

Breakdown of sales in the first half and full-year business forecast



MEIKO REPORT

44th Interim

(From April 1, 2018 to September 30, 2018)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.



To our shareholders

I would like to express my sincere gratitude to all shareholders and investors for the outstanding support. The following is a report summarizing the operating results of the first half in FY2018.

President & CEO **Yuichiro Naya**

Regarding the operating results in the first half

We increased sales of automotive PCBs, our main sales target, and the number of PCB layers increased from four-layer to six to eight layers. In addition, we increased sales of metal PCBs typical in the safe driving field (e.g., autonomous driving) and LED headlights. We proactively worked on a policy to increase new project and prototype orders in response to these increasing demand trends. Moreover, sales of PCBs for smartphones have increased in both Korea and China. Together with this, we have also reliably moved forward with sales promotions on the PCBs for IoT modules and AI speakers that we have been focusing our attention on in this fiscal year to further increase sales of HDI PCBs. On the other hand, the sense of uncertainty about the future, such as an economic downturn, is gaining strength due to the US-China trade friction.

Accordingly, as for the operating results in the first half of FY2018, net sales rose 8,545 million yen year on year to 61,758 million yen. Regarding profit, as our factories continued to operate well, operating income was 5,674 million yen, ordinary income was 6,345 million yen and net income attributable to owners of the parent was 5,331 million yen.

Regarding the forecast for the second half

As for the FY2018 full-year results, we have revised our full-year forecast in response to the favorable outcomes achieved in the first half. Specifically, net sales were revised to be 120,000 million yen, operating income 9,200 million yen, ordinary income 9,000 million yen and net income attributable to owners of the parent 7,300 million yen, respectively. There will be long holidays as usual in the second half of the fiscal year (e.g., the Anniversary of Founding and Spring Festival in China and the Tet Holiday in Vietnam). This means that there will be an effect on sales due to the decrease in the number of working days. In addition to this, A negative impact on the world economy due to the US-China trade friction in the second half of the fiscal year started to appear. Accordingly, we have forecast sales of PCBs for automobiles and smartphones to be on a safe side.

Regarding the investment plan

We planned to invest 12 billion yen in this fiscal year. We invested 9.9 billion yen on an inspection basis in the first half of the fiscal year. We are looking to expand the size of our investment in the second half of the fiscal year. Accordingly, we plan to invest 15 billion yen in the full fiscal year. Our main investments are intended for an increase in the floor space of the third factory that produces advanced PCBs and the No.1 factory to reinforce our flexible PCBs and EMS business in Vietnam. In Japan, we have invested in advanced PCBs in the automotive field in our Yamagata Factory and Ishinomaki Branch Factory. Together with this, we have constructed the second factory at our Fukushima Factory. In addition to investment in advanced PCBs and labor-saving/automation in other factories, we are improving our production capacity and quality by replacing old facilities. We will proactively support the increase in demand for PCBs in the future through such investment. We will work on improving our profit ratio while further improving productivity and quality by utilizing such investments. In particular, support for the advanced automotive field represented by autonomous driving and support for the mass-production of PCBs for high-end smartphones that are starting to be compatible with 5G are investments that will form the core of our strategy in future.

In response to the support and expectations of shareholders and all other stakeholders, Meiko Group will continue to do its utmost to carry out measures needed to enhance corporate value and attain excellent performance. We look forward to your continued support and encouragement in the future.

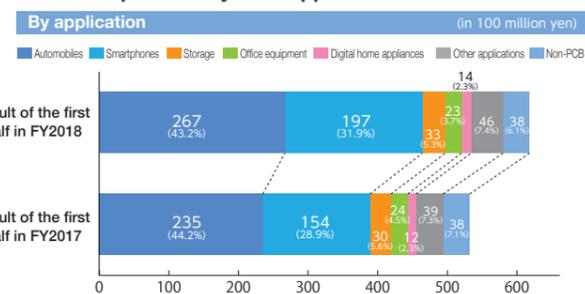
Revenue from each market in the first half of FY2018 (in 100 million yen)

