

MEIKO REPORT

45th Report to Shareholders

(From April 1, 2019 to March 31, 2020)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

115,479 million yen

Operating income

5,189 million yen

Net income attributable to owners of parent

2,586 million yen

Consolidated balance sheet (in million yen)

	End of FY2018 (As of March 31, 2019)	At the end of this period (As of March 31, 2020)
Assets		
Current assets	56,021	59,716
Noncurrent assets	64,634	69,520
Property, plant and equipment	58,553	62,997
Intangible assets	269	827
Investments and other assets	5,811	5,696
Total assets	120,655	129,237
Liabilities		
Current liabilities	47,932	52,064
Noncurrent liabilities	39,135	44,691
Total liabilities	87,068	96,755
Net assets		
Shareholders' equity	30,446	32,116
Capital	12,888	12,888
Capital surplus	6,464	6,464
Retained earnings	11,489	13,159
Treasury stocks	△396	△396
Cumulative other comprehensive income	3,141	172
Valuation difference on available-for-sale securities	△65	△8
Deferred gains or losses on hedges	183	30
Foreign currency translation adjustment	3,322	375
Remeasurements of defined benefit plans	△298	△224
Total net assets	33,587	32,482
Total liabilities and net assets	120,655	129,237

Consolidated statement of income (in million yen)

	Previous period (year to date) (April 1, 2018 to March 31, 2019)	Current period (year to date) (April 1, 2019 to March 31, 2020)
Net sales	118,910	115,479
Cost of sales	98,862	98,733
Gross profit	20,048	16,745
Selling, general and administrative expenses	11,121	11,556
Operating income	8,926	5,189
Non-operating income	1,752	760
Non-operating expenses	2,067	1,160
Ordinary income	8,610	4,789
Extraordinary income	1	331
Extraordinary losses	750	1,855
Net income before income taxes	7,862	3,265
Income taxes	1,119	717
Net income	6,743	2,548
Net income (loss) attributable to non-controlling interest	—	△37
Net income attributable to owners of parent	6,743	2,586

Consolidated statement of cash flows (in million yen)

	Previous period (year to date) (April 1, 2018 to March 31, 2019)	Current period (year to date) (April 1, 2019 to March 31, 2020)
Net cash generated from operating activities	11,466	11,240
Net cash expended in investment activities	△17,292	△14,937
Net cash generated from (expended in) financing activities	1,956	6,249
The effect of changes in the exchange rate on cash and cash equivalents	98	△325
Cash and cash equivalents at the beginning of the period	15,190	11,419
Cash and cash equivalents at the end of the period	11,419	13,646

Key points of the financial results

●Consolidated statement of income

In this term, COVID-19 spread all over the world at the end of the fiscal year. Accordingly, our group was forced to stop operations in our Guangzhou Plant and Wuhan Plant over a long period of time following the measures taken by the Chinese authorities to prevent infections. This made us produce our products in the other plants to supply them to our important customers. Therefore, our business performance was impacted by a decline in sales and the burden of fixed plant costs during the period of suspended operation in the fourth quarter. As a result, we posted net sales of 115,479 million yen (-2.9% year on year), down 3,431 million yen compared with the previous year. Concerning profits and losses, operating income was 5,189 million yen (-41.9% year on year), ordinary income 4,789 million yen (-44.4% year on year) and net income attributable to owners of parent 2,586 million yen (-61.6% year on year).

●Consolidated balance sheet

Total assets stood at 129,237 million yen, an increase of 8,582 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to an increase of 2,232 million yen in cash and deposits, a decrease of 1,385 million yen in notes and accounts receivable-trade, and an increase of 2,982 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 4,443 million yen in property, plant and equipment, an increase of 1,695 million yen in investment securities and a decrease of 2,037 million yen in other investments and other assets, which were recorded under noncurrent assets. Net assets totaled 32,482 million yen, a decrease of 1,105 million yen from the end of the previous consolidated fiscal year, due primarily to an increase of 1,670 million yen in retained earnings and a decrease of 2,946 million yen in foreign currency translation adjustment.



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 for the term ended March 2020.

