

MEIKO REPORT

47th Interim

(From April 1, 2021 to September 30, 2021)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

69,470 million yen

Operating income

5,549 million yen

Net income attributable to owners of parent

4,190 million yen

Consolidated balance sheet

(in million yen)

	End of FY2020 (As of March 31, 2020)	At the end of the second quarter for the fiscal year under review (As of September 30, 2021)
Assets		
Current assets	66,338	75,940
Noncurrent assets	75,701	77,127
Property, plant and equipment	68,786	70,063
Intangible assets	927	962
Investments and other assets	5,987	6,101
Total assets	142,040	153,068
Liabilities		
Current liabilities	59,182	69,471
Noncurrent liabilities	42,247	39,269
Total liabilities	101,429	108,740
Net assets		
Shareholders' equity	36,256	38,983
Capital	12,888	12,888
Capital surplus	6,464	6,700
Retained earnings	17,648	21,317
Treasury stocks	△745	△1,923
Cumulative other comprehensive income	4,161	5,190
Valuation difference on available-for-sale securities	39	36
Deferred gains or losses on hedges	250	△5
Foreign currency translation adjustment	4,127	5,389
Remeasurements of defined benefit plans	△255	△229
Non-controlling interests	192	153
Total net assets	40,610	44,327
Total liabilities and net assets	142,040	153,068

Consolidated statement of income

(in million yen)

	First half of the 46th term (year to date) (April 1, 2020 to September 30, 2020)	First half of the 47th term (year to date) (April 1, 2021 to September 30, 2021)
Net sales	53,236	69,470
Cost of sales	46,499	57,310
Gross profit	6,736	12,160
Selling, general and administrative expenses	4,921	6,610
Operating income	1,814	5,549
Non-operating income	445	357
Non-operating expenses	1,700	559
Ordinary income	560	5,347
Extraordinary income	2	12
Extraordinary losses	290	728
Net income before income taxes	272	4,631
Income taxes	120	481
Net income	152	4,149
Net loss attributable to non-controlling interests	△42	△40
Net income attributable to owners of parent	194	4,190

Consolidated statement of cash flows

(in million yen)

	First half of the 46th term (year to date) (April 1, 2020 to September 30, 2020)	First half of the 47th term (year to date) (April 1, 2021 to September 30, 2021)
Net cash generated from operating activities	1,308	2,344
Net cash expended in investment activities	△5,702	△4,726
Net cash generated from financing activities	4,753	2,723
The effect of changes in the exchange rate on cash and cash equivalents	△108	152
Cash and cash equivalents at the beginning of the period	13,646	12,121
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	14,126	12,615

Key points of the financial results

● Consolidated balance sheet

- Total assets at the end of the second quarter under review increased 11,027 million yen from the end of previous fiscal year to 153,068 million yen.
- This is mainly attributable to increases of 493 million yen in cash and deposits, 4,836 million yen in notes and accounts receivable-trade, and 3,681 million yen in inventories, included in current assets, as well as an increase of 1,276 million yen in property, plant and equipment included in noncurrent assets.
- Liabilities at the end of the second quarter under review increased 7,311 million yen from the end of previous fiscal year to 108,740 million yen.

- This is mainly attributable to a 1,655 million yen increase in notes and accounts payable-trade and an 8,718 million yen increase in short-term borrowings, included in current liabilities, as well as a 3,209 million yen decrease in long-term borrowings included in noncurrent liabilities.
- Net assets at the end of the second quarter under review increased 3,716 million yen from the end of previous fiscal year to 44,327 million yen.
- This is mainly attributable to a 3,669 million yen increase in retained earnings, a 1,178 million yen decrease due to acquisition of treasury stocks and a 1,261 million yen increase 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 2022.

Yuichiro Naya, President & CEO

1st Half Results and Full-Year Outlook FY2021- Consolidated

(in 100 million yen)

	FY20 1st half results	FY21 1st half results	Year-on-year		FY21 2nd half forecast	FY21 full-year forecast
			Diff.	%		
Net sales	532	695	163	30.5%	755	1,450
Operating income	18	55	37	205.8%	65	120
	3.4%	8.0%			8.6%	8.3%
Ordinary income	6	53	47	854.3%	57	110
	1.1%	7.7%			7.5%	7.6%
Net income	2	42	40	2052.5%	49	90
	0.4%	6.0%			6.5%	6.2%
Average FX rate (JPY/USD)	106.30	110.12			112	111.06
Dividend per share	0 yen	20 yen			20 yen	40 yen

