

**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, 2020*

**(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, 2020, 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 11, 2020.

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, 2020 – June 30, 2020), and those for the three months ended June 30, 2020, 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
	March 31, 2020	June 30, 2020	U.S. dollars
			June 30, 2020
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 13,890	¥ 12,638	\$ 117,336
Notes and accounts receivable-trade	24,448	23,712	220,146
Merchandise and finished goods	5,148	7,226	67,092
Work in process	5,505	5,393	50,073
Raw materials and supplies	8,302	7,782	72,251
Other	2,559	2,531	23,486
Allowance for doubtful accounts	(135)	(135)	(1,249)
Total current assets	59,717	59,147	549,135
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	23,205	22,682	210,582
Machinery, equipment and vehicles, net	29,176	29,260	271,653
Land	1,488	1,488	13,818
Construction in progress	4,909	6,513	60,464
Other, net	4,219	4,102	38,089
Total property, plant and equipment	62,997	64,045	594,606
Intangible assets	828	819	7,608
Investments and other assets	*1 5,696	*1 6,068	*1 56,331
Total non-current assets	69,521	70,932	658,545
Total assets	¥ 129,238	¥ 130,079	\$ 1,207,680

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2020	June 30, 2020	June 30, 2020	June 30, 2020
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade	¥ 17,732	¥ 15,141	\$	140,575
Short-term borrowings	*3 9,686	*3 15,399	*3	142,968
Current portion of long-term borrowings	*3 15,544	*3 15,504	*3	143,939
Income taxes payable	204	139		1,294
Provision for bonuses	688	413		3,830
Provision for bonuses for directors and other officers	40	—		—
Other	8,171	8,121		75,396
Total current liabilities	<u>52,065</u>	<u>54,717</u>		<u>508,002</u>
Non-current liabilities				
Long-term borrowings	*3 40,479	*3 39,436	*3	366,127
Provision for retirement benefits for directors	217	216		2,004
Retirement benefit liability	2,696	2,710		25,162
Other	1,299	1,296		12,035
Total non-current liabilities	<u>44,691</u>	<u>43,658</u>		<u>405,328</u>
<b>Total liabilities</b>	<u>96,756</u>	<u>98,375</u>		<u>913,330</u>
<b>Net assets</b>				
Shareholders' equity				
Share capital	12,889	12,889		119,659
Capital surplus	6,464	6,464		60,018
Retained earnings	13,160	12,930		120,042
Treasury shares	(397)	(397)		(3,683)
Total shareholders' equity	<u>32,116</u>	<u>31,886</u>		<u>296,036</u>
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	(8)	4		41
Deferred gains or losses on hedges	30	97		897
Foreign currency translation adjustment	375	(237)		(2,205)
Remeasurements of defined benefit plans	(225)	(216)		(2,001)
Total accumulated other comprehensive income	<u>172</u>	<u>(352)</u>		<u>(3,268)</u>
Non-controlling interests	194	170		1,582
Total net assets	<u>32,482</u>	<u>31,704</u>		<u>294,350</u>
<b>Total liabilities and net assets</b>	<u>¥ 129,238</u>	<u>¥ 130,079</u>	<u>\$</u>	<u>1,207,680</u>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**For the Three Months Ended June 30, 2020**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2020
Net sales	¥ 29,219	¥ 24,343	\$ 226,003
Cost of sales	24,652	21,345	198,170
Gross profit	4,567	2,998	27,833
Selling, general and administrative expenses	2,847	2,502	23,233
Operating profit	1,720	496	4,600
Non-operating income			
Interest income	17	16	148
Dividend income	4	2	20
Compensation income	4	22	208
Subsidy income	121	25	234
Other	48	30	277
Total non-operating income	194	95	887
Non-operating expenses			
Interest expenses	174	150	1,397
Foreign exchange losses	369	252	2,337
Other	70	36	335
Total non-operating expenses	613	438	4,069
Ordinary profit	1,301	153	1,418
Extraordinary income			
Gain on sales of non-current assets	0	—	—
Gain on sales of investment securities	4	—	—
Total extraordinary income	4	—	—
Extraordinary losses			
Loss on sales and retirement of non-current assets	45	23	215
Loss on sales of investment securities	0	—	—
Business restructuring expenses	—	91	835
Provision of allowance for doubtful accounts	—	0	3
Total extraordinary losses	45	114	1,053
Profit before income taxes	1,260	39	365
Income taxes	163	138	1,283
Profit (loss)	1,097	(99)	(918)
Loss attributable to non-controlling interests	—	(21)	(196)
Profit (loss) attributable to owners of parent	¥ 1,097	¥ (78)	\$ (722)