Yuichiro Naya, President & CEO

Consolidated results for FY2019

(in 100 million yen)

	Results for FY2018	Results for FY2019	Year on year	
			Increase/decrease	Increase/decrease rate
Net sales	1,189	1,155	-34	-2.9%
Operating income	89	52	-37	-41.9%
	7.5%	4.5%		
Ordinary income	86	48	-38	-44.4%
	7.2%	4.1%		
Net income attributable to owners of parent	67	26	-41	-61.6%
	5.6%	2.2%		
Exchange rate	USD/YEN	111.04	108.93	

Revenue from each product in FY2019

(in 100 million yen)

	Results for FY2018		Results for FY2019		Year on year	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	547	39	534	29	-13	-10
		7.1%		5.4%	-2.4%	-25.6%
Smartphones/tablets	325	38	249	18	-76	-20
		11.7%		7.2%	-23.4%	-52.6%
Others	317	12	372	5	55	-7
		3.8%		1.3%	17.4%	-58.3%
Total	1,189	89	1,155	52	-34	-37
		7.5%		4.5%	-2.9%	-41.9%

Consolidated earnings forecast for FY2020

(in 100 million yen)

	Results for FY2019	Forecast for FY2020	Year on year	
			Increase/decrease	Increase/decrease rate
Net sales	1,155	1,100	-55	-4.8%
Operating income (operating margin)	52	35	-17	-32.7%
	4.5%	3.2%		
Ordinary income (ordinary income rate)	48	25	-23	-47.9%
	4.1%	2.3%		
Net income attributable to owners of parent (net margin)	26	17	-9	-34.6%
	2.2%	1.5%		
Exchange rate	USD/YEN	108.93	108.00	

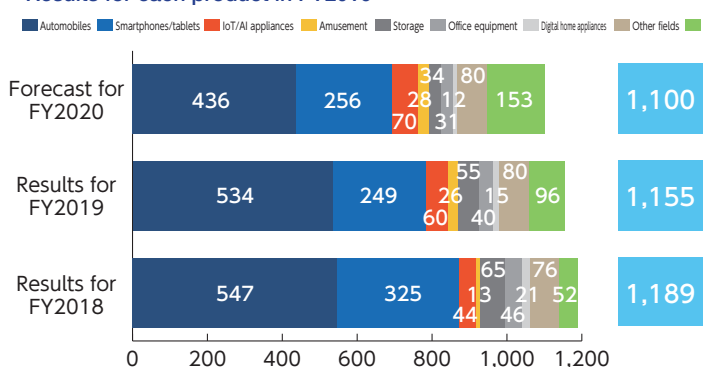
Revenue forecast from each product in FY2020

(in 100 million yen)

	Results for FY2019		Forecast for FY2020		Year on year	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	534	29	436	10	-98	-19
		5.4%		2.3%	-18.4%	-65.5%
Smartphones/tablets	249	18	256	20	7	2
		7.2%		7.8%	2.8%	11.1%
IoT, AI, amusement	86	7	98	8	12	1
		8.1%		8.2%	14.0%	14.3%
Other fields (includes R&D expenses)	190	-2	157	-5	-33	-3
		-1.1%		-3.2%	-17.4%	150.0%
EMS	96	0	153	2	57	2
		0.0%		1.3%	59.4%	-
Total	1,155	52	1,100	35	-55	-17
		4.5%		3.2%	-4.8%	-32.7%

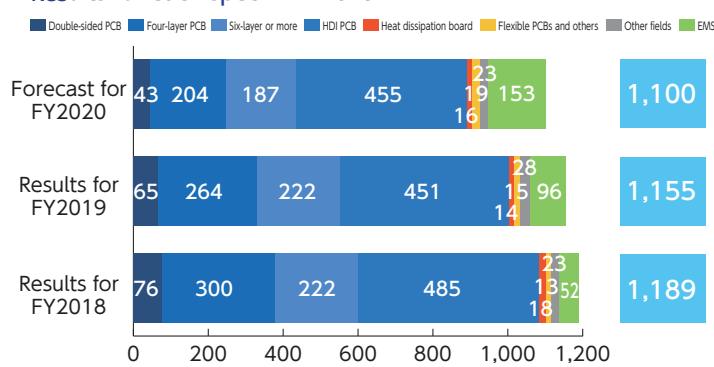
Results for each product in FY2019

(in 100 million yen)



Results for each spec in FY2019

(in 100 million yen)



Regarding investment plans

We planned to invest 15 billion yen in the fiscal year ended March 31, 2020. However, we actually invested 12 billion yen as the automobile market deteriorated rapidly. By the end of the fiscal year ending March 31, 2021, we plan to invest 10 billion yen. This is to meet the increasing demand for 5G and strengthen our module PCB business.

