

MEIKO REPORT

47th Report to Shareholders

(From April 1, 2021 to March 31, 2022)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

151,275 million yen

Operating income

13,255 million yen

Net income attributable to owners of parent

11,451 million yen

Consolidated balance sheet

(in million yen)

| | End of FY2020 (As of March 31, 2020) | At the end of this period (As of March 31, 2022) |
|---|---|---|
| Assets | | |
| Current assets | 66,338 | 78,367 |
| Noncurrent assets | 75,701 | 89,961 |
| Property, plant and equipment | 68,786 | 82,562 |
| Intangible assets | 927 | 954 |
| Investments and other assets | 5,987 | 6,444 |
| Total assets | 142,040 | 168,328 |
| Liabilities | | |
| Current liabilities | 59,182 | 73,027 |
| Noncurrent liabilities | 42,247 | 36,615 |
| Total liabilities | 101,429 | 109,642 |
| Net assets | | |
| Shareholders' equity | 36,256 | 45,464 |
| Capital | 12,888 | 12,888 |
| Capital surplus | 6,464 | 6,700 |
| Retained earnings | 17,648 | 28,061 |
| Treasury stocks | △745 | △2,186 |
| Cumulative other comprehensive income | 4,161 | 13,024 |
| Valuation difference on available-for-sale securities | 39 | 4 |
| Deferred gains or losses on hedges | 250 | △41 |
| Foreign currency translation adjustment | 4,127 | 13,173 |
| Remeasurements of defined benefit plans | △255 | △112 |
| Total net assets | 40,610 | 58,686 |
| Total liabilities and net assets | 142,040 | 168,328 |

Consolidated statement of income

(in million yen)

| | Previous period (year to date) (April 1, 2020 to March 31, 2021) | Current period (year to date) (April 1, 2021 to March 31, 2022) |
|--|--|---|
| Net sales | 119,257 | 151,275 |
| Cost of sales | 101,732 | 123,880 |
| Gross profit | 17,524 | 27,394 |
| Selling, general and administrative expenses | 10,866 | 14,139 |
| Operating income | 6,657 | 13,255 |
| Non-operating income | 795 | 2,090 |
| Non-operating expenses | 1,755 | 1,050 |
| Ordinary income | 5,697 | 14,294 |
| Extraordinary income | 3 | 12 |
| Extraordinary losses | 641 | 1,694 |
| Net income before income taxes | 5,059 | 12,612 |
| Income taxes | 422 | 1,175 |
| Net income | 4,636 | 11,436 |
| Net loss attributable to non-controlling interests | △4 | △14 |
| Net income attributable to owners of parent | 4,640 | 11,451 |

Consolidated statement of cash flows

(in million yen)

| | Previous period (year to date) (April 1, 2020 to March 31, 2021) | Current period (year to date) (April 1, 2021 to March 31, 2022) |
|--|--|---|
| Net cash generated from operating activities | 7,853 | 13,975 |
| Net cash expended in investment activities | △9,489 | △11,785 |
| Net cash generated from financing activities | △618 | △4,730 |
| The effect of changes in the exchange rate on cash and cash equivalents | 501 | 869 |
| Cash and cash equivalents at the beginning of the period | 13,646 | 12,121 |
| Change in cash and cash equivalents following a change in the scope of consolidation | 229 | — |
| Cash and cash equivalents at the end of the period | 12,121 | 10,450 |

Key points of the financial results

●Consolidated statement of income

Regarding the orders received, the impact of the decrease in the production of automobiles and smartphones was seen in the second half of the term. In regard to sales, the wallet share of automotive PCBs expanded in addition to lasting growth in demand brought about by vehicle electrification. Revenues were favorable owing to company-wide measures for cost reduction and yield improvement while all plants kept up operation at a high utilization rate. In addition, as foreign currency exchange was influenced by the depreciation of the yen, sales and profit in this consolidated fiscal year were the largest in our history.

As a result, we posted net sales of 151,275 million yen (+26.8% year on year), operating income of 13,255 million yen (+99.1% year on year), ordinary income of 14,294 million yen (+150.9% year on year) and net income attributable to owners of parent of 11,451 million yen (+146.7% year on year).

