2022	September 30, 2022	
Discounted notes receivable-trade.....	¥ 23	¥ 19	\$	132

\*3 Financial covenants

Consolidated fiscal year ended March 31, 2022

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥49,392 million have financial covenants 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) ¥20,589 million; or (ii) 75% 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.
- (4) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year divided by the amount of total net assets less the amount of foreign currency translation adjustment shall be maintained at 2.5 or less for the fiscal year ended March 31, 2021, 2.3 or less for the fiscal year ended March 31, 2022, 2.1 or less for the fiscal year ending March 31, 2023, 1.9 or less for the fiscal year ending March 31, 2024, and 1.7 or less for the fiscal year ending March 31, 2025.

Six months ended September 30, 2022

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥60,300 million have financial covenants 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) ¥20,589 million; or (ii) 75% 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.
- (4) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year divided by the amount of total net assets less the amount of foreign currency translation adjustment shall be maintained at 2.5 or less for the fiscal year ended March 31, 2021, 2.3 or less for the fiscal year ended March 31, 2022, 2.1 or less for the fiscal year ending March 31, 2023, 1.9 or less for the fiscal year ending March 31, 2024, and 1.7 or less for the fiscal year ending March 31, 2025.

## 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 U.S. dollars
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022
Salaries and allowances	¥ 1,153	¥ 1,285	\$ 8,876
Provision for bonuses	208	255	1,758
Provision of allowance for doubtful accounts	(0)	3	22
Provision for share awards	68	30	210
Provision for share awards for directors	11	9	65
Retirement benefit expenses	58	57	390
Research and development expenses	1,243	1,777	12,274

\*2 Loss related to COVID-19

Six months ended September 30, 2021

In response to requests by the governments of China, Vietnam, etc. concerning COVID-19, the Company booked a loss related to COVID-19 of ¥464 million, an amount equivalent to fixed costs (personnel expenses, depreciation, etc.) incurred while operations were suspended at overseas subsidiaries, and ¥164 million for infection control measures under extraordinary losses.

Six months ended September 30, 2022

Not applicable

## Consolidated Statements of Cash Flows

\*1 The relationship between cash and cash equivalents as of September 30, 2022, and the amounts shown on the Consolidated Balance Sheets are shown below:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2022
Cash and deposits	¥ 12,864	¥ 19,026	\$ 131,387
Time deposits with tenors exceeding 3 months	(249)	(249)	(1,720)
Cash and cash equivalents	¥ 12,615	¥ 18,777	\$ 129,667

## Total Shareholders' Equity

Six months ended September 30, 2021

1 Cash dividends paid

Resolution

Board meeting on May 24, 2021

Type of shares ..... Common shares

Total dividends (Millions of yen) ..... 521

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

Record date ..... March 31, 2021

Effective date ..... June 10, 2021

Dividend resource ..... Retained earnings

2 Of the dividends whose record date falls during the six months ended September 30, 2021, those dividends whose effective date fell after the last day of the second quarter

Resolution

Board meeting on November 5, 2021

Type of shares .....	Common shares
Total dividends (Millions of yen) .....	517
Dividend per share (Yen).....	20.00
Record date.....	September 30, 2021
Effective date.....	November 30, 2021
Dividend resource.....	Retained earnings

Note: Total dividends include ¥3 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).

3 Significant changes in shareholders' equity

In accordance with a resolution of the Board of Directors on March 22, 2021, the Company acquired 314,000 treasury shares during the six months ended September 30, 2021. In accordance with a resolution of the Board of Directors on the same day, it also disposed of 109,500 treasury shares through a third-party allotment to the Custody Bank of Japan, Ltd. (Trust Account E) on April 16, 2021, following the introduction of an Employee Stock Ownership Plan (J-ESOP). Furthermore, in accordance with a resolution of the Board of Directors on August 6, 2021, the Company disposed of 32,800 treasury shares through a third-party allotment to the Custody Bank of Japan, Ltd. (Trust Account) on August 24, 2021, following the introduction of a Board Benefit Trust. The 140,200 Company shares remaining in the trust have been booked as treasury shares.

This has resulted in increases of ¥236 million in capital surplus and of ¥1,179 million in treasury shares to ¥6,700 million and ¥1,924 million, respectively, as of September 30, 2021.

Six months ended September 30, 2022

1 Cash dividends paid

Resolution

Board meeting on May 23, 2022

Type of shares .....	Common shares
Total dividends (Millions of yen) .....	645
Dividend per share (Yen).....	25.00
Record date.....	March 31, 2022
Effective date.....	June 10, 2022
Dividend resource.....	Retained earnings

Note: Total dividends by a resolution of the Board of Directors on May 23, 2022, include ¥3 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).