Regarding the plan to strengthen the 5G business

The investments we have performed so far paved the way to increase orders for the 5G business in the fiscal year ending March 31, 2021. The main application of 5G PCBs is for smartphones. The smartphone market will be bearish overall. However, revenue will increase due to a rise in 5G demand.

Regarding the plan to strengthen module PCBs

Demand for module PCBs is expected to grow dramatically as a promising driving force for revenue. Accordingly, we have decided to tackle this field in earnest. We are already working on memory and communication applications. Furthermore, as demand will grow globally, we have been building a production structure for them in Japan, China and Vietnam.

Regarding the plan to strengthen the EMS business

We will further enhance our profitability in the EMS business through integrated production – from the supply of PCBs to the mounting and assembly of parts. We will expand orders in a wide range of fields (e.g., the automotive mounting, smartphone/tablet, digital home appliances and IoT) in the fiscal year ending March 31, 2021.

Regarding the plan to strengthen the FPC business

We have increased production of FPC boards for smartphones and tablets in the FPC business. In addition, we will also expand the business for automotive, industrial equipment, office equipment and amusement.

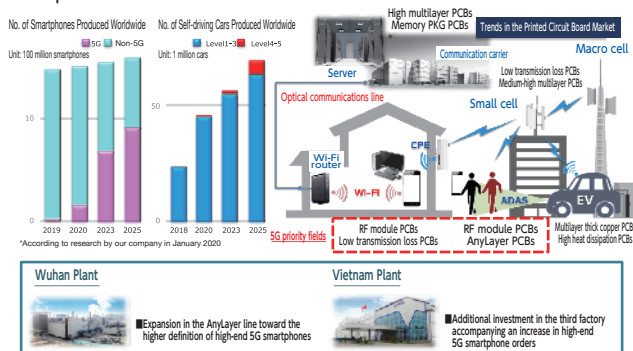
Regarding dividends

Our company recognizes the increase of profits for shareholders as an important managerial mission. For the time being, we will prioritize investment to expand the business scale of the Company and focus on increasing sales. In line with this, we are looking to increase profits and dividends. We set the year-end dividends for this term at 15 yen per share. Combined with the interim dividends, annual dividends were 30 yen.

In order to live up to the support and expectations from stakeholders, including shareholders, we will take improvement measures with utmost effort, to improve our performance and corporate value. We would appreciate your continued support and encouragement.

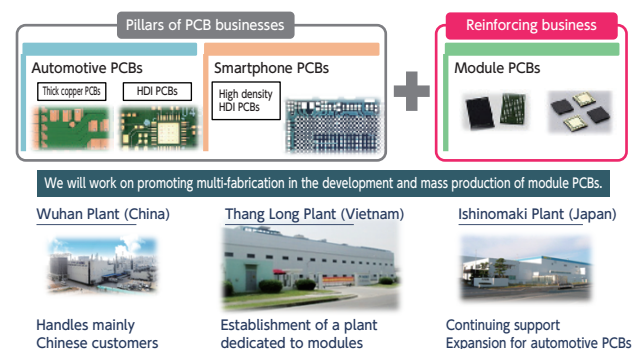
Strengthening of 5G business

We are continuing to invest in smartphone PCB production plants with an expansion in the 5G market on the horizon.

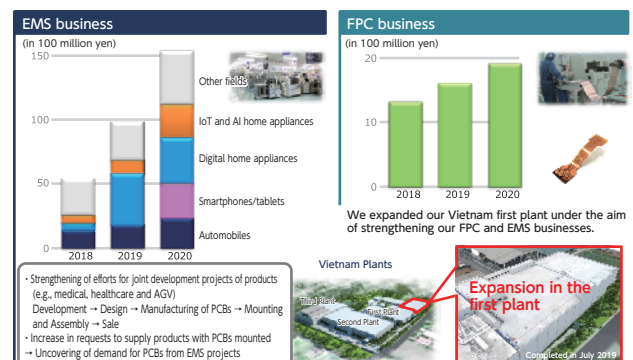


Strengthening of module PCB business

We will launch module business following on from automotive PCBs and smartphone PCBs to establish products with an impact on semiconductor in general.



