

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

For the third quarter and nine months ended December 31, 2021

(ENGLISH TRANSLATION)

NOTE:

This document is an excerpt translation of the Quarterly Report (“Shihanki Houkokusho”) of Meiko Electronics Co., Ltd. (the “Company”), for the third quarter and nine months ended December 31, 2021, 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 February 9, 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 third quarter (October 1, 2021 – December 31, 2021), and those for the nine months ended December 31, 2021, 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, 2021	December 31, 2021	December 31, 2021	December 31, 2021
Assets				
Current assets				
Cash and deposits	¥ 12,371	¥ 13,176	\$	114,565
Notes and accounts receivable-trade	29,504	*2 37,477	*2	325,859
Merchandise and finished goods	6,254	10,655		92,644
Work in process	6,954	7,295		63,427
Raw materials and supplies	8,951	11,499		99,979
Other	2,451	3,558		30,941
Allowance for doubtful accounts	(147)	(155)		(1,350)
Total current assets	66,338	83,505		726,065
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	23,672	24,422		212,349
Machinery, equipment and vehicles, net	32,562	36,980		321,535
Land	1,488	1,488		12,941
Construction in progress	7,258	8,234		71,596
Other, net	3,807	3,382		29,401
Total property, plant and equipment	68,787	74,506		647,822
Intangible assets	928	952		8,277
Investments and other assets	*1 5,987	*1 6,081	*1	52,874
Total non-current assets	75,702	81,539		708,973
Total assets	¥ 142,040	¥ 165,044	\$	1,435,038

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 20,466	*2 ¥ 26,345	*2 \$	229,065
Short-term borrowings	*4 20,834	*4 31,367	*4	272,731
Current portion of long-term borrowings	*4 8,304	*4 6,429	*4	55,898
Income taxes payable	225	737		6,405
Provision for bonuses	733	574		4,991
Provision for bonuses for directors and other officers	43	—		—
Other	8,577	*2 10,687	*2	92,933
Total current liabilities	59,182	76,139		662,023
Non-current liabilities				
Long-term borrowings	*4 38,226	*4 34,767	*4	302,292
Provision for retirement benefits for directors	216	216		1,877
Provision for share awards	—	61		528
Provision for share awards for directors	—	11		94
Retirement benefit liability	2,767	2,746		23,875
Other	1,038	1,211		10,539
Total non-current liabilities	42,247	39,012		339,205
Total liabilities	101,429	115,151		1,001,228
Net assets				
Shareholders' equity				
Share capital	12,889	12,889		112,064
Capital surplus	6,464	6,700		58,261
Retained earnings	17,649	24,482		212,870
Treasury shares	(745)	(2,186)		(19,011)
Total shareholders' equity	36,257	41,885		364,184
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	39	14		124
Deferred gains or losses on hedges	250	13		112
Foreign currency translation adjustment	4,128	8,028		69,799
Remeasurements of defined benefit plans	(256)	(217)		(1,884)
Total accumulated other comprehensive income	4,161	7,838		68,151
Non-controlling interests	193	170		1,475
Total net assets	40,611	49,893		433,810
Total liabilities and net assets	¥ 142,040	¥ 165,044	\$	1,435,038

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income
For the Nine Months Ended December 31, 2021
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	U.S. dollars Nine months ended December 31, 2021
Net sales	¥ 85,687	¥ 109,975	\$ 956,217
Cost of sales	73,847	89,995	782,493
Gross profit	11,840	19,980	173,724
Selling, general and administrative expenses	7,699	10,155	88,297
Operating profit	4,141	9,825	85,427
Non-operating income			
Interest income	41	33	287
Dividend income	4	16	137
Foreign exchange gains	—	440	3,828
Other	639	386	3,357
Total non-operating income	684	875	7,609
Non-operating expenses			
Interest expenses	471	481	4,185
Foreign exchange losses	1,756	—	—
Other	710	355	3,083
Total non-operating expenses	2,937	836	7,268
Ordinary profit	1,888	9,864	85,768
Extraordinary income			
Gain on sale of non-current assets	3	3	24
Gain on sale of investment securities	—	10	85
Total extraordinary income	3	13	109
Extraordinary losses			
Loss on sale and retirement of non-current assets	70	271	2,352
Loss on disaster	30	35	302
Business restructuring expenses	305	—	—
Loss related to COVID-19	—	*1 637	*1 5,537
Other	1	181	1,578
Total extraordinary losses	406	1,124	9,769
Profit before income taxes	1,485	8,753	76,108
Income taxes	239	910	7,918
Profit	1,246	7,843	68,190
Loss attributable to non-controlling interests	(21)	(29)	(257)
Profit attributable to owners of parent	¥ 1,267	¥ 7,872	\$ 68,447

Consolidated Statements of Comprehensive Income
For the Nine Months Ended December 31, 2021
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Nine months ended December 31, 2021	Nine months ended December 31, 2021
Profit	¥ 1,246	¥ 7,843	\$ 68,190	
Other comprehensive income				
Valuation difference on available-for-sale securities	9	(25)	(220)	
Deferred gains or losses on hedges	152	(237)	(2,064)	
Foreign currency translation adjustment	(387)	3,905	33,967	
Remeasurements of defined benefit plans, net of tax	28	39	339	
Total other comprehensive income	(198)	3,682	32,022	
Comprehensive income	1,048	11,525	100,212	
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent	¥ 1,079	¥ 11,548	\$ 100,412	
Comprehensive income attributable to non-controlling interests	(31)	(23)	(200)	

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 ¥115.01 to \$1, the approximate rate of exchange at December 31, 2021. 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.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter ended June 30, 2021. Accordingly, revenue is recognized at the time control of the promised goods or services is transferred to the customer and at the price expected to be received in exchange for said goods or services. By applying the alternative treatment set forth in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, if the period from the time of shipment to the time of transfer of control of said goods or services is a normal period for domestic sales of goods or services, revenue is recognized at the time of shipment.