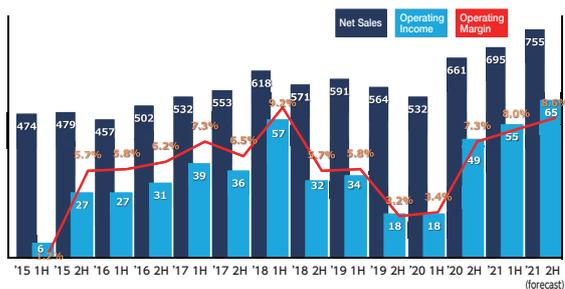
1st Half Results and Full-Year Outlook FY2021

Breakdown by Products Application (in 100 million yen)

	FY20 1st half results		FY21 1st half results		Year-on-year		FY21 2nd half forecast		FY21 full-year forecast	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)
Automotive	222	9	348	29	126	20	363	31	60	60
		4.1%		8.3%	56.8%	222.2%		8.5%		8.4%
Smartphones/ Tablets	127	10	146	16	19	6	164	19	35	35
		7.9%		11.0%	15.0%	60.0%		11.6%		11.3%
AI appliances/ IoT/Amusement	50	1	51	6	1	5	56	7	13	13
		2.0%		11.8%	2.0%	500.0%		12.5%		12.1%
Other PCBs	78	0	97	5	19	5	94	5	10	10
		0.0%		5.2%	24.4%	-		5.3%		5.2%
EMS	55	-2	53	-1	-2	1	78	3	2	2
		-3.6%		-1.9%	-3.6%	-		3.8%		1.5%
Total	532	18	695	55	163	37	755	65	120	120
		3.4%		8.0%	30.6%	205.6%		8.6%		8.3%

Net Sales, Operating Income and Operating Margin

(in 100 million yen)



Investment (100 million yen)	31	31	96	150	120	107	120
Depreciation (100 million yen)	64	55	58	63	69	74	77
DE ratio	2.5	2.0	1.4	1.7	2.0	1.9	1.4
Equity ratio	26.2%	27.3%	30.0%	27.8%	25.1%	28.6%	31.8%

Meiko Group is aggressively striving its sustainable activities to enhance the trust of all stakeholders through its sound/transparent management and business activities harmonizing the society and the environment, thereby contributing to the sustainable development of the society and improving its corporate value based on the philosophy of Meiko Group.



Regarding the operating results in the first half

Demand increased for Advanced Driver-Assistance System (ADAS), EVs and 5G in the electronic parts industry in the first half of the fiscal year. At the same time, vaccinations against COVID-19 progressed worldwide. Therefore, there was recovery overall. On the other hand, there were operational restrictions due to the shortage of semiconductors and the spread of COVID-19 variants in the ASEAN countries. Accordingly, the global supply chain was disrupted. As a result, there was an impact such as an adjustment in the production of automobiles and smartphones. Concerns about the resurgence of COVID-19, restrictions on the supply of power in China and other uncertainties will continue to remain in the future.

Under these circumstances, our group temporarily adjusted our operation rate due to operating restrictions requested by governments in August of this year in China and Vietnam. Nevertheless, after that, all our factories returned to near full operation. Overall, the trend has been favorable in terms of orders. This was due to demand for the accumulation of parts inventory in preparation for a future increase in production. The trend was especially favorable for automotive PCBs in terms of sales. Smartphone PCBs, PCBs for AI appliances and IoT modules and the EMS business were affected by the shortage of semiconductors in the first quarter. However, the impact of that is being weakening and there has been a trend for an increase in sales. Profits were favorable. That is due to the fact our factories continued to operate at a high rate against a backdrop of favorable orders and company-wide measures to reduce costs.

Regarding the full-year forecast

We expect favorable results in our full-year forecast. Orders for automotive PCBs are affected by the decrease in the production of automobiles due to the current shortage in electronic parts and processed parts. However, there is increasing demand for ADAS and EVs. In addition, we have a backlog of many orders at the present time. Therefore, we expect to continue to operate at a full scale even in the second half of the year. Orders have also been strong for smartphone PCBs, PCBs for AI appliances and IoT modules and the EMS business. We expect an increase in procurement prices due to power restrictions in China and resource price increases. However, we forecast operation of factories to remain at a high level. Accordingly, we have upwardly revised our full-year earnings forecast indicating net sales of 145,000 million yen, operating income of 12,000 million yen, ordinary income of 11,000 million yen and net income attributable to owners of parent of 9,000 million yen.

