

MEIKO REPORT

48th Report to Shareholders

(From April 1, 2022 to March 31, 2023)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

167,276 million yen

Operating income

9,575 million yen

Net income attributable to owners of parent

8,847 million yen

Consolidated balance sheet (in million yen)

	End of FY2021 (As of March 31, 2022)	At the end of this period (As of March 31, 2023)
Assets		
Current assets	78,367	91,905
Noncurrent assets	89,961	110,489
Property, plant and equipment	82,562	95,537
Intangible assets	954	6,999
Investments and other assets	6,444	7,951
Total assets	168,328	202,394
Liabilities		
Current liabilities	73,027	73,672
Noncurrent liabilities	36,615	44,246
Total liabilities	109,642	117,919
Net assets		
Shareholders' equity	45,464	59,981
Capital	12,888	12,888
Capital surplus	6,700	13,700
Retained earnings	28,061	35,568
Treasury stocks	△2,186	△2,176
Cumulative other comprehensive income	13,024	17,339
Valuation difference on available-for-sale securities	4	13
Deferred gains or losses on hedges	△41	54
Foreign currency translation adjustment	13,173	17,425
Non-controlling interests	△112	△154
Remeasurements of defined benefit plans	197	7,154
Total net assets	58,686	84,475
Total liabilities and net assets	168,328	202,394

Consolidated statement of income (in million yen)

	Previous period (year to date) (April 1, 2021 to March 31, 2022)	Current period (year to date) (April 1, 2022 to March 31, 2023)
Net sales	151,275	167,276
Cost of sales	123,880	141,260
Gross profit	27,394	26,015
Selling, general and administrative expenses	14,139	16,440
Operating income	13,255	9,575
Non-operating income	2,090	3,268
Non-operating expenses	1,050	1,631
Ordinary income	14,294	11,212
Extraordinary income	12	42
Extraordinary losses	1,694	583
Net income before income taxes	12,612	10,672
Income taxes	1,175	1,887
Net income	11,436	8,784
Net loss attributable to non-controlling interests	△14	△62
Net income attributable to owners of parent	11,451	8,847

Consolidated statement of cash flows (in million yen)

	Previous period (year to date) (April 1, 2021 to March 31, 2022)	Current period (year to date) (April 1, 2022 to March 31, 2023)
Net cash generated from operating activities	13,975	15,714
Net cash expended in investment activities	△11,785	△29,042
Net cash generated from/expended in financing activities	△4,730	19,961
The effect of changes in the exchange rate on cash and cash equivalents	869	250
Increase (decrease) in cash and cash equivalents	△1,671	6,884
Cash and cash equivalents at the beginning of the period	12,121	10,450
Cash and cash equivalents at the end of the period	10,450	17,334

Key points of the financial results

●Consolidated statement of income

We have not experienced a full-scale recovery due to the impact of the continued decrease in production of automobiles caused by the shortage in semiconductors of automotive PCBs. Sales of smartphone PCBs fell far below our initial forecast due to intensified competition with Chinese PCB manufacturers in addition to sluggish demand. Overall, the addition of Meiko Embedded Products to the scope of consolidation and the contribution of the depreciation of the yen over the full-year meant that sales increased year on year. However, profit decreased year on year due to the reduced operation ratio.

As a result, we posted net sales of 167,276 million yen (+10.6% year on year), up 16,001 million yen from the previous consolidated fiscal year. In terms of profit, we posted operating income of 9,575 million yen (-27.8% year on year), ordinary income of 11,212 million yen (-21.6% year on year) and net income attributable to owners of parent of 8,847 million yen (-22.7% year on year).

●Consolidated balance sheet

Total assets stood at 202,394 million yen, an increase of 34,065 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to an increase of 6,884 million yen in cash and deposits, an increase of 1,929 million yen in electronically recorded monetary claims, and an increase of 2,861 million yen in inventories, which were all recorded under current assets. Factors behind the increase in total assets also included an increase of 12,975 million yen in property, plant and equipment and an increase of 5,999 million yen in goodwill, which were recorded under noncurrent assets.

Net assets totaled 84,475 million yen, an increase of 25,788 million yen from the end of the previous consolidated fiscal year, due primarily to an increase of 7,000 million yen in capital surplus, an increase of 7,506 million yen in retained earnings, an increase of 4,251 million yen in foreign currency translation adjustment, and an increase of 6,956 million yen in non-controlling interests.



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 2023.