●Consolidated balance sheet

Total assets stood at 168,328 million yen, an increase of 26,288 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to a decrease of 1,671 million yen in cash and deposits, an increase of 6,245 million yen in notes and accounts receivable-trade, and an increase of 7,610 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 13,775 million yen in property, plant and equipment, which was recorded under noncurrent assets.

Net assets totaled 58,686 million yen, an increase of 18,075 million yen from the end of the previous consolidated fiscal year, due primarily to an increase of 10,413 million yen in retained earnings, a decrease of 1,441 million yen resulting from the acquisition of treasury stocks, and an increase of 9,046 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 2022.

Yuichiro Naya, President & CEO

Consolidated results for FY2021

(in 100 million yen)

| | Results for FY2020 | Results for FY2021 | Year on year | |
|---|--------------------|--------------------|------------------------|---------------------|
| | | | Increase/decrease rate | Forecast for FY2022 |
| Net sales | 1,193 | 1,513 | 26.8% | 1,700 |
| Operating income | 67 5.6% | 133 8.8% | 99.1% | 155 9.1% |
| Ordinary income | 57 4.8% | 143 9.5% | 150.9% | 145 8.5% |
| Net income attributable to owners of parent | 46 3.9% | 115 7.6% | 146.7% | 122 7.2% |
| Average FX rate (JPY/USD) | 105.93 | 113.06 | | 122.00 |

Revenue from each product in FY2021

(in 100 million yen)

| | Results for FY2020 | | Results for FY2021 | | Forecast for FY2022 | |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|---------------------|------------------------------|
| | Sales | Operating income (Operating margin) | Sales | Operating income (Operating margin) | Sales | Operating income growth rate |
| Automotive | 523 | 36 6.9% | 732 | 63 8.6% | 860 | 77 8.7% |
| Smartphones/tablets | 288 | 21 7.3% | 332 | 39 11.7% | 365 | 44 12.1% |
| Semiconductor package | | - | | - | 5 | -6 -120.0% |
| SSD and IoT modules | 70 | 9 12.9% | 86 | 11 12.8% | 98 | 15 15.3% |
| All appliances/amusement/other products for industrial equipment | 196 | 1 0.5% | 237 | 17 7.2% | 226 | 21 9.3% |
| EMS | 116 | 0 0.0% | 126 | 3 2.4% | 146 | 6 4.1% |
| Total | 1,193 | 67 5.6% | 1,513 | 133 8.8% | 1,700 | 155 9.1% |

Medium-term earnings forecast

CAGR from FY2017 to FY2021: 8.7%

CAGR from FY2021 to FY2026: 10.6%

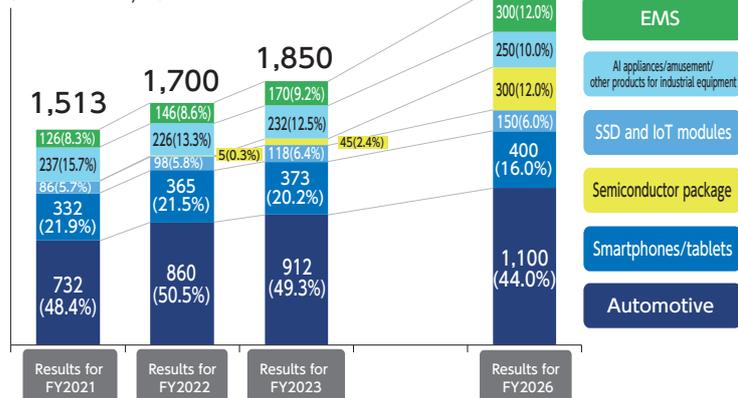
(in 100 million yen)



Medium-term business plan:

Sales forecast by product application

(in 100 million yen)



Regarding full-year business results

Turmoil was observed in the electronic parts industry in this consolidated fiscal year as the shortage of semiconductors and worldwide disruption of the supply chain led to a decrease in the production of final products such as automobiles. A sense of uncertainty is lingering due to adjustments in the production caused by lockdowns as a measure to prevent the spread of the novel coronavirus and increase in production costs brought about by rising prices of raw materials, energies, etc. stemming from the situation in Ukraine, etc.

