

MEIKO REPORT

48th Interim

(From April 1, 2022 to September 30, 2022)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

Financial highlights

Net sales

81,710 million yen

Operating income

4,641 million yen

Net income attributable to owners of parent

6,419 million yen

Consolidated balance sheet

(in million yen)

	End of FY2020 (As of March 31, 2022)	At the end of the second quarter for the fiscal year under review (As of September 30, 2022)
Assets		
Current assets	78,367	103,090
Noncurrent assets	89,961	113,787
Property, plant and equipment	82,562	98,264
Intangible assets	954	7,614
Investments and other assets	6,444	7,908
Total assets	168,328	216,877
Liabilities		
Current liabilities	73,027	102,573
Noncurrent liabilities	36,615	39,648
Total liabilities	109,642	142,222
Net assets		
Shareholders' equity	45,464	51,245
Capital	12,888	12,888
Capital surplus	6,700	6,700
Retained earnings	28,061	33,836
Treasury stocks	△2,186	△2,180
Cumulative other comprehensive income	13,024	23,228
Valuation difference on available-for-sale securities	4	8
Deferred gains or losses on hedges	△41	△107
Foreign currency translation adjustment	13,173	23,427
Remeasurements of defined benefit plans	△112	△100
Total net assets	58,686	74,655
Total liabilities and net assets	168,328	216,877

Consolidated statement of income

(in million yen)

	First half of the 47th term (year to date) (April 1, 2021 to September 30, 2021)	First half of the 48th term (year to date) (April 1, 2022 to September 30, 2022)
Net sales	69,470	81,710
Cost of sales	57,310	69,189
Gross profit	12,160	12,520
Selling, general and administrative expenses	6,610	7,879
Operating income	5,549	4,641
Non-operating income	357	4,595
Non-operating expenses	559	495
Ordinary income	5,347	8,741
Extraordinary income	12	0
Extraordinary losses	728	213
Net income before income taxes	4,631	8,527
Income taxes	481	2,156
Net income	4,149	6,371
Net loss attributable to non-controlling interests	△40	△48
Net income attributable to owners of parent	4,190	6,419

Consolidated statement of cash flows

(in million yen)

	First half of the 47th term (year to date) (April 1, 2021 to September 30, 2021)	First half of the 48th term (year to date) (April 1, 2022 to September 30, 2022)
Net cash generated from operating activities	2,344	2,327
Net cash expended in investment activities	△4,726	△21,483
Net cash generated from financing activities	2,723	26,401
The effect of changes in the exchange rate on cash and cash equivalents	152	1,081
Cash and cash equivalents at the beginning of the period	12,121	10,450
Cash and cash equivalents at the end of the period	12,615	18,777

Key points of the financial results

● Consolidated balance sheet

- Total assets at the end of the second quarter under review increased 48,548 million yen from the end of previous fiscal year to 216,877 million yen.
- This is mainly attributable to increases of 8,326 million yen in cash and deposits, 7,093 million yen in notes and accounts receivable-trade, 7,265 million yen in inventories, and 2,051 million yen in other included in current assets, as well as an increase of 15,702 million yen in property, plant and equipment and 6,595 million yen in goodwill included in noncurrent assets.
- Liabilities at the end of the second quarter under review increased 32,579 million yen from the end of previous fiscal year to 142,222 million yen.

- This is mainly attributable to a 27,328 million yen increase in short-term borrowings included in current liabilities as well as a 1,149 million yen increase in long-term borrowings and a 1,762 million yen increase in net defined benefit liability included in noncurrent liabilities.
- Net assets at the end of the second quarter under review increased 15,968 million yen from the end of previous fiscal year to 74,655 million yen.
- This is mainly attributable to a 5,775 million yen increase in retained earnings and a 10,253 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 2023

Yuichiro Naya, President & CEO

1st Half Results and Full-Year Outlook FY2022-Consolidated

(in 100 million yen)

	FY21 1st half results	FY22 1st half results	FY22 2nd half forecast	FY22 full-year forecast	FY22 initial forecast
Net sales	695	817	963	1,780	1,700
Operating income	55 8.0%	46 5.7%	69 7.2%	115 6.5%	155 9.1%
Ordinary income	53 7.7%	87 10.7%	58 6.0%	145 8.1%	145 8.5%
Net income attributable to owners of parent	42 6.0%	64 7.9%	51 5.3%	115 6.5%	122 7.2%
Average FX rate (JPY/USD)	110.12	135.31	140	137.7	122

Regarding the operating results in the first half

The production of final products continued to decrease due to disruptions to the global supply chain in the electronic parts industry in the first half of the fiscal year. At the same time, concerns about an economic slowdown spread due to rising prices of commodities caused by the increase in resource prices and policies of hiking interest rates, which led to increased uncertainties in the future. Under these circumstances, as we managed to alleviate a decrease in orders, we were able to achieve an increase in orders, although slightly. The sales of automotive PCBs continued to be affected by the decrease in automobile production. Together with this, the sales of smartphone PCBs were considerably bearish due to the economic downturn in China and sluggish demand in Europe owing to the situation in Ukraine. In terms of production, our factory operating rate declined, so we promoted measures such as cost reductions and curbs on investment. Despite such efforts, operating income was negative compared with the same period in the previous fiscal year. However, we hit record highs in net sales, ordinary income and net income attributable to owners of parent for the first half of the fiscal year due to the depreciation of the yen. As a result, we posted net sales of 81,710 million yen (+17.6% year on year), up 12,239 million yen compared with the same period in the previous fiscal year. Concerning profits and losses, operating income was 4,641 million yen (-16.4% year on year), ordinary income was 8,741 million yen (+63.4% year on year) and net income attributable to owners of parent was 6,419 million yen (+53.2% year on year).