The application of the Accounting Standard for Revenue Recognition, etc. is carried out in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. Therefore, the cumulative impact of when the new accounting policies are applied retrospectively to before the beginning of the first quarter ended June 30, 2021, is added to or deducted from retained earnings at the beginning of the quarter, and the new accounting policies are applied to said beginning balance.

This has no impact on the profit/loss of the nine months ended December 31, 2021. Furthermore, this has no impact on the beginning balance of retained earnings.

In accordance with the transitional treatment set forth in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the breakdown information of revenue generated from contracts with customers pertaining to the nine months ended December 31, 2020, is not stated.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. have been applied since the beginning of the first quarter ended June 30, 2021. Accordingly, new accounting policies set forth by said Accounting Standard, etc. will be applied in the future in accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

This has no impact on quarterly consolidated financial statements.

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, 2022, 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, 2021.

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, 2021	December 31, 2021	December 31, 2021	
Investments and other assets	¥ 112	¥ 113	\$	984

*2 Accounting treatment for notes maturing on December 31, 2021

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 third 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, December 31, 2021.

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2021	December 31, 2021	December 31, 2021	
Notes receivable-trade	¥ —	¥ 41	\$	357
Notes payable-trade	¥ —	¥ 57	\$	500
Notes payable-facilities	¥ —	¥ 1	\$	12

3 Discounted notes receivable-trade are summarized below:

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2021	December 31, 2021	December 31, 2021	
Discounted notes receivable-trade	¥ 45	¥ 36	\$	317

*4 Financial covenants

Consolidated fiscal year ended March 31, 2021

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥54,753 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 ending 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.

Nine months ended December 31, 2021

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥55,581 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 ending 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 Loss related to COVID-19

Nine months ended December 31, 2020

Not applicable

Nine months ended December 31, 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 ¥471 million, an amount equivalent to fixed costs (personnel expenses, depreciation, etc.) incurred while operations were suspended at overseas subsidiaries, and ¥166 million for infection control measures under extraordinary losses.

Consolidated Statements of Cash Flows

No consolidated statements of cash flows were prepared for the nine months ended December 31, 2021.

Depreciation (including amortization related to intangible assets, excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2021, are shown below:

	Millions of yen		Thousands of U.S. dollars	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Nine months ended December 31, 2021	Nine months ended December 31, 2021
Depreciation.....	¥ 5,510	¥ 5,831	\$	50,699
Amortization of goodwill.....	30	30		265

Total Shareholders' Equity

Nine months ended December 31, 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 nine months ended December 31, 2020, those dividends whose effective date fell after the last day of the third quarter

Not applicable

Nine months ended December 31, 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

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 by a resolution of the Board of Directors on November 5, 2021, 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 nine months ended December 31, 2021, those dividends whose effective date will fall after the last day of the third quarter

Not applicable

3 Significant changes in shareholders' equity

In accordance with a resolution of the Board of Directors on March 22, 2021, the Company acquired 405,600 treasury shares during the nine months ended December 31, 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 139,700 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 ¥1,441 million in treasury shares to ¥6,700 million and ¥2,186 million, respectively, as of December 31, 2021.

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
	Nine months ended December 31, 2021
Japan	36,589
China	27,421
Vietnam	14,120
Asia	17,948
North America	10,394
Europe	3,485
Other	18
Revenue generated from contracts with customers	109,975
Other revenue	—
Sales to external customers	109,975

Per Share Information

The basis for calculating profit per share is shown below:

Item	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit per share (Yen)	48.42	304.85
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	1,267	7,872
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	1,267	7,872
Average number of common shares outstanding for the period (Shares)	26,173,881	25,823,045

- Notes
1. Diluted profit per share is not disclosed, as there were no diluted shares.
 2. The average number of common shares outstanding for the period that was used to calculate profit per share has been calculated by including Company shares held as trust assets of the Board Benefit Trust and Employee Stock Ownership Plan (J-ESOP) in deductible treasury shares. The average number of treasury shares for the period that were deducted to calculate profit per share was 117,919 for the nine months ended December 31, 2021.

Significant Subsequent Events

Not applicable

2 Other

(1) Dividends of surplus

With regard to interim dividends for the fiscal year ending March 31, 2022, the Board of Directors passed a resolution at its meeting on November 5, 2021 to pay interim dividends to shareholders who are recorded in the shareholder registry as of September 30, 2021 as follows:

1) Total dividends	517 million yen
2) Dividend per share	20.00 yen
3) Effective date of claim for payment and payment commencement date	November 30, 2021

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).

(2) Litigation

A ¥291 million legal action was brought against Meiko Tech Co., Ltd., a consolidated subsidiary of the Company, by Hohsen Corp., the demand of which was dismissed by the Osaka District Court on March 17, 2021. Hohsen Corp. appealed against the decision, to which, on December 16, 2021, the Osaka High Court delivered a judgment ordering a former executive of the Company's subsidiary and Meiko Tech Co., Ltd., to jointly pay compensation and a delinquent charge thereon. The litigation was settled with a payment of ¥162 million.

The compensation has been recorded under extraordinary losses during the nine months ended December 31, 2021.