

MEIKO REPORT

46th Report to Shareholders

(From April 1, 2020 to March 31, 2021)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

119,257 million yen

Operating income

6,657 million yen

Net income attributable to owners of parent

4,640 million yen

Consolidated balance sheet

(in million yen)

	End of FY2019 (As of March 31, 2020)	At the end of this period (As of March 31, 2021)
Assets		
Current assets	59,716	66,338
Noncurrent assets	69,520	75,701
Property, plant and equipment	62,997	68,786
Intangible assets	827	927
Investments and other assets	5,696	5,987
Total assets	129,237	142,040
Liabilities		
Current liabilities	52,064	59,182
Noncurrent liabilities	44,691	42,247
Total liabilities	96,755	101,429
Net assets		
Shareholders' equity	32,116	36,256
Capital	12,888	12,888
Capital surplus	6,464	6,464
Retained earnings	13,159	17,648
Treasury stocks	△396	△745
Cumulative other comprehensive income	172	4,161
Valuation difference on available-for-sale securities	△8	39
Deferred gains or losses on hedges	30	250
Foreign currency translation adjustment	375	4,127
Remeasurements of defined benefit plans	△224	△255
Total net assets	32,482	40,610
Total liabilities and net assets	129,237	142,040

Consolidated statement of income

(in million yen)

	Previous period (year to date) (April 1, 2019 to March 31, 2020)	Current period (year to date) (April 1, 2020 to March 31, 2021)
Net sales	115,479	119,257
Cost of sales	98,733	101,732
Gross profit	16,745	17,524
Selling, general and administrative expenses	11,556	10,866
Operating income	5,189	6,657
Non-operating income	760	795
Non-operating expenses	1,160	1,755
Ordinary income	4,789	5,697
Extraordinary income	331	3
Extraordinary losses	1,855	641
Net income before income taxes	3,265	5,059
Income taxes	717	422
Net income	2,548	4,636
Net loss attributable to non-controlling interests	△37	△4
Net income attributable to owners of parent	2,586	4,640

Consolidated statement of cash flows

(in million yen)

	Previous period (year to date) (April 1, 2019 to March 31, 2020)	Current period (year to date) (April 1, 2020 to March 31, 2021)
Net cash generated from operating activities	11,240	7,853
Net cash expended in investment activities	△14,937	△9,489
Net cash generated from (expended in) financing activities	6,249	△618
The effect of changes in the exchange rate on cash and cash equivalents	△325	501
Cash and cash equivalents at the beginning of the period	11,419	13,646
Cash and cash equivalents at the end of the period	13,646	12,121

Key points of the financial results

●Consolidated statement of income

Orders started to recover in the second quarter and have remained healthy since then. Sales declined year-on-year until the third quarter. Nevertheless, sales in this fourth quarter were strong. As a result, we recorded our largest sales ever.

As a result, we posted net sales of 119,257 million yen (+3.3% year on year), up 3,777 million yen compared with the previous year. Concerning profits and losses, operating income was 6,657 million yen (+28.3% year on year), ordinary income 5,697 million yen (+19.0% year on year) and net income attributable to owners of parent 4,640 million yen (+79.4% year on year).

●Consolidated balance sheet

Total assets stood at 142,040 million yen, an increase of 12,802 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to a decrease of 1,519 million yen in cash and deposits, an increase of 5,055 million yen in notes and accounts receivable-trade, and an increase of 3,203 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 5,789 million yen in property, plant and equipment, which was recorded under noncurrent assets.

Net assets totaled 40,610 million yen, an increase of 8,128 million yen from the end of the previous consolidated fiscal year, due primarily to an increase of 4,488 million yen in retained earnings and an increase of 3,752 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 2021.

Yuichiro Naya, President & CEO

Regarding full-year business results

Regarding full-year business results

The electronic parts industry was impacted by COVID-19 in the first quarter of this consolidated fiscal year. This led to a significant fall in demand. However, the economy started to recover and demand grew in the latter half of the second quarter. On the other hand, a sense of uncertainty continues about the spread of COVID-19 again and the supply shortage for semiconductors.

Under these circumstances, orders we received started to recover in the second quarter and have remained healthy since then. Sales declined year-on-year until the third quarter. Nevertheless, sales in this fourth quarter were strong. As a result, we recorded our largest sales ever. As for the sales from each product, sales of automotive PCBs increased due to the recovery in automobile production and the trend for electrification and the conversion to electrical components. However, the impact of the slump in the first half of this fiscal year remained. Therefore, sales decreased slightly year-on-year. Sales of smartphone PCBs increased greatly year-on-year. This was against a background of a recovery in sales and the rising demand for 5G (fifth generation mobile communication system). Sales of PCBs for IoT/AI appliances and EMS business also remained strong. Against a backdrop of the promotion of group-wide cost reduction measures and favorable orders, high operation of plants continued and profits grew. Nonetheless, a severe situation remains with soaring material procurement costs due to the surge in price of copper, gold and other resources. As another factor of profit increase, the exchange rate saw yen depreciation at the end of the fiscal year in the dollar-yen exchange rate.

Regarding the next term

We expect demand to grow in the electronic parts industry to which our group belongs thanks to the recovery in automobile production, the progress of the conversion to electrical components and the shift to 5G. Nevertheless, uncertainty remains due to antagonism between the U.S. and China, the shortage of semiconductors, and the spread of COVID-19 again.

The outlook for performance will remain strong in terms of sales accompanied by the shift of automotive PCBs to HDI PCBs. In addition, we also anticipate an increase in PCBs for 5G applications in regards to smartphone PCBs. Moreover, although we expect material procurement costs to rise due to soaring resource prices, we are working to further strengthen profitability. We are doing this by reviewing sales prices, promoting group-wide cost reduction measures, and investing in plant automation and labor saving.

Regarding the medium-term production strategy

Our group is expanding our customer services. We are proposing support in a wide range of fields ranging from the manufacture of PCBs to development/design and mounting of PCBs. As part of our efforts, we make proposals according to a technology roadmap we have prepared in light of mid- to long-term technological trends based on the research and analysis of our group in the product development stage of our customers. This allows us to accurately meet the needs of our customers. Furthermore, in addition to the existing through PCBs and HDI PCBs in our product lineup, we provide a wide range of PCBs including flexible PCBs and module PCBs. We will build a production system to stably respond to the extensive needs of our customers – from mass-produced products to small lot production in large varieties in the cutting-edge PCB field.

Consolidated results for FY2020

(in 100 million yen)

	Results for FY2019		Results for FY2020		Year on year	
					Increase/decrease	Increase/decrease rate
Net sales	1,155		1,193		38	3.3%
Operating income	52	4.5%	67	5.6%	15	28.3%
Ordinary income	48	4.2%	57	4.8%	9	19.0%
Net income attributable to owners of parent	26	2.2%	46	3.9%	20	79.4%
Average FX rate (JPY/USD)	108.93		105.93			
Dividend per share	30 yen		20 yen			

Revenue from each product in FY2020

(in 100 million yen)

	Results for FY2019		Results for FY2020		前年比	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	534	29	523	36	-11	7
		5.4%		6.9%	-2.1%	24.1%
Smartphones/tablets	249	18	288	21	39	3
		7.2%		7.3%	15.7%	16.7%
AI appliances/IoT/Amusement	86	7	103	8	17	1
		8.1%		7.8%	19.8%	14.3%
Others PCBs	190	-2	163	2	-27	4
		-1.1%		1.2%	-14.2%	200.0%
EMS	96	0	116	0	20	0
		0.0%		0.0%	20.8%	-
Total	1,155	52	1,193	67	38	15
		4.5%		5.6%	3.3%	28.3%

Consolidated earnings forecast for FY2021

(in 100 million yen)

	Results for FY2020		Forecast for FY2021		Year on year	
					Increase/decrease	Increase/decrease rate
Net sales	1,193		1,350		157	13.2%
Operating income	67	5.6%	95	7.0%	28	42.7%
Ordinary income	57	4.8%	87	6.4%	30	52.7%
Net income attributable to owners of parent (Net margin)	46	3.9%	75	5.6%	29	61.6%
Average FX rate (JPY/USD)	105.93		108.00			
Dividend per share	20 yen		40 yen			
Self-capital ratio	28.5%		32%			
Ratio of interest-bearing debt to net sales	56.5%		44%			
Net income per share	177.33 yen		288 yen			

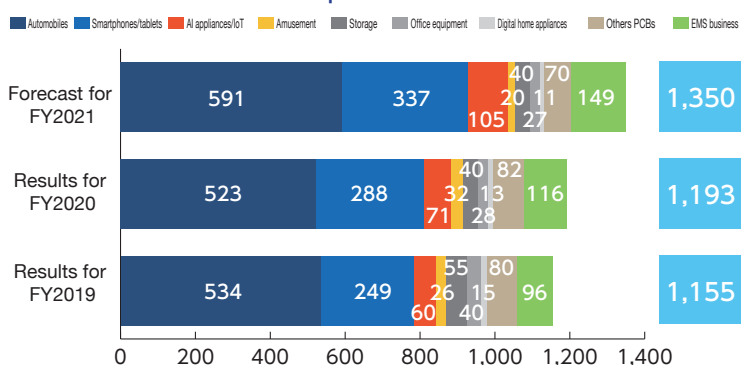
Revenue forecast from each product in FY2021

(in 100 million yen)

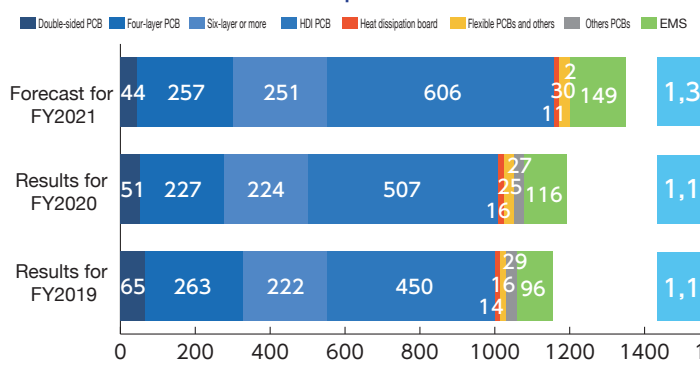
	Results for FY2020		Forecast for FY2021		Year on year	
	Net sales	Operating income (Operating margin)	Net sales	Operating income (Operating margin)	Net sales (growth rate)	Operating income (growth rate)
Automobiles	523	36	591	38	68	2
		6.9%		6.4%	13.0%	5.6%
Smartphones/tablets	288	21	337	34	49	13
		7.3%		10.1%	17.0%	61.9%
AI appliances/IoT/Amusement	103	8	125	13	22	5
		7.8%		10.4%	21.4%	62.5%
Others PCBs	163	2	148	9	-15	7
		1.2%		6.1%	-9.2%	350.0%
EMS	116	0	149	1	33	1
		0.0%		0.7%	28.4%	-
Total	1,193	67	1,350	95	157	28
		5.6%		7.0%	13.2%	42.7%

Results and forecast for each product

(in 100 million yen)



Results and forecast for each spec



Initiatives for a reform of manufacturing

Our group is promoting manufacturing reforms under the theme of “Eco Smart Factory.” Our efforts for this include the replacement of production work with robots, the automation of logistics inside plants, and a conversion to one-line and in-line incorporating production facilities and inspection equipment. Furthermore, we are monitoring and taking disaster prevention measures by utilizing IoT for production facilities. At the same time, we have further strengthened energy saving in production facilities and the recycling of waste to reduce our environmental burden while ensuring the stable operation of plants. We have also increased solar power generation in our Japanese pilot plant as an effort to reduce CO2. Together with these efforts, we are working to switch to a production system using biomass power generation and other renewable energies.

Capacity expansion for production sites and capital investment

The sales of our group have been driven by the two pillars of our PCB business; namely, automotive PCBs focused on through PCBs and the smartphone field centered on HDI PCBs. Recent ordering trends continue to be extremely favorable. Therefore, we have been expanding production by investing to eliminate bottlenecks in our existing plants. We expect demand in the field of communication modules and memory modules using module PCBs to grow rapidly in the near future. We are investing in a production line with the MSAP method at our third plant in Vietnam to turn this field into the third pillar of our PCB business. We plan to start production this fall. In addition to this, we are developing module PCB production systems in Japan and China with the aim of becoming one of the leading manufacturers in the world. Going forward, we have received many orders. Accordingly, expanding production capacity will be an issue. For that reason, we will continue to increase production including the construction of new plants.

Improvement of financial balance

One of the financial challenges facing our group is a reduction in our interest-bearing debt. Interest-bearing debt remained almost at the same level due to investment in the construction of our third plant in Vietnam in the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020. However, we reduced interest-bearing debt by curbing investment and increasing profits in the fiscal year ended March 31, 2021, and will continue the same efforts for the fiscal year ending March 31, 2022.

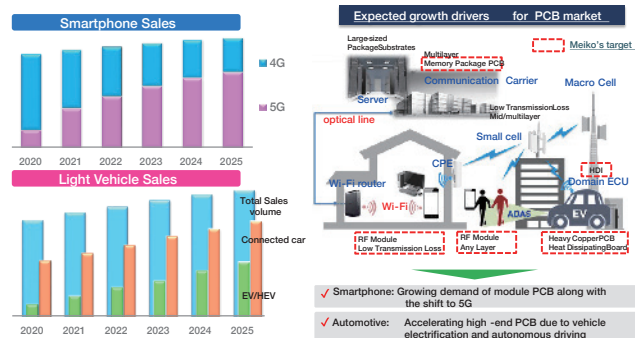
Regarding dividends

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 anticipate an improvement in business results in the next fiscal year. Accordingly, we assume that we will enjoy our highest-ever profit level. In response to this, we expect our annual dividend to be 40 yen per share. In addition, we plan to acquire up to 600,000 of our own shares. In this way, we are striving to enhance shareholder returns.