**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended June 30, 2020**  
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2019	Three months ended June 30, 2020	U.S. dollars
Profit (loss)	¥ 1,097	¥ (99)	\$ (918)
Other comprehensive income			
Valuation difference on available-for-sale securities	9	13	120
Deferred gains or losses on hedges	(68)	66	617
Foreign currency translation adjustment	(2,556)	(614)	(5,711)
Remeasurements of defined benefit plans, net of tax	11	9	87
Total other comprehensive income	(2,604)	(526)	(4,887)
Comprehensive income	(1,507)	(625)	(5,805)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ (1,507)	¥ (602)	\$ (5,589)
Comprehensive income attributable to non-controlling interests	—	(23)	(216)

## **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 ¥107.71 to \$1, the approximate rate of exchange at June 30, 2020. 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 and Application of the Equity Method

(Important Change in the Scope of Consolidation)

Guangzhou Speed Trading Co., Ltd., which was a non-consolidated subsidiary in the fiscal year ended March 31, 2020, has been included in the scope of consolidation from the first quarter ended June 30, 2020 due to an increase in its significance.

### 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, 2021, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

(Additional Information)

There are no material changes in assumptions including the future spread and timing of subsidence of the novel coronavirus 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, 2020.

## Consolidated Balance Sheets

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

	Millions of yen		Thousands of
	March 31, 2020	June 30, 2020	U.S. dollars
Investments and other assets.....	¥ 106	¥ 111	\$ 1,034

2 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of
	March 31, 2020	June 30, 2020	U.S. dollars
Discounted notes receivable-trade.....	¥ 33	¥ 36	\$ 339

\*3 Financial covenants

Consolidated fiscal year ended March 31, 2020

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥58,091 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.

Three months ended June 30, 2020

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥62,495 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 (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) ¥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.



## Consolidated Statements of Cash Flows

No consolidated statements of cash flows were prepared for the three months ended June 30, 2020. Depreciation (including amortization related to intangible assets, excluding goodwill) and amortization of goodwill for the three months ended June 30, 2020, are shown below:

	Millions of yen		Thousands of
	Three months ended June 30, 2019	Three months ended June 30, 2020	U.S. dollars
Depreciation	¥ 1,629	¥ 1,811	\$ 16,811
Amortization of goodwill	—	10	94

## Total Shareholders' Equity

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 fell after the last day of the first quarter

Not applicable

Three months ended June 30, 2020

### 1 Cash dividends paid

Resolution

Board meeting on May 25, 2020

Type of shares ..... Common shares

Total dividends (Millions of yen) ..... 393

Dividend per share (Yen) ..... 15.00

Record date ..... March 31, 2020

Effective date ..... June 10, 2020

Dividend resource ..... Retained earnings

2 Of the dividends whose record date falls during the three months ended June 30, 2020, 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 or loss per share is shown below:

Item	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss) per share (Yen)	41.91	(2.97)
Basis for calculation		
Profit (loss) attributable to owners of parent (Millions of yen)	1,097	(78)
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit (loss) attributable to owners of parent pertaining to common shares (Millions of yen)	1,097	(78)
Average number of common shares outstanding for the period (Shares)	26,173,897	26,173,893

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 25, 2020 to pay year-end dividends to shareholders who are recorded in the shareholder registry as of March 31, 2020 as follows:

- 1) Total dividends 393 million yen
- 2) Dividend per share 15.00 yen
- 3) Effective date of claim for payment and payment commencement date June 10, 2020

### (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.