Yuichiro Naya, President & CEO

Consolidated results for FY2022/Forecast for FY2023 (in 100 million yen)

	Results for FY2021	Results for FY2022	Year on year	Forecast for FY2023	Year on year
			Increase/decrease rate		Increase/decrease rate
Net sales	1,513	1,673	10.6%	1,650	-1.4%
Operating income	133 8.8%	96 5.7%	-27.8%	90 5.5%	-6.0%
Ordinary income	143 9.5%	112 6.7%	-21.6%	80 4.8%	-28.7%
Net income attributable to owners of parent	115 7.6%	88 5.3%	-22.7%	62 3.8%	-29.9%
Average FX rate (JPY/USD)	113	136		130	

Regarding business results in FY2022

Amid the slowdown in the economy and business conditions due to global inflation and rising interest rates, the electronic parts industry in this consolidated fiscal year was affected by the slump in economic and production activities due to COVID-19 in China and the soaring energy prices against the backdrop of the situation in Ukraine. In addition, component shortages and global supply chain disruptions continued throughout the year.

Under these circumstances, our group did not achieve full-scale recovery of orders for automotive PCBs due to the continued decrease in production of automobiles because of the shortage of semiconductors. Sales increased year on year partly due to the contribution of the depreciation of the yen. In terms of smartphone PCBs, the number of orders we received decreased significantly. That was because competition with Chinese smartphone PCB manufacturers has intensified in addition to the sluggish demand for smartphones. Sales were affected by smartphone production adjustments in the second half of the fiscal year. That resulted in sales greatly lower than initial forecast. Sales of other products were generally the same as in the previous fiscal year. Overall, the addition of Meiko Embedded Products, Ltd. to the scope of consolidation and the contribution of the depreciation of the yen over the full-year meant that sales increased year on year. However, in terms of profit, although we strived to reduce costs company-wide, profit decreased year on year due to the reduced operation ratio.

As a result, we posted net sales of 167,276 million yen (+10.6% year on year), up 16,001 million yen from the previous consolidated fiscal year. In terms of profit, we posted operating income of 9,575 million yen (-27.8% year on year), ordinary income of 11,212 million yen (-21.6% year on year) and net income attributable to owners of parent of 8,847 million yen (-22.7% year on year).

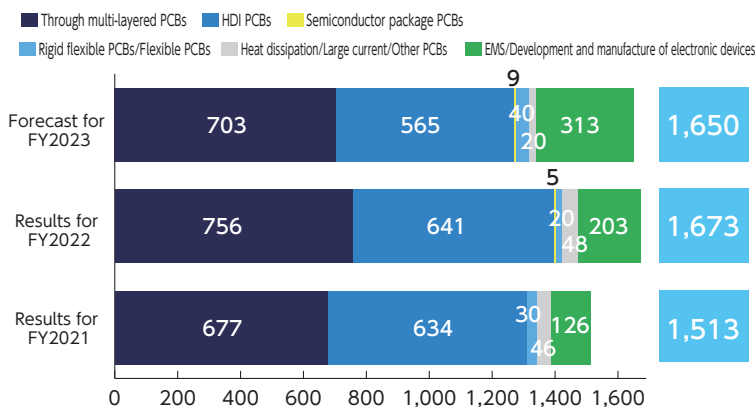
Revenue from each product application in FY2022/Forecast for FY2023 (in 100 million yen)

	Results for FY2021		Results for FY2022		Results for FY2023	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)
Automotive	732	63 8.6%	845	60 7.1%	815	46 5.6%
Smartphones/tablets	332	39 11.7%	271	11 4.1%	211	14 6.6%
Semiconductor package		-	5	0 0.0%	9	-7 -77.8%
SSD and IoT modules	68	11 16.2%	100	10 10.0%	89	13 14.6%
All appliances/amusement/other products for industrial equipment	255	17 6.7%	249	16 6.4%	213	14 6.6%
EMS/development and manufacture of electronic devices	126	3 2.4%	203	-1 -0.5%	313	10 3.2%
Total	1,513	133 8.8%	1,673	96 5.7%	1,650	90 5.5%

Regarding the next term

In the electronic parts industry in which our group operates business, we forecast an expansion in demand for high-performance electronic components in various fields. Those fields include automated driving represented by automobiles and higher performance communications devices used for the control. Regarding the outlook for performance of our group in the next term, we expect that automotive PCBs continue to drive overall sales. However, we predict that we will be affected by sluggish demand for smartphones and intensifying competition for orders for smartphones made by Chinese manufacturers. Accordingly, we expect sales to inevitably decline despite our efforts to focus on high-performance models. Meiko Embedded Products, Ltd. will be subject to consolidation for the full year, so we expect sales to increase in our EMS business. Demand in the cutting-edge automotive PCBs, semiconductor package PCBs and communication module PCBs will rise in the future. Therefore, we have completed the construction of the Tendo Factory and are preparing to start full-scale production in our Ishinomaki Factory No. 2 and Vietnam Plant No. 3. We will strive to make our new

Net sales by product specification (in 100 million yen)



factories and plants profitable at an early stage. We then work toward the reinforcement of the production system to develop them as a pillar of our company's business. Furthermore, we will improve profitability by enhancing productivity through efforts to automate factories and plants, save labor, and achieve yield improvement. We have determined our outlook for business as follows based on the above.