Amid such situation, orders received by our group were impacted by the reduced production of automobiles and decrease in the production of smartphones caused by the lockdown in China in the second half of the term. In regard to sales, demand continued to grow due to the expansion of the wallet share of automotive PCBs in addition to the increasing demand due to vehicle electrification. The wallet share of smartphone PCBs also grew and sales of other products increased as well. Revenues were favorable owing to company-wide measures for cost reduction and yield improvement while all plants kept up operation at a high utilization rate. In addition, as foreign currency exchange was influenced by the depreciation of the yen, sales and profit in this consolidated fiscal year were the largest in our history.

As a result, we posted net sales of 151,275 million yen (+26.8% year on year), up 32,018 million yen compared with the previous year. Concerning profits and losses, operating income was 13,255 million yen (+99.1% year on year), ordinary income was 14,294 million yen (+150.9% year on year) and net income attributable to owners of parent was 11,451 million yen (+146.7% year on year).

Regarding the next term

In the electronic parts industry in which our group operates business, an expansion of demand is projected for various purposes, due to the shift to EVs and vehicle electrification as well as the progress of IoT allowing various devices to connect to the Internet. On the other hand, we need to further reinforce the BCP system as an initiative for maintaining the supply chain in response to the rising prices of raw materials and energy, the lockdown in China, etc. will present a challenge.

Regarding the outlook for performance of our group in the next term, we expect an expansion in the sales of smartphone and telecommunication modules and the EMS Business while automotive PCBs will continue to drive the overall performance. Moreover, we decided to expand investment in the Tendo Factory, the Ishinomaki Factory No. 2 and the Vietnam Plant No. 3 in order to respond to the expansion in demand as the demand for automotive PCBs and semiconductor package and module PCBs is going to grow. We shall work toward the reinforcement of the production system to develop it as a pillar of our company's business through such investment. Furthermore, we will improve profitability by investing in plant automation and labor saving as well as achieving yield improvement.

Outline of the Medium-term business plan

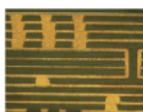
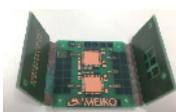
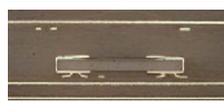
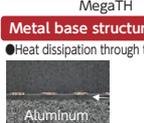
Our company holds up the philosophy of "Providing the best products and services to customers, and happiness for employees and society through manufacturing" and is proceeding with business development in step with our ambition of "Challenge and contribute to the evolution of electronics." This time, we formulated a medium-term business plan that will end in FY2026. Regarding the outline of the plan, we set goals of net sales of 250 billion yen, operating income of 27.5 billion yen and net income attributable to owners of parent of 21.8 billion yen. In comparison with FY2021, this means an increase of 100 billion yen in net sales and a nearly two-fold growth of operating income. We shall invest a total of 100 billion yen in the equipment in 5 years to respond to the increase in demand from our customers.

While we are projecting a balanced growth with smartphones and tablets, semiconductor packages, SSD and IoT modules, EMS, etc. alongside automotive purposes in this medium-term business plan, we decided to reinforce automotive PCBs and semiconductor package PCBs among the aforementioned. As further rapid expansion of the market is expected in this field, we formulated a plan to boost the operating margin from 8.8% to 11% by engaging in intensive investment and working toward the strengthening of our organization by pursuing the improvement of profitability.

As outlined above, we shall boost profitability, achieve further growth and switch to solid financial standing by pursuing an increase in profit, and strive to improve our corporate value in accordance with the medium-term business plan.

Initiatives for automotive PCBs

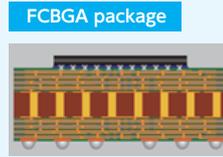
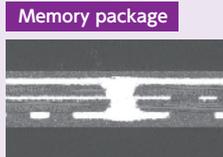
Please let us explain the major fields for achieving the plan for FY2026. The first is automotive PCBs. Technology trends are starting to undergo significant changes due to automatic driving, shift to EVs, etc. Regarding simple automatic driving, basic functions such as running, stopping and turning used to be controlled by respective ECUs. When it comes to practical automatic driving, the need for coordinating the functions of running, stopping and turning arose. For this, an ECU needs to have multiple functions and will eventually become an automatic driving computer. Furthermore, as the need for coordination with other cars arises, PCBs for high-speed communication will also become necessary. Apart from this, the shift of automobiles to EVs is also going to progress. This means that technologies required for PCBs will change. Our company has a lineup of PCBs to respond to all kinds of these changes and has a system ready for developing technologies necessary from now on and challenging and contributing to the evolution of electronics.