Efforts to enhance investments and improve profits

We have been working to increase automation investment to improve productivity since 2017 as an effort to improve profits. Moreover, we entered a once-in-a-century period of transformation in the automobile field and a period of a significant increase in smartphone demand in 2018. Accordingly, we reinforced the infrastructure in the Vietnam Factory with the aim of strengthening automotive PCBs and smartphone PCBs. Unfortunately, US-China trade friction surfaced from that year. In addition, the Chinese economy suffered a downturn and customers adjusted their inventories. Furthermore, COVID-19 started to spread as we entered 2019. This led to a global economic slowdown, so we were forced to drop our profit margin. The economy gradually recovered in the previous fiscal year. Our performance also greatly improved. We produced fruits of the expansion in our product capacity with investment in the past.

We are proceeding with investment for module and package PCBs and investment in line with the growth in demand upon evaluating cost-effectiveness in this term. We will invest approximately 12 billion yen in Japan and overseas.

Initiatives for sustainability

We will review our existing CSR promotion structure to build a mechanism to strengthen efforts to address climate change and social issues, and to draft, disseminate, execute and evaluate specific target setting and strategies.

The Sustainability Promotion Committee is responsible for sustainability-related policy decisions, target progress management and measure deliberation functions under the chairmanship of the Senior Managing Executive Officer as an organization directly controlled by the President.

Furthermore, we are incorporating measures into environment, society, product development, human rights, education, public relations and investor relations, and other activities in cooperation with related departments. We will also continue to proceed by evaluating our achievements and then reporting as appropriate to the Board of Directors.

Future strategies

We have set production of automotive PCBs and smartphone PCBs as the main pillar of our business that drives our performance. We hereby convey the growth strategy for automotive PCBs and module and package PCBs that form our third pillar.

Growth strategy for automotive PCBs

Automobile software and maps as communication functions are being updated, the number of vehicles equipped with ADAS as a safe driving function is increasing, and electrification is progressing as an environmental measure in the automobile field. PCBs are required for each function. In addition, the installation of ADAS will be compulsory from new vehicles sold in 2022 and onwards. Accordingly, we expect an increase in demand for PCBs for sensing to assist driving and PCBs used in autonomous driving applications. The evolution to a centralized ECU that integrates these applications is also gradually progressing. Therefore, we forecast there will be great demand for PCBs in the future.

We have decided to build an advanced factory for cutting-edge automotive PCBs in Tendo City, Yamagata Prefecture to capture this demand. This will be an important factory to capture the needs of customers as a model factory in the advanced automotive PCB field. We plan to divide investment into two phases.

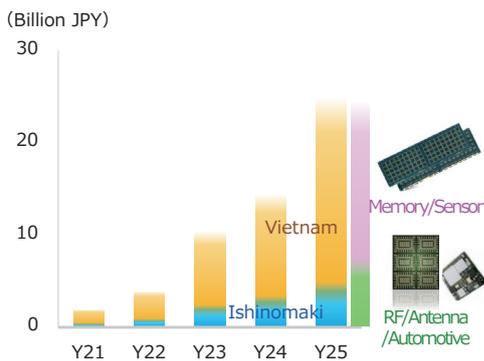
We will invest 10 billion yen in the first phase to build a factory with a production capacity of 10 billion yen. We will then invest a further 10 billion yen in the second phase to add a line with a production capacity of 10 billion yen. This will give us a factory with annual sales of 20 billion yen when it is completed. In addition, we will improve the factory that will handle the development of PCB technology, the development and manufacturing of automation facilities, and the EMS business in Japan.

Growth strategy for module and package PCBs

Higher resolution is required for PCB specifications and the demand is rising in the module and package PCB field. This is due to the higher speed, more advanced integration and lower power consumption of ICs as well as the miniaturization of electronic parts equipped on them. We are also seeing an increase in inquiries from customers. We have so far been producing these PCBs in our Ishinomaki Factory and Thang Long Factory. We have been establishing a line dedicated to module and package PCBs in our Vietnam Factory#3 with the aim of improving technical specifications and productivity since the previous fiscal year. In the next term, we will start full-scale operation.

The module and package PCB field will continue to be an attractive market as a growth field in the future. At the same time, as advanced integration progresses, we will make additional investment and develop this as a pillar of our next-generation business.