	First half of FY2017		First half of FY2018		Increase/decrease	
	Sales	Operating Income (Operating margin)	Sales	Operating Income (Operating margin)	Sales (growth rate)	Operating Income (growth rate)
Automobiles	235.4	16.1 (6.8%)	267.3	19.1 (7.1%)	31.9 (13.6%)	3.0 (18.6%)
Smartphones	153.7	15.7 (10.2%)	197.2	28.5 (14.5%)	43.5 (28.3%)	12.8 (81.5%)
Others	143.0	6.8 (4.8%)	153.1	9.1 (5.9%)	10.1 (7.1%)	2.3 (33.8%)
Total	532.1	38.6 (7.3%)	617.6	56.7 (9.2%)	85.5 (16.1%)	18.1 (46.9%)

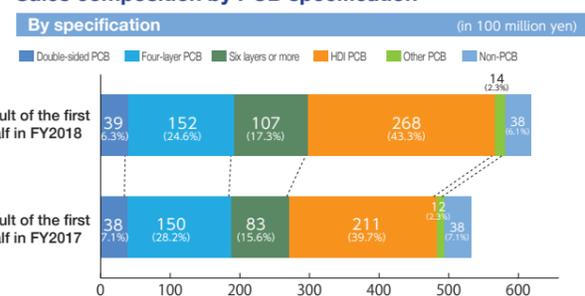
Earnings forecast for FY2018 (in 100 million yen)

	Results of FY 2017	FY2018		
		Initial plan	Revised plan	Increase/decrease rate
Net sales	1,085.4	1,180	1,200	114.6% (10.6%)
Operating income	74.6 (6.9%)	82 (6.9%)	92 (7.7%)	17.4% (23.3%)
Ordinary income	48.0 (4.4%)	68 (5.8%)	90 (7.5%)	42.0% (87.5%)
Net income attributable to owners of parent	43.7 (4.0%)	60 (5.1%)	73 (6.1%)	29.3% (67.0%)
Exchange rate Yen/USD	110.66	106.00	110.00	

Sales composition by PCB application



Sales composition by PCB specification



Corporate data (As of September 30, 2018)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	12,106 (consolidated) (Japan: 811) (overseas: 11,295)
Outline of Business	Design, manufacturing and sales of PCBs and auxiliary electronics business

Corporate Profile

President & CEO	Yuichiro Naya
Director and Senior Managing Executive Officer	Takahide Hirayama
Director and Senior Managing Executive Officer	Masakuni Shinozaki
Director and Managing Executive Officer	Takahiro Matsuda
Director and Managing Executive Officer	Jyunya Wada
Director	Yoon Ho, Shin
Director	Hajime Nakano
Audit & Supervisory Board Member (Standing)	Hiroshi Iyomoto
Audit & Supervisory Board Member	Arifumi Sunada
Audit & Supervisory Board Member	Takashi Harada

Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Auxiliary electronics business
Meiko Tech Co., Ltd.	Auxiliary electronics business
Meiko Techno Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Wuhan) Co., Ltd.	Auxiliary electronics business
Meiko Elec. Hong Kong Co., Ltd.	Auxiliary electronics business
Meiko Electronics Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics Thang Long Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business
Meiko Electronics Europe GmbH	Auxiliary electronics business



Headquarters: 5-14-15 Ogami, Ayase, Kanagawa, 252-1104 Japan
Tel: 0467-76-6001 (main)
URL: <http://www.meiko-elec.com/>

Notes on Forecasts
The information in this report contains future forecasts, such as the plans and business results of the Company. These forecasts are based on information available at the time when these forecasts were made and certain preconditions that the Company believes to be reasonable. Please note that actual business results may differ from the forecasts herein due to a variety of factors.

Stock Information

Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	26,173,971 shares (excluding treasury stock of 629,349 shares)
Number of Shareholders	4,241

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,702	17.97
Japan Trustee Services Bank, Ltd. (Trust Account)	2,133	8.15
JP Morgan Chase Bank 380634	740	2.83
Japan Post Bank Co., Ltd.	735	2.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	670	2.56
Meiko Kosan Co., Ltd.	608	2.32
The Bank of New York Mellon (International) Limited 131800	566	2.17
Yuho, Ltd.	521	1.99
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	465	1.78
Seiichi Naya	435	1.66

*The Company owns treasury stock of 629,349 shares and is excluded from the above principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock.