1st Half Results and Full-Year Outlook FY2022 Breakdown by Products Application

(in 100 million yen)

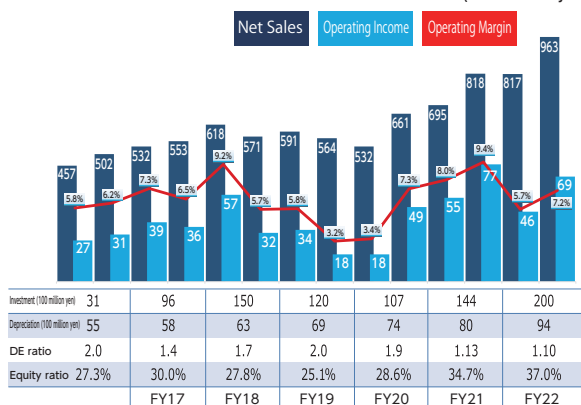
	FY21 1st half results		FY22 1st half results		FY22 2nd half forecast		FY22 full-year forecast	
	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin
Automotive	348 29 8.3%	417 28 6.7%	463 35 7.6%	880 63 7.2%				
Smartphones/ Tablets	146 16 11.0%	142 7 4.9%	172 15 8.7%	314 22 7.0%				
Semiconductor package	-	2 0 0.0%	3 0 0.0%	5 0 0.0%				
SSD and IoT modules	35 3 8.6%	48 7 14.6%	53 9 17.0%	101 16 15.8%				
All appliances/ amusements/ other products for industrial equipment	113 8 7.1%	136 3 2.2%	114 6 5.3%	250 9 3.6%				
EHS electronic device development and manufacturing	53 -1 -1.9%	72 -1 -1.4%	158 4 2.5%	230 5 2.2%				
Total	695 55 8.0%	817 46 5.7%	963 69 7.2%	1,780 115 6.5%				

Regarding the full-year forecast

Our full-year forecast is improving compared with the business environment in the first half of the fiscal year. Nevertheless, we expect the uncertainty to continue. Orders are gradually recovering for our mainstay of automotive PCBs and smartphone PCBs in the PCB business. We announced the acquisition of NEC Embedded Products, Ltd. in July in the electronic device business. We changed the name of the company to Meiko Embedded Products, Ltd. to be included as a consolidated subsidiary in the second half of the fiscal year. Net sales were the same as our initial target of 170 billion yen, while raising them to 178 billion yen with the addition of the planned sales of Meiko Embedded Products of 8 billion yen. In terms of operating income, our operating margin dropped due to a decline in our factory operating rate with a decrease in demand in the first half of the fiscal year. However, our factory operating rate is expected to gradually improve with the recovery in orders in the second half of the fiscal year. Therefore, we forecast a rise in operating margin. In terms of expenses, we are striving to reduce costs at each of our factories. We are continuing capital investment for package PCBs which will be our core business in the future. However, we have reduced capital investment in other areas. Accordingly, we have revised investment amount downward from 22 billion yen in our initial plan to 20 billion yen. We expect operating income in the second half to rise 50% compared with the first half of the fiscal year to 6.9 billion yen and then to reach 11.5 billion yen for the full-year as a result of taking those measures. We expect ordinary income to be 14.5 billion yen and net income attributable to owners of parent to be 11.5 billion yen as we originally targeted.

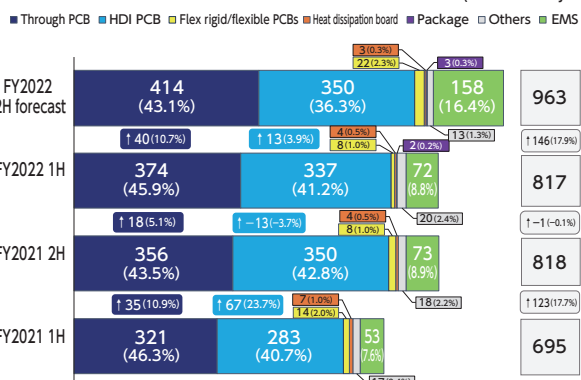
Net Sales, Operating Income and Operating Margin

(in 100 million yen)



1st Half Results and 2nd Half Outlook FY2022 by Product Specification

(in 100 million yen)



Investment on the package PCBs




We are investing in the SAP method in our Ishinomaki Factory and the MSAