

MEIKO REPORT

46th Interim

(From April 1, 2020 to September 30, 2020)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

53,236 million yen

Operating income

1,814 million yen

Net income attributable to owners of parent

194 million yen

Consolidated balance sheet (in million yen)

	End of FY2019 (As of March 31, 2020)	At the end of the second quarter under review (As of September 30, 2020)
Assets		
Current assets	59,716	60,983
Noncurrent assets	69,520	71,558
Property, plant and equipment	62,997	64,473
Intangible assets	827	887
Investments and other assets	5,696	6,196
Total assets	129,237	132,541
Liabilities		
Current liabilities	52,064	53,837
Noncurrent liabilities	44,691	46,529
Total liabilities	96,755	100,367
Net assets		
Shareholders' equity	32,116	32,158
Capital	12,888	12,888
Capital surplus	6,464	6,464
Retained earnings	13,159	13,202
Treasury stocks	△396	△396
Cumulative other comprehensive income	172	△130
Valuation difference on available-for-sale securities	△8	0
Deferred gains or losses on hedges	30	129
Foreign currency translation adjustment	375	△53
Remeasurements of defined benefit plans	△224	△206
Non-controlling interests	193	145
Total net assets	32,482	32,173
Total liabilities and net assets	129,237	132,541

Consolidated statement of income (in million yen)

	First half of the 45th term (year to date) (April 1, 2019 to September 30, 2019)	First half of the 46th term (year to date) (April 1, 2020 to September 30, 2020)
Net sales	59,122	53,236
Cost of sales	49,961	46,499
Gross profit	9,160	6,736
Selling, general and administrative expenses	5,749	4,921
Operating income	3,410	1,814
Non-operating income	266	445
Non-operating expenses	654	1,700
Ordinary income	3,022	560
Extraordinary income	3	2
Extraordinary losses	182	290
Net income before income taxes	2,842	272
Income taxes	476	120
Net income	2,366	152
Net loss attributable to non-controlling interests	—	△42
Net income attributable to owners of parent	2,366	194

Consolidated statement of cash flows (in million yen)

	First half of the 45th term (year to date) (April 1, 2019 to September 30, 2019)	First half of the 46th term (year to date) (April 1, 2020 to September 30, 2020)
Net cash generated from operating activities	4,480	1,308
Net cash expended in investment activities	△8,899	△5,702
Net cash generated from (expended in) financing activities	5,828	4,753
The effect of changes in the exchange rate on cash and cash equivalents	△382	△108
Cash and cash equivalents at the beginning of the period	11,419	13,646
Net increase (decrease) in cash and cash equivalents resulting from the change in scope of consolidation	—	229
Cash and cash equivalents at the end of the period	12,446	14,126

Key points of the financial results

•Consolidated balance sheet

- Total assets at the end of the second quarter under review increased 3,303 million yen from the end of previous fiscal year to 132,541 million yen.
- This is mainly attributable to increases of 482 million yen in cash and deposits, 533 million yen in notes and accounts receivable-trade, and 381 million yen in inventories, included in current assets, as well as increases of 1,476 million yen in property, plant and equipment and 500 million yen in investments and other assets, included in noncurrent assets.
- Liabilities at the end of the second quarter under review increased 3,611 million yen from the end of previous fiscal year to 100,367 million yen.

- This is mainly attributable to a 1,624 million yen decrease in notes and accounts payable-trade, a 6,729 million yen increase in short-term borrowings, a 2,782 million yen decrease in current portion of long-term borrowings, and a 466 million yen decrease in other current liabilities, included in current liabilities, as well as a 1,897 million yen increase in long-term borrowings, included in noncurrent liabilities.
- Net assets at the end of the second quarter under review fell 308 million yen from the end of previous fiscal year to 32,173 million yen.
- This is mainly attributable to a 42 million yen increase in retained earnings and a 429 million yen decrease 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 first half of the term ending March 2021.

Yuichiro Naya, President & CEO

1st Half Results and Full-Year Outlook FY2020- Consolidated

(in 100 million yen)

	FY19 1 st half results	FY20 1 st half results	Year-on-year		FY20 2 nd half forecast	FY20 full-year forecast
			Diff.	%		
Net sales	591	532	-59	-10.0%	628	1,160
Operating income	34	18	-16	-46.8%	35	53
	5.8%	3.4%			5.6%	4.6%
Ordinary income	30	6	-24	-81.5%	29	35
	5.1%	1.1%			4.6%	3.0%
Net income	24	2	-22	-91.8%	25	27
	4.0%	0.4%			4.0%	2.3%
Average FX rate (JPY/USD)	108.66	106.30			106.00	106.15
Dividend per share	15 yen	0			20 yen	20 yen

Regarding the operating results in the first half

In the first half of the fiscal year, the electronic parts industry witnessed a moderate recovery after being hit by the economic slump caused by the COVID-19 pandemic. However, the outlook remains clouded as there are also some regions that are showing no signs of the virus abating.

Against this backdrop, our group is also experiencing a moderate recovery in the number of orders received. Although automotive PCBs are seeing a return in business from customers that had gone to competitors thanks to a recovery in global automotive production, sales fell year-on-year. Smartphone PCBs and PCBs for IoT modules and AI appliances are seeing an influx in new orders, but also reported a year-on-year decline in sales. Meanwhile, PCBs for amusement applications continued to fare well, recording year-on-year sales growth. The EMS business saw sales increase year-on-year, owing partly to expansion of the Vietnam Plant. On the profit front, our company pushed forward with group-wide cost reduction, but soaring prices of resources such as copper and gold as well as the booking of 933 million yen in foreign exchange losses in non-operating expenses and 290 million yen in restructuring and other costs in extraordinary losses resulted in profit decrease year on year.

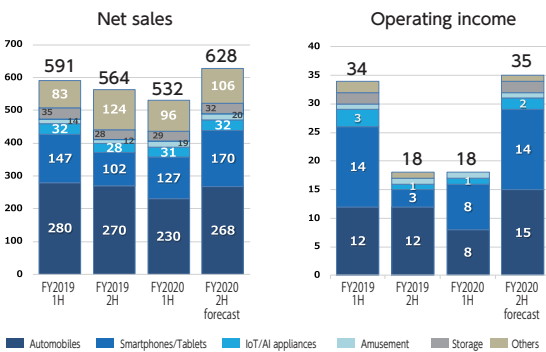
As a result, we posted net sales of 53,236 million yen (-10.0% year-on-year), down 5,885 million yen compared with the same quarter of the previous year. Concerning profits and losses, operating income was 1,814 million yen (-46.8% year-on-year), ordinary income 560 million yen (-81.5% year-on-year) and net income attributable to owners of parent 194 million yen (-91.8% year-on-year).

Regarding the full-year forecast

Our company has upgraded the full-year forecast in light of the anticipated earnings recovery in the second half of the term. We forecast net sales to grow 0.5% year-on-year to 116,000 million yen, operating income to increase 2.1% year-on-year to 5,300 million yen, ordinary income to fall 26.9% year-on-year to 3,500 million yen, and net income attributable to owners of parent to increase 4.4% year-on-year to 2,700 million yen. As for the outlook for sale of each product application, we see sales of automotive PCBs decreasing 9.5% year-on-year to 49,800 million yen, because the sluggish automotive market is recovering. For smartphone PCBs, we estimate sales jumping 19.3% year-on-year to 29,700 million yen, backed by increased uptake of our products in customer applications and the smooth launch of new models. For PCBs for IoT modules and AI appliances and PCBs for amusement applications, we project sales to grow 18.6% year-on-year to 10,200 million yen, also on increased uptake of our products in customer applications. Meanwhile, we forecast profit falling 4.2% year-on-year to 2,300 million yen for automotive PCBs, advancing 29.4% year-on-year to 2,200 million yen for smartphone PCBs, and remaining flat year-on-year to 500 million yen for PCBs for IoT modules and AI appliances and PCBs for amusement applications.

Half-Yearly Net Sales and Operating Income

(in 100 million yen)



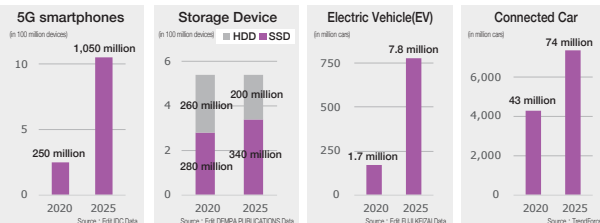
Sales by Product Specification

(in 100 million yen)



Mid-term Market Trend

Global pandemic has accelerated social and economic change to cloud connected devices. 5G adoption drives digital transformation across many market sectors.



• 5G unleashing full potential of IoT to become an integral part of our economy and lifestyle.
• Advanced Analytics and AI processors driving SSD penetration in data centers.
• EV and Connected Car growth occurring through Environmental Regulations and competition for Autonomous Driving.
• Increased data rates requiring higher complexity and functionality HDI PCB with high-speed signal capability.

5G Application

Industry	Product	Application	Factory	Status	Features	PCB Stackup
Smart-phone		Main Board	Wuhan Vietnam	Volume	High Speed Fine Line Width & Spacing	10L AnyLayer 12L AnyLayer
		RF Module	Vietnam	Volume	Thin Dielectrics Smaller Microvia	8L AnyLayer
IoT Device		Communication Module	Wuhan	Volume	High Speed SMT Reliability	12L AnyLayer
		Communication Module	Vietnam Ishinomaki	Sample	High Speed SMT Reliability	12L AnyLayer 12L HDI
Data Center Storage		SSD	Wuhan	Sample	High Speed Hybrid Structure	16L HDI
		Memory Package	Vietnam	Sample	Thin Dielectrics Fine Line Width & Spacing	3L AnyLayer 4L AnyLayer

Regarding capital investments

We plan to conduct capital investments of 10 billion yen in the current fiscal year, in accordance with the budget formulated at the beginning of the term. Until now, we have focused such outlays on boosting production capacity, but going forward we intend to invest in advanced automotive, smartphone, and 5G fields, as well as module PCBs, which will be the mainstay of our business in the future. We plan to focus our investments on fields expected to contribute to earnings growth in the next fiscal year onwards and on smart factory.

Regarding Mid-term Strategy

Going forward, we plan to expand sales by strengthening our operations in cutting-edge products for automotive and smartphone, the 5G/module products, and the EMS business, which are designated as key areas. For operating income, we will strive to expand aforementioned advanced domains, improve productivity, and reduce fixed costs and SG&A. We will also work to improve the profitability of our domestic operations. As for our financing strategy, we will carry out initiatives to reduce interest-bearing debt, enhance our self-capital ratio, and improve ROIC.

Impact from the COVID-19 that spread from the beginning of the year resulted in a temporary halt in growth, but we have gradually begun to recover from the fallout on this front. Meanwhile, capital investments carried out through the previous fiscal year have not yet provided sufficient contributions to sales due to this impact. In order to boost growth going forward, we first plan to make full use of the capital investments already made.

Company sales and investments in each region are as follows. In Japan, we expect sales to decline slightly due to the impact from the COVID-19 pandemic. For China, we considerably fell below our initial estimates in the previous fiscal year due to the suspended operations at our Wuhan Plant and the subsequent loss of orders to competitors. We expect performance in China to gradually recover in the future. In Vietnam, sales have been on a growth trend on the back of heavy investments. We expect this growth momentum to continue going forward.

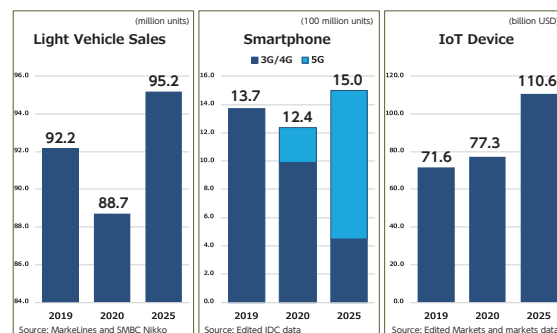
As for ESG initiatives, we place importance on reducing the burden our operations place on the environment. We are therefore vigorously promoting the reduction of carbon dioxide emissions by shifting to production equipment with better energy efficiency, the reuse of water resources, and the recovery of resources contained in waste. We are also actively promoting corporate management with SDGs in mind, and will disclose information on these activities on our website as well as in our integrated reports.

Regarding dividends

Sales and profit have both declined due to the impact from the COVID-19 pandemic. After the contemplation of this situation, we have come to a conclusion to forgo the interim dividend for the current fiscal year. As we expect earnings to recover, we plan to pay year-end dividends of 20 yen per share, bringing the annual dividend to 20 yen per share.

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.