Shareholding Structure (Common Stock)



Shareholders' Information

Fiscal year	April 1 to March 31 of the following year
Annual shareholders' meeting	June
Record date	Year-end dividends: March 31 Interim dividends: September 30
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
Transfer office	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
Address for sending mails	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 Japan
Contact	Tel: 0120-782-031
Stock exchange	JASDAQ (Standard), Tokyo Stock Exchange
Method of public notice	Electronic public notice in our official page Official Page: http://www.meiko-elec.com/ir/pa.shtml In the event of an accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei.

Enquiries concerning shareholdings

- Shareholders who need to update information on shareholdings, including change of address and method of receiving dividends, are advised to contact the securities companies where securities accounts are held.
- Shareholders who do not have accounts with securities companies and need to process payments of dividends are advised to contact Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept., as stated to the left.

Increase of production capacity

We originally planned to invest 12 billion yen in this fiscal year. However, we have increased this to 15 billion yen by adding 3 billion yen as an effort to respond to demand trends and improve our profit ratio.

Progress of construction in Vietnam



Construction of the third factory



Plan to increase production capacity in Vietnam (Unit: 1,000 m² per month)

	2018	2019	2020	2021
Through-hole PCB for automobile	40	80	120	150
HDI PCB	70	75	80	85
FPC	20	25	35	45

We are working to accelerate the speed at which we develop new products and to prepare a timely mass-production to meet the needs of our customers.

Start of mass-production in July 2019

Domestic investment

We have completed construction of a building of our Fukushima Factory and have started to bring in facilities. We plan to produce mainly PCBs for FA equipment and IoT equipment there.



We held the Fukushima second factory completion ceremony on November 9.

We will invest 3 billion yen in factories in Japan in this fiscal year. In addition to Fukushima Factory, we will introduce advanced automotive PCB production facilities and start mass-production in our Yamagata Factory and Ishinomaki Branch Factory. We are proactively working to reinforce our production capacity by accelerating automation and labor-saving in all our factories as additional initiatives.



Construction of the second factory

MANAGEMENT VOICE VOL. 5

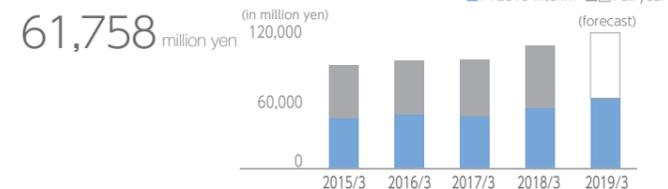
Director and Managing Executive Officer
Takahiro Matsuda

With stable demand in the PCB industry, our sales of through-hole PCBs with six or more layers increased in the first half of FY2019 against a backdrop of favorable demand for automotive PCBs in body and power train systems. In addition, although sales of smartphone PCBs slowed down overall, sales of HDI PCBs increased against a backdrop of increased demand in emerging countries (e.g., ASEAN nations and India). A reduction in demand is expected in the second half of the fiscal year. This is due to the impact of the long holidays (e.g., the Anniversary of Founding and the Spring Festival in China and the Tet Holiday in Vietnam) and the impact on the Chinese economy due to a US-China trade friction. Nevertheless, we will proactively work on supporting an increase in production in our factories in Vietnam and Japan. We will do this by achieving high quality and highly productive factories through an increase in the smartness of the Vietnam third factory and all other factories, by starting mass-production earlier through accelerating the pace at which we develop new products, and by supporting an expansion in the automotive market and demand in advanced fields. Moreover, our manufacturing departments are making improvements by working on various efforts as an initiative to improve our profit ratio. We have also launched an innovative productivity improvement project between indirect departments and are striving to improve the productivity of them. We would appreciate your continuous support.