2 Of the dividends whose record date falls during the six months ended September 30, 2022, those dividends whose effective date will fall after the last day of the second quarter

Resolution

Board meeting on November 4, 2022

Type of shares .....	Common shares
Total dividends (Millions of yen) .....	696
Dividend per share (Yen).....	27.00
Record date.....	September 30, 2022
Effective date.....	November 30, 2022
Dividend resource.....	Retained earnings

Note: Total dividends by a resolution of the Board of Directors on November 4, 2022, include ¥4 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).

### 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.

### Revenue Recognition

The regional breakdown of revenue generated from contracts with customers is as follows:

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Japan	22,929	27,916
China	17,373	20,418
Vietnam	8,558	10,326
Asia	11,524	11,468
North America	6,929	9,274
Europe	2,145	2,306
Other	13	2
Revenue generated from contracts with customers	69,471	81,710
Other revenue	—	—
Sales to external customers	69,471	81,710

### Business Combinations

(Business Combination through Acquisition)

#### (1) Summary of business combination

##### 1) Name and business description of the acquired company

Name: NEC Embedded Products, Ltd.

Business description: Development, design, manufacturing, consignment, sales and maintenance of all machinery, equipment, devices and systems related to electronic machinery/equipment and auxiliary electronics businesses

##### 2) Primary purpose for conducting a business combination

The Company has embraced “Providing the best products and services to customers, and happiness for employees and society through manufacturing” as its management philosophy. To this end, the Company is taking on the challenge in the field of advanced electronics in terms of electronic PCBs, expanding and strengthening the EMS business, thereby aiming to contribute to customers. In the medium-term management plan released on May 19, 2022, the Company has set forth a strategy to position and strengthen electronic PCBs and semiconductor package boards for automotive and smartphone applications, and the EMS business as new pillars in its business domain.

NEC Embedded Products, Ltd., is capable of accepting the consignment of orders for a wide variety of electrical and electronic equipment utilizing its embedded product development capabilities and cutting-edge technologies. Namely, the company boasts strengths in integrated consignment from development and design to mass production as well as in high-quality and high-reliability manufacturing capabilities. We believe that incorporating NEC Embedded Products, Ltd., into the Group will facilitate the establishment of an ODM-type EMS business structure with development and design functions, and also realize a proposal-based business structure targeting electronic PCBs to high value-added electronic products. Hence the Company sees NEC Embedded Products, Ltd., as the optimal strategic partner. Going forward, to expand the EMS business, the Company will promote collaboration between the electronic PCBs business and the EMS plants in Vietnam conducting development, design and mass production. Furthermore, the Company plans to build a system that can promptly respond to various needs, including for mass production and small- to medium-lot orders, by managing EMS factories in Japan and implementing in-house evaluations and prototype development. The Company strives to provide its customers with the maximum level of services to further enhance the corporate value of the Group.

- 3) Date of business combination  
September 30, 2022
  - 4) Legal formality for business combination  
Acquiring shares in exchange for cash
  - 5) Name of company after business combination  
Meiko Embedded Products, Ltd.
  - 6) Percentage of voting rights acquired  
100%
  - 7) Main rationale leading up to the decision to acquire the acquiring company  
The Company acquired the shares in exchange for cash.
- (2) Period of the acquired company's profit and loss included in the consolidated statements of income for the six months ended September 30, 2022  
Only the balance sheet of the acquired company is consolidated. The profit and loss results of the acquired company are not included in our consolidated income statements for the six months ended September 30, 2022.
- (3) Acquisition cost and breakdown by type of consideration
- |                                |      |                    |
|--------------------------------|------|--------------------|
| Consideration for acquisition: | Cash | 11,000 million yen |
| Acquisition cost:              |      | 11,000 million yen |
- (4) Major acquisition-related costs and amount  
Advisory fees and others: 169 million yen
- (5) Accrued goodwill amount, reason and amortization method and period
- 1) Amount of goodwill accrued  
6,616 million yen  
The amount of goodwill is a tentative estimate since the allocation of the acquisition cost has not been completed as of the end of the second quarter of the fiscal year ending March 31, 2023.
  - 2) Reason for accrual  
Mainly the excess earning power expected from future business development.
  - 3) Amortization method and period  
The goodwill will be amortized on a straight-line basis over the period in which the effect is expected to be realized. The amortization period is currently being calculated.