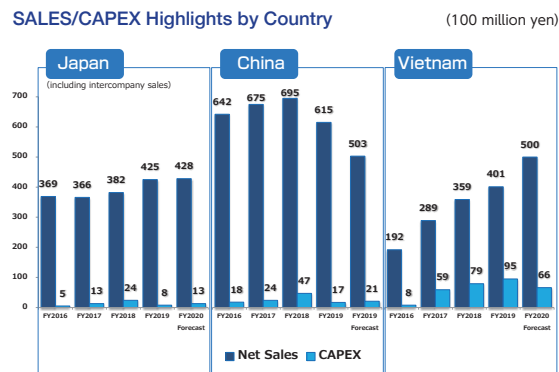
Global Market Forecast



Strategic Goals



SALES/CAPEX Highlights by Country



ESG initiatives



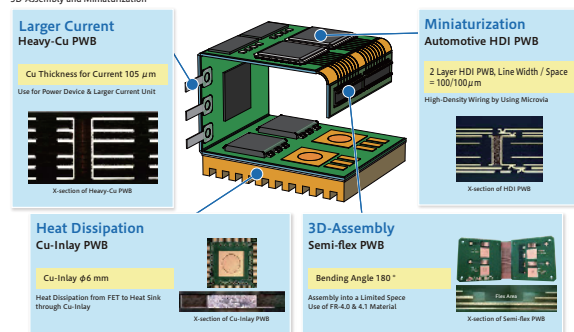
PCB Technology Roadmap

Ethernet Speed	400Gbit/s	800Gbit/s
Bit Rate	8Gbps (Gen3)	16Gbps (Gen4)
Package Module	Flash Memory / RF Module (MSAP L/S=25/25um)	Flash Memory (L/S=20/20um)
Base Station Server	Data Center Server SSD (16Layer Low-Loss Transmission Line PCB)	Ultra Low-Loss Transmission Line PCB
Connected Car IoT Device	Communication Module (12Layer AnyLayer PCB⇒ Low-Loss Transmission Line PCB)	
Smartphone	Mother Board (MSAP L/S=30/30um ⇒ 25/25um)	
Autonomous Driving Electric Vehicle	ECU Integration (Multi-function Integrated Power PCB)	Vehicle Computer (3Layer HDI PCB)
Autonomous Driving	Level 3	Level 4
	Y2020	Y2025

Design Proposal for Automotive ECU Integration

Multi-function Integrated Power PWB

Power PWB with Combination of Larger Current, Heat Dissipation, 3D-Assembly and Miniaturization





Takashi Harada
Outside Director

I was appointed as an outside director at the General Meeting of Shareholders held in June 2020. Prior to my new role, I served as an outside audit & supervisory board member for this company for four years. I consider it important to maintain sound corporate governance when expanding business operations. During periods of tough operating conditions or long periods of sharp growth, companies tend to prioritize business execution, which can lead to governance failure. I hope to contribute to the improvement in corporate value by observing company strategies and business execution from my objective standpoint as an outside director and ensuring governance is upheld, thus facilitating smooth company management and increasing medium/long-term profitability.

At present, market trends and industrial structures are undergoing drastic changes. We need to carefully monitor and predict major changes in the business environment, such as Tesla's plans to launch a midsize electronic vehicle (EV), "Model 3," priced at 2.6 million yen in 2023, as well as trends for tech giants Google, Amazon, Facebook, and Apple in the U.S., Baidu, Alibaba, Tencent, and Huawei in China, and electronics manufacturing services (EMS) in Taiwan. Steadily capturing business opportunities on a daily basis is key to achieving renewed growth. By also advising on general management matters with an eye to the future, I will endeavor to work closely with the company and fulfill my duties.

I ask for your continued support going forward.

Corporate data (As of September 30, 2020)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	12,193 (consolidated) (Japan: 871) (Overseas: 11,322)
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	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
Director	Takashi Harada
Audit & Supervisory Board Member (Standing)	Toyohiko Tsuyuki
Audit & Supervisory Board Member	Takayuki Sato
Audit & Supervisory Board Member	Hiroshi Miyauchi

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

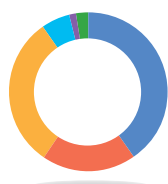
Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	26,173,893 shares (excluding treasury stock of 629,427 shares)
Number of Shareholders	4,407

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	17.97
CLEARSTREAM BANKING S.A.	1,459	5.57
Custody Bank of Japan, Ltd. (Trust Account)	1,448	5.53
PICTET AND CIE (EUROPE) S.A.	1,333	5.10
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,230	4.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	924	3.53
Meiko Kosan Co., Ltd.	608	2.32
Yuhō, Ltd.	521	1.99
STATE STREET BANK AND TRUST COMPANY 505019	444	1.70
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	40.33%
Financial institutions	19.14%
Foreign institutions and others	30.99%
Other institutions	5.72%
Financial instruments business operators	1.47%
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.

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.