Consolidated financial data

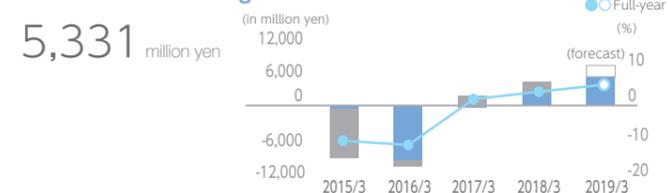
Net sales



Operating income/Operating margin



Net income*/Net margin



*Net income represents net income attributable to owners of parent.

Consolidated statement of income

	First half of the 43rd term (year to date) (April 1, 2017 to Sept. 30, 2017)	First half of the 44th term (year to date) (April 1, 2018 to Sept. 30, 2018)
Net sales	53,212	61,758
Cost of sales	43,958	50,339
Gross profit	9,253	11,418
Selling, general and administrative expenses	5,389	5,744
Operating income	3,864	5,674
Non-operating income	261	1,641
Non-operating expenses	1,306	970
Ordinary income	2,819	6,345
Extraordinary income	0	1
Extraordinary losses	162	129
Net income before income taxes	2,657	6,217
Income taxes	545	886
Net income	2,112	5,331
Loss attributable to non-controlling interests	△28	—
Net income attributable to owners of the parent	2,140	5,331

Key points of the financial results

•Consolidated statement of income

Sales of through-hole PCBs of six or more layers have increased against a backdrop of demand for body and power train systems in the automotive PCB field. They have also increased due to lively demand from customers in the smartphone field. As a result, as for the consolidated performance of the second quarter of the fiscal year under review, net sales were 61,758 million yen (up 16.1% year-on-year), operating income 5,674 million yen (up 46.8% year-on-year), ordinary income 6,345 million yen (up 125.1% year-on-year) and net income attributable to owners of parent 5,331 million yen (up 149.1% year-on-year).

Consolidated balance sheet

	End of FY2017 (As of March 31, 2018)	At the end of the second quarter for the fiscal year under review (As of September 30, 2018)
Assets		
Current assets	56,369	60,119
Noncurrent assets	53,946	60,342
Property, plant and equipment	49,732	55,075
Intangible assets	210	249
Investments and other assets	4,003	5,016
Total assets	110,316	120,461
Liabilities		
Current liabilities	48,924	49,004
Noncurrent liabilities	28,349	38,342
Total liabilities	77,274	87,346
Net assets		
Shareholders' equity	29,638	29,426
Capital	12,888	12,888
Capital surplus	11,745	6,464
Retained earnings	5,400	10,470
Treasury stocks	△396	△396
Cumulative other comprehensive income	3,403	3,687
Valuation difference on available-for-sale securities	21	11
Deferred gains or losses on hedges	298	304
Foreign currency translation adjustment	3,512	3,768
Remeasurements of defined benefit plans	△428	△397
Total net assets	33,042	33,114
Total liabilities and net assets	110,316	120,461

Consolidated statement of cash flows

	First half of the 43rd term (year to date) (April 1, 2017 to Sept. 30, 2017)	First half of the 44th term (year to date) (April 1, 2018 to Sept. 30, 2018)
Net cash generated from operating activities	6,759	6,900
Net cash expended in investment activities	△4,336	△9,153
Net cash expended in financing activities	△4,280	△774
The effect of changes in the exchange rate on cash and cash equivalents	248	153
Net increase (decrease) in cash and cash equivalents	△1,609	△2,873
Cash and cash equivalents at the beginning of the period	17,196	15,190
Cash and cash equivalents at the end of the period	15,586	12,316

•Consolidated balance sheet

Total assets stood at 120,461 million yen, an increase of 10,145 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to a decrease of 2,870 million yen in cash and deposits, an increase of 3,709 million yen in notes and accounts receivable-trade, and an increase of 2,501 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 5,342 million yen in property, plant and equipment, which was recorded under noncurrent assets. Net assets totaled 33,114 million yen, an increase of 72 million yen from the end of the previous consolidated fiscal year, due primarily to a decrease of 5,281 million yen in capital surplus following the acquisition of class-A preferred stocks, an increase of 5,070 million yen in retained earnings and an increase of 256 million yen from foreign currency translation adjustment.