Net sales	165,000 million yen
Operating income	9,000 million yen
Ordinary income	8,000 million yen
Net income attributable to owners of parent	6,200 million yen

Revision to the medium-term business plan

There was a large divergence from our plan due to the decreased production of automobiles and sluggish demand for smartphones in FY2022, which is the first year of the medium-term business plan announced in May 2022. Demand is weak even in our forecast for FY2023, so we have reviewed the medium-term business plan.

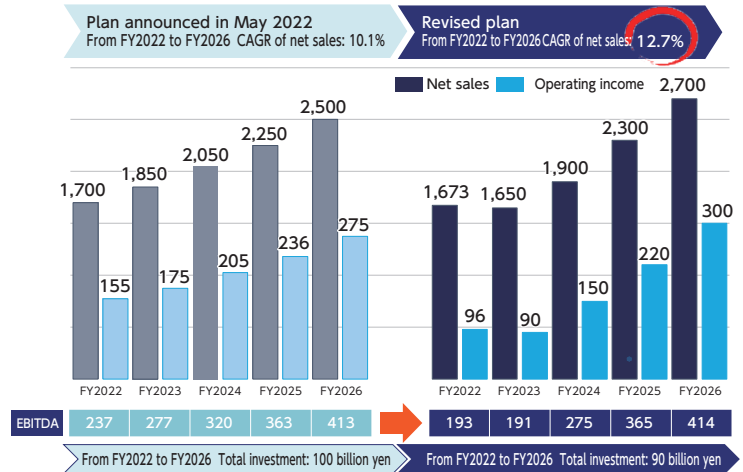
We have revised sales due to the recent slump in demand. However, we expect to exceed our targets in FY2025 and FY2026. In terms of the breakdown by product, we expect demand for automotive PCBs to be used for EVs and automatic driving to rapidly increase.

To meet such demands, we are proceeding with preparations to start full-scale production in the Tendo Factory in FY2024. We expect an increase of 23 billion yen (+20.9%) compared to our initial target in FY2026, which is the final year of the plan. The ratio of sales of PCBs for smartphones and tablets will gradually decline. However, we forecast an increase in sales of flexible PCBs in addition to HDI PCBs for motherboards. We started trial production of semiconductor package PCBs after expanding our Vietnam Plant No. 3 and Ishinomaki Factory No. 2. We have assumed that it will take time to see a recovery in semiconductor demand in the medium-term business plan. Accordingly, we have postponed our plan to increase production in the Tendo Factory, which will be the second stage of investment. We have revised our sales plan to 25 billion yen and our total amount of investment in the medium-term business plan to 90 billion yen. We expect that sales of SSD/IoT PCBs and PCBs for AI appliances/amusement/industrial equipment/other products will be in line with our initial targets. We expect sales of the EMS business to increase by 10 billion yen in the final fiscal year compared with the initial plan as the sales from Meiko Embedded Products, Ltd. will fully make a contribution. We set the exchange rate against the dollar at 122 yen in our initial plan, but we have set it at 130 yen in our revised plan.

We have assumed that there will be a full-scale recovery in demand in FY2024 in the revised medium-term business plan. Accordingly, we predict our factory operating rate to gradually recover from that point onward. In FY2026, we will work to achieve profitability at an early stage in our investment projects and to improve profitability with productivity improvements toward achieving operating margin of 11% as we initially targeted.

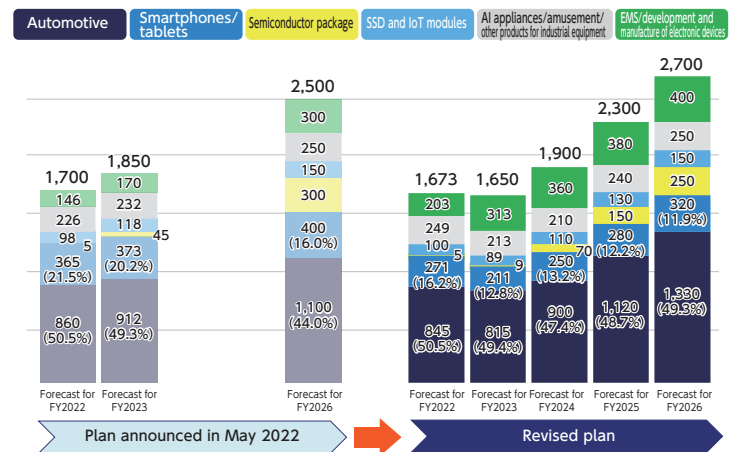
Overview of the medium-term business plan