Module/Package Substrate Business Expansion



We will invest 16 billion yen in total including investment in previous fiscal years in the Vietnam Factory#3. We will invest 5 billion yen in the Ishinomaki Factory#2. As you can see in the graph above, we are aiming to achieve sales of over 20 billion yen in 2025 in terms of growth with this investment.

Regarding dividends

We decided to pay interim dividends of 20 yen per share in this fiscal year. As for the year-end dividends, we plan to pay 20 yen per share. In order to live up to the support and expectations from stakeholders, including shareholders, we will implement various measures with utmost effort, to improve our corporate value and achieve sustainable growth. We would appreciate your continued support and encouragement.

Automotive PCB Technology Roadmap

Environment	Y2025	Y2030	Y2035
Autonomous EV/FCV	ADAS Mandatory ('22) China Level-3 50%	US 50%(include PHV) UK 100%	China, Japan 100% (Include HEV) IEA, EU, CA 100%
PCB	Y2021	Y2023	Y2025
Connected (Communication Module)	4G TCU Market Growth (10-12L AnyLayer PCB)		5G Penetration (Larger Size PCB)
ADAS (Sensor)		Fusion Sensing Increase (Hybrid High Frequency PCB)	Millimeter-wave (100GHz HF material)
ADAS (E/E Architecture)		Domain Integrated ECU (Stacked Microvia, Impedance controlled PCB)	Centralized ECU (Computer Board)
Electrification (Power Device)		ABS, EPS & LED Headlamp Increase (Heat Dissipation, FR-4 Flex PCB)	800V Application (Heat Dissipation, Higher Voltage PCB)



Module/Package PCB Technology Roadmap

IC Package Trend				
Lead-Frame	PBGA	FC-CSP	FC-BGA	(Fine, Large I/O)
Discrete IC	Memory FEM	Smartphone Edge Device	Automotive MPU PC, Gaming	Network Server
Competitor	From PBGA/FC-CSP to FC-BGA		FC-BGA Capacity Expansion	
PCB	Y2021	Y2023	Y2025	
Package Type	PBGA (Memory/FEM)		PBGA / FC-CSP (Application Expansion)	
Circuit Formation	MSAP (L/S=25/25um)	MSAP (L/S=20/20um)		
	SAP Development	SAP Production		
	X-section of PBGA Substrate			
	Total Thickness < 0.1mm			

Ishinomaki Second Factory



Vietnam Third Factory





Atsushi Sakate
Director and Managing
Executive Officer

We were greatly affected by various external factors in the first half of the fiscal year ending March 31, 2022. Nevertheless, we were able to achieve great results thanks to the efforts of all our employees.

We are currently considering the formulation of a mid- to long-term growth strategy that looks at Meiko five and ten years in the future from the viewpoint of the Manufacturing Division. We have increased the number of customers by leveraging our large capacity mainly in our overseas factories. However, the electronics industry after the COVID-19 pandemic is also showing significant changes. To respond quickly to these changes, we are strengthening our business in Japan in consideration of local production for local consumption and enhancing our module and package PCB business that is a cutting-edge field to deal with the significant increase in demand for semiconductors as telecommuting is becoming more common. There is probably no other company that can supply such an extensive lineup – from general through substrates to heat dissipation boards, HDI PCBs, FPCs, and module and package PCBs – from Japan, China and elsewhere in Asia in this PCB industry.

Our goal is to provide services to satisfy all these electronics-related customers. We are confident that these services will lead to a further leap forward for Meiko in the future.

Our entire company will continue working together as one to tackle these missions under this policy in the future. We look forward to your continued support.

Corporate data (As of September 30, 2021)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	13,103 (consolidated) (Japan: 877) (Overseas: 12,226)
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	25,871,947 shares (excluding treasury stock of 931,373 shares)
Number of Shareholders	5,024

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,704	18.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,432	9.40
Custody Bank of Japan, Ltd. (Trust Account)	1,717	6.63
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,250	4.83
CLEARSTREAM BANKING S.A.	1,013	3.91
Meiko Kosan Co., Ltd.	608	2.35
BANQUE PICTET AND CIE SA	600	2.32
Yuho, Ltd.	521	2.01
Seiichi Naya	435	1.68
Sumitomo Mitsui Banking Corporation	377	1.46

*The Company owns treasury stock of 931,373 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	39.85%
Financial institutions	26.05%
Foreign institutions and others	23.00%
Other institutions	5.55%
Financial instruments business operators	2.08%
Treasury stock	3.47%

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	First Section, 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.