Strengthening of EMS and FPC businesses

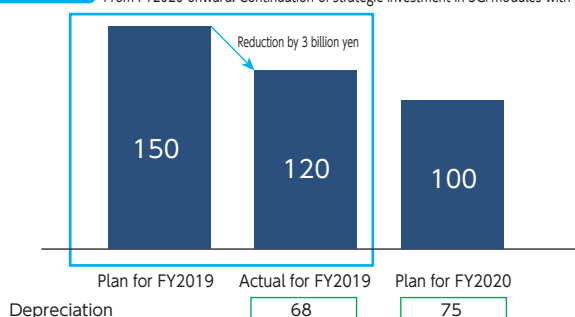


Investment policy

(in 100 million yen)

Capital investment

FY2019: Completed investment in the first stage of the construction of a new building in Vietnam. From FY2020 onward: Continuation of strategic investment in 5G/modules with a focus on ROIC



Efforts for a Post-Novel Coronavirus Society

Efforts in China: Mask Production (Guangzhou Plant)

It became difficult to procure masks. Therefore, we started production of masks in a clean room in our Guangzhou Plant. (Monthly production: 2 million masks)



Efforts in Vietnam: Artificial Respirator Production

Joint production with the National Institute of Medical Device and Construction (NIMEC) in the Vietnamese Ministry of Health (NATIONAL INSTITUTE OF MEDICAL DEVICE AND CONSTRUCTION)

→ Design, development and mass production structure preparation for artificial respirators and other medical equipment





Yosuke Nishiyama
Outside Director

I was appointed as outside director at the General Meeting of Shareholders in June 2019. Since then, I have been fulfilling my duties expected in the position. The establishment of corporate governance has become a prerequisite for companies to survive in recent years. Against this backdrop, I have been proactively and objectively giving opinions and making proposals as an independent outside director to further enhance corporate value for the benefit of all stakeholders involved in the Company – shareholders, customers and business partners – based on my many years of experience in manufacturing, technology and management. The changes in the environment surrounding us are always dynamic. Occasionally, we are subjected to upheaval beyond our expectations like with COVID-19. Even under such circumstances, I always keep in mind “continuous improvement of productivity” that forms the basis of growth in our company, “maximization of competitiveness” and “minimization of risk” that is the most important factor in a predicament like the one we are in. With this, I will work my hardest with the aim of making our company an even better one. Thus, I truly ask for your continued support.

Corporate data (As of March 31, 2020)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	12,232 (consolidated) (Japan: 854) (Overseas: 11,378)
Outline of Business	Design and manufacturing and sales of PCBs and auxiliary electronics business

Executives

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	Junya Wada
Director	Yoon Ho, Shin
Director	Nao Tsuchiya
Director	Yosuke Nishiyama
Audit & Supervisory Board Member (Standing)	Toyohiko Tsuyuki
Audit & Supervisory Board Member	Takashi Harada
Audit & Supervisory Board Member	Takayuki Sato

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
Meiko Towada Vietnam Co., Ltd.	Auxiliary electronics business

Stock Information

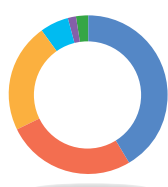
Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	26,173,893 shares (excluding treasury stock of 629,427 shares)
Number of Shareholders	4,744

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	17.97
Japan Trustee Services Bank, Ltd. (Trust Account)	2,650	10.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,114	4.26
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,080	4.13
JP MORGAN CHASE BANK 385632	684	2.62
Meiko Kosan Co., Ltd.	608	2.32
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	551	2.11
Yuho, Ltd.	521	1.99
STATE STREET BANK AND TRUST COMPANY 505019	484	1.85
Seiichi Naya	435	1.66

*The Company owns treasury stock of 629,427 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)



Individuals and others	41.41%
Financial institutions	26.42%
Foreign institutions and others	22.40%
Other institutions	5.82%
Financial instruments business operators	1.60%
Treasury stock	2.35%

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: https://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 above.



Headquarters: 5-14-15 Ogami, Ayase, Kanagawa, 252-1104 Japan
Tel: 0467-76-6001 (main)
URL: <https://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.