| High density and high frequency | Downsizing | Heat dissipation |
|--|---|---|
| HDI PCBs (LVH Stack structure)  <ul style="list-style-type: none"> ● ECUs controlling LVH connection ● Saving wiring space thanks to high-density wiring ● LowDk/Df materials | FR-4Flex structure (Semi Flex)  <ul style="list-style-type: none"> ● Use of FR-4.0, 4.1 in bending ● Built in small, space-saving size | Heavy copper (Cu) structure  <ul style="list-style-type: none"> ● Electricity wiring layer made of heavy copper ● CL penetration Inner layer: 106um |
| AnyLayer structure  <ul style="list-style-type: none"> ● High density wiring based on AnyLayer connection ● Saving wiring space with AnyLayer connection ● LowDk/Df materials | Embedded devices  <ul style="list-style-type: none"> ● Reduction of wiring area by embedding components in PCB ● Improvement of heat dissipation efficiency by embedding heat-generating components in the heat dissipation side | Copper inlay (Cu-Inlay) structure  <ul style="list-style-type: none"> ● Heat dissipation for components through copper inlays |
| | | MegaTH structure  <ul style="list-style-type: none"> ● Heat dissipation based on thick plating of selectable TH plating |
| | | Metal base structure  <ul style="list-style-type: none"> ● Heat dissipation through the metal base structure |

Entering the field of semiconductor package PCBs

While semiconductor package PCB manufacturers are increasing investment in cutting-edge package PCBs with the expansion in demand for semiconductors as the background, our company has decided to enter the field of small-sized package PCBs.

In Japan, we are establishing a system for producing package PCBs using the SAP method at the Ishinomaki Factory No. 2, and then we are planning to expand the production with the second-phase investment at the Tendo Factory. In Vietnam, we have established a system for the production of package PCBs using the MSAP method at the Vietnam Plant No. 3 and our next plan is to start production at the Quang Minh Plant No. 2.

| Japan SAP method | Vietnam MSAP method |
|---|---|
| FCBGA package  Pursuing fine wires of about 1.0 mm | Memory package  Pursuing thinness of about 90 μm |

Production system

Our company offers a one-stop service for PCBs, including development, design, manufacturing and mounting. When breaking down the regions where PCBs are currently produced, China accounts for 55%, Vietnam for 35% and Japan for 10%. Events that obstruct the continuance of business, such as the novel coronavirus, natural disasters and international conflicts, have been observed in recent years and the decentralization of production sites presents a challenge. In this medium-term business plan, we shall pursue the decentralization of production areas by reinforcing the production capability in Japan and Vietnam. By the last term of the medium-term business plan in FY2026, China will have accounted for 40%, Vietnam for 42% and Japan for 18%. As the scale of the market in China is large, products shall be locally produced and locally consumed according to demand, which is expected to grow, while the plants in Vietnam will meet the demand centered on remarkably growing India and ASEAN regions as well as in Europe and America and Japan will have a system for responding to cutting-edge business projects.

In this fiscal year, we commenced the construction of new plants in Tendo City, Yamagata Prefecture and Quang Minh, Hanoi, Vietnam.

| Business outline of the Tendo Factory in Yamagata Office | | Business outline of the Quang Minh Plant No. 2 | |
|--|--|--|--|
| Location | Tendo City, Yamagata Prefecture | Location | Quang Minh Industrial Park, Hanoi |
| Site area | About 65,000m ² | Site area | About 63,000m ² |
| Total floor area | About 25,000m ² | Total floor area | About 20,000m ² |
| Investment | About 15 billion yen/About 25 billion yen | Investment | About 10 billion yen |
| Contents of business | Cutting-edge automotive PCBs, the plant for mass production of PKG, function as a center for the development of PCB technologies, and development and manufacturing of automation equipment in Japan | Contents of business | Package and module PCBs, and cutting-edge HDI PCBs |

Shareholder return

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 our company and focus on increasing sales and profit. We aim to achieve a payout ratio of 15%, and shall work toward increasing dividends in step with the expansion of profit.