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

PCB Market Forecast

DX boosts PCB market expansion for high-speed communication



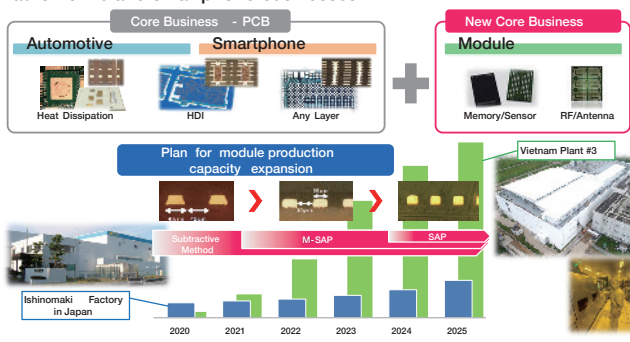
Medium-Term Production Strategy

Meiko will accelerate its improvement and strengthening efforts for manufacturing, challenging the cutting-edge fields and expanding the products portfolio, aiming for stable supply to customers and extension of services based on the expertise to meet customer's requirements.



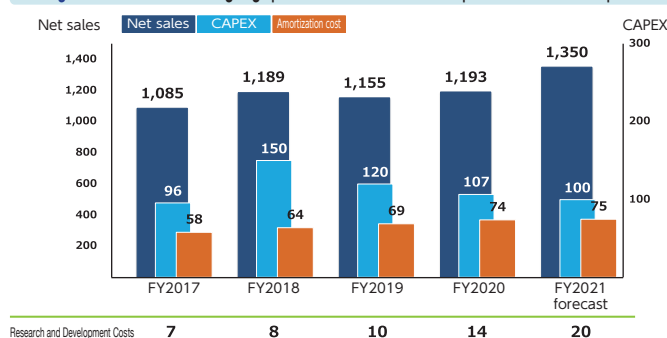
Capacity Expansion for Production Sites

Becoming one of the global PCB leaders in module PCBs in addition to automotive and smartphone businesses



CAPEX Highlights

Strategic investment areas: Cutting-edge products for automobile/smartphone and 5G/module products



Manufacturing Reform Plan





Toshifumi Kobayashi
Outside Director

I have been performing my duties as an Outside Director since November 2020. The environment surrounding us in the COVID-19 pandemic has made us perform our business administration in a new and innovative manner. The conversion to the Web, the switch to electric vehicles, the move to high-speed transmission, decarbonization and other major trends are also opportunities to expand the market through new fields and new technologies. Under this environment, it is very important that the Company comes together as one to further improve the corporate strengths in production, technology, marketing and quality we have accumulated so far. Currently, we have established a course of action and are steadily working on it under strong leadership. We have also established a global competition system.

I will work to enhance corporate value while focusing on the importance of ESG in the future. As an Outside Director, I will give opinions and make proposals. Through this, I will work to grow the Company and contribute to stakeholders.

I ask for your continued support in the future.

Corporate data (As of March 31, 2021)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	13,721 (consolidated) (Japan: 861) (Overseas: 12,860)
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
Guangzhou Speed Trading 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

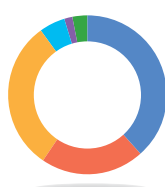
Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	26,173,893 shares (excluding treasury stock of 629,427 shares)
Number of Shareholders	4,744

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	18.06
Custody Bank of Japan, Ltd. (Trust Account)	1,997	7.67
CLEARSTREAM BANKING S.A.	1,458	5.60
PICTET AND CIE (EUROPE) S.A.	1,333	5.12
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,280	4.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,031	3.96
Meiko Kosan Co., Ltd.	608	2.34
Yuhō, Ltd.	521	2.00
STATE STREET BANK AND TRUST COMPANY 505019	450	1.73
Seiichi Naya	435	1.67

**The Company owns treasury stock of 759,506 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	38.36%
Financial institutions	21.19%
Foreign institutions and others	30.58%
Other institutions	5.20%
Financial instruments business operators	1.84%
Treasury stock	2.83%

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.

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.