#### Per Share Information

The basis for calculating profit per share is shown below:

Item	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit per share (Yen)	161.72	250.37
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	4,190	6,420
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	4,190	6,420
Average number of common shares outstanding for the period (Shares)	25,911,140	25,641,302

Notes: 1. Diluted profit per share is not disclosed, as there were no diluted shares.

2. The Company shares remaining in the trust which are booked as treasury shares in shareholders' equity, includes treasury shares deducted when calculating the average number of shares for the period that were used to calculate profit per share. The average number of treasury shares for the period that were deducted to calculate profit per share was 106,904 shares for the six months ended September 30, 2021, and 138,908 shares for the six months ended September 30, 2022.

## Significant Subsequent Events

(Issuance of Series 1 Non-convertible preferred stock by third-party allotment and reduction in share capital and legal capital surplus)

At a meeting of the Board of Directors on September 21, 2022, the Company resolved to issue Series 1 Non-convertible preferred stock by third-party allotment and to reduce its share capital and legal capital surplus. The payment for the stock was completed on October 25, 2022. The outline of the transaction is as follows:

### 1. Issuance of Series 1 Non-convertible preferred stock by third-party allotment

- |   |  |
|---|--|
| (1) Type and number of shares issued:       | Series 1 Non-convertible preferred stock, 70 shares  |
| (2) Issue price:                            | 100,000,000 yen per share  |
| (3) Total issue price:                      | 7,000,000,000 yen  |
| (4) Stated value:                           | 50,000,000 yen per share   |
| (5) Total stated value:                     | 3,500,000,000 yen  |
| (6) Payment due date:                       | October 25, 2022   |
| (7) Method of offer or allotment:           | Third-party allotment  |
| (8) Allottee and number of shares allotted: | Development Bank of Japan Inc., 70 shares  |
| (9) Use of funds:                           | Funds for the construction of a plant and production facilities at the Tendo Plant   |
| (10) Other:                                 | The preferred dividend rate for the Series 1 Non-convertible preferred stock is set at 4.5% (which will increase to 7.5% on and after the day following the fifth anniversary of the payment date). The shareholder of the Series 1 Non-convertible preferred stock is entitled to receive dividends before shareholders of common shares. If the Company is short of funds to appropriate to the payment of preferred dividends to the shareholder of the Series 1 Non-convertible preferred stock in a given fiscal year, the shortage will be accumulated in and after the following fiscal year. The shareholder of the Series 1 Non-convertible preferred stock is not entitled to receive dividends from the Company's surplus exceeding such preferred dividends. The Series 1 Non-convertible preferred stock has a clause for repurchase in exchange for cash and a right to claim buyback in exchange for cash. The preferred stock does not have a right to claim or a clause for buyback in exchange for common shares. The shareholder of the Series 1 Non-convertible preferred stock does not have voting rights. To acquire the Series 1 Non-convertible preferred stock by assignment, the acquirer must obtain approval from the Company's Board of Directors. |

### 2. Reduction in share capital and legal capital surplus

- (1) Purpose of reduction in share capital and legal capital surplus
- To promptly improve the Company's financial position, book the funds available for distribution and prepare for a flexible and agile capital policy in the future, the Company will reduce all of the increased parts of share capital and legal capital surplus, respectively, due to the incorporation of the payment for the Series 1 Non-convertible preferred stock by transferring the amounts to other capital surplus. The reductions in share capital and legal capital surplus have no impact on the Company's net assets status as they are transfers within the net assets section of the balance sheet.
- (2) Details of reduction in share capital
- Under Article 447, paragraphs 1 and 3 of the Companies Act, the Company reduced its share capital by 3,500 million yen on October 25, 2022, and transferred the entire amount to other capital surplus.
- (3) Details of reduction in legal capital surplus
- Under Article 448, paragraphs 1 and 3 of the Companies Act, the Company reduced its legal capital surplus by 3,500 million yen on October 25, 2022, and transferred the entire amount to other capital surplus.



## 2 Other

### Dividends of surplus

With regard to interim dividends for the fiscal year ending March 31, 2023, the Board of Directors passed a resolution at its meeting on November 4, 2022 to pay interim dividends to shareholders who are recorded in the shareholder registry as of September 30, 2022 as follows:

- |  |                   |
|--|-------------------|
| 1) Total dividends   | 696 million yen   |
| 2) Dividend per share  | 27.00 yen         |
| 3) Effective date of claim for payment and payment commencement date | November 30, 2022 |

Note: Total dividends include ¥4 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).