Dividends

| FY2020 | FY2021 | FY2022 (forecast) |
|------------------------------------|-------------------------------------|-------------------------------------|
| 20yen | 45yen | 50yen |
| Interim: 0 yen Year-end: 20 yen | Interim: 20 yen Year-end: 25 yen | Interim: 25 yen Year-end: 25 yen |

We are taking a number of measures for improvement with utmost efforts to elevate our performance and corporate value in order to live up to the support and expectations of our shareholders and all other stakeholders. We would appreciate your further kind support and encouragement from now on as well.



Yoshihito Kikyo
Director and Managing Executive Officer

While the coronavirus crisis did not completely subside and difficult management conditions including the shortage of semiconductors and the rise in the prices of raw materials and energies continued throughout the term ended March 2022, fortunately we were blessed with customers and able to record the largest sales and profit in our history, also thanks to the efforts of all our staff.

Our reorganization for joining the Prime Market in the new system was approved in April and we announced our first medium-term business plan for 5 years in May.

From now on, we shall make sure to continue investment both in Japan and overseas and develop semiconductor package PCBs into one of the pillars for new business in addition to cutting-edge automotive and smartphone PCBs. Moreover, we will pursue our ambition, "Challenge and contribute to the evolution of electronics," based on the strategy of boosting the EMS Business and striking a good balance with multiple applications.

Furthermore, we will reinforce our IR activities as a company in the Prime Market, making sure that all our investors and stakeholders sufficiently understand our growth strategy and working toward the maximization of our corporate value.

We would appreciate your kind and continued support.

Corporate data (As of March 31, 2022)

Corporate Profile

| | |
|----------------------------|---|
| Name | MEIKO ELECTRONICS CO., LTD. |
| Established | November 25, 1975 |
| Capital | 12,888 million yen |
| No. of Employees | 13,629 (consolidated) (Japan: 855) (Overseas: 12,774) |
| 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 Senior Managing Executive Officer | Junya Wada |
| Director and Managing Executive Officer | Takahiro Matsuda |
| Director and Managing Executive Officer | Atsushi Sakate |
| Director and Managing Executive Officer | Yoshihito Kikyo |
| Director and Executive Officer | Shigeru Naya |
| Director | Yoon Ho, Shin |
| Director | Nao Tsuchiya |
| Director | Yosuke Nishiyama |
| Director | Takashi Harada |
| Director | Toshifumi Kobayashi |
| 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

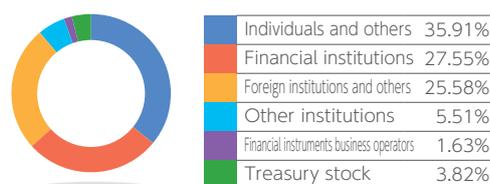
| | |
|------------------------------------|---|
| Number of Shares Authorized | 70,000,000 shares |
| Number of Shares Issued | 25,780,277 shares (excluding treasury stock of 1,023,043 shares) |
| Number of Shareholders | 4,337 |

Principal Shareholders

| Name of shareholder | Number of shares held (thousands of shares) | % of shares held |
|--|---|------------------|
| Yuichiro Naya | 4,703 | 18.25 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,951 | 11.45 |
| Custody Bank of Japan, Ltd. (Trust Account) | 2,204 | 8.55 |
| BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS | 1,025 | 3.98 |
| CLEARSTREAM BANKING S.A. | 1,012 | 3.93 |
| Meiko Kosan Co., Ltd. | 608 | 2.36 |
| Yuhou, Ltd. | 521 | 2.02 |
| Seiichi Naya | 405 | 1.57 |
| Sumitomo Mitsui Banking Corporation | 377 | 1.46 |
| JP MORGAN CHASE BANK 385632 | 314 | 1.22 |

*The Company owns treasury stock of 1,023,043 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 | Prime Market, 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.

MEIKO ELECTRONICS CO., LTD.

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.