(in 100 million yen)



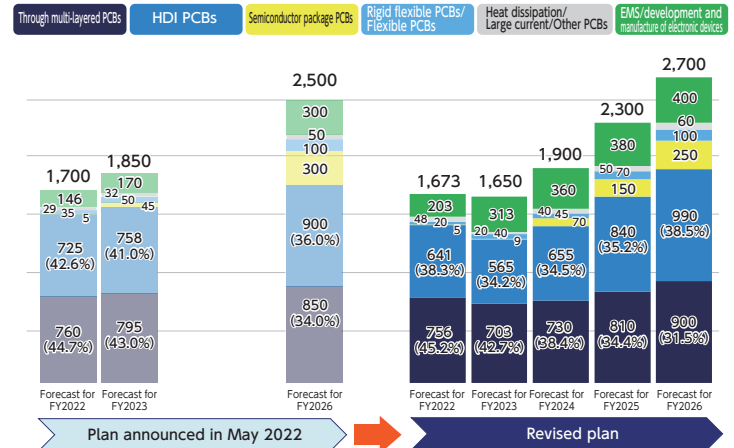
Medium-term business plan/Variation in sales by product application

(in 100 million yen)



Medium-term business plan/Variation in sales by product specification

(in 100 million yen)



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 set a payout ratio guideline at 15%, and shall work toward increasing dividends in step with the expansion of profit.

Dividends

FY2021	FY2022	FY2023 (forecast)
45yen	55yen	50yen
Interim: 20 yen Year-end: 25 yen	Interim: 27 yen Year-end: 28 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.



Hiroshi Miyauchi
Outside Audit & Supervisory Board Member

I was elected at the General Meeting of Shareholders in June 2020 as COVID-19 was beginning to spread and the environment surrounding companies was changing completely. I have been performing my duties as an Outside Audit & Supervisory Board Member since then. I focused on conducting online audits on affiliated companies and departments in Japan and overseas, exchanging opinions and giving advice in the previous fiscal year.

Politics, the economy and society are undergoing an upheaval amid changes in the natural environment such as global warming, the invasion of Ukraine, problems between the U.S. and China, the depreciation of the yen, low interest rate policies, inflation, soaring material and transportation expenses, a shortage of semiconductor ICs, an acceleration in the pace of the electrification of automobiles, and the stagnation of the smartphone industry. Consequently, conditions remain extremely harsh for corporate management and business activities. Even under such circumstances, it is important to link the upfront investments we have been making with results in a timely manner and to cultivate our strengths without being content with the status quo.

I will strive to further improve business feasibility and corporate value with the aim of realizing sustainable and appropriate internal controls together with the executive management so as to meet the expectations of all our stakeholders. I ask for your continued support.

Corporate data (As of March 31, 2023)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	11,889 (consolidated) (Japan: 1,264) (Overseas: 10,625)
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	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)	Takahiro Matsuda
Audit & Supervisory Board Member	Hiroshi Miyauchi
Audit & Supervisory Board Member	Kotomi Ejiri

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 Embedded Products, Ltd.	Auxiliary electronics business
Meiko Embedded Technology, Ltd.	Auxiliary electronics business
Meiko Elec. Hong Kong Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Wuhan) Co., Ltd.	Auxiliary electronics business
Guangzhou Sipide 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 Towada Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business

Stock Information

Number of Shares Authorized	Common stock: 70,000,000 shares First bond-type stock: 100 shares
Number of Shares Issued	Common stock: 25,780,069 shares (excluding treasury stock of 1,023,251 shares) First bond-type stock: 70 shares
Number of Shareholders	Common stock: 5,724 First bond-type stock: 1

Principal Shareholders (Common stock)

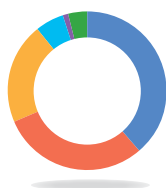
Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	18.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,804	14.76
Custody Bank of Japan, Ltd. (Trust Account)	2,229	8.65
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - HONG KONG PRIVATE BANKING DIVISION - CLIENT ACCOUNT	1,216	4.72
CLEARSTREAM BANKING S.A.	1,012	3.93
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FII/LUXEMBOURG FUNDS/UCITS ASSETS	820	3.18
Meiko Kosan Co., Ltd.	608	2.36
Yuho, Ltd.	521	2.02
Seiichi Naya	405	1.57
Sumitomo Mitsui Banking Corporation	377	1.46

*The Company owns treasury stock of 1,023,251 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.

(First bond-type stock)

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Development Bank of Japan Inc.	70	100.00

Shareholding Structure (Common Stock)



Individuals and others	39.09%
Financial institutions	30.35%
Foreign institutions and others	20.81%
Other institutions	5.77%
Financial instruments business operators	1.16%
Treasury stock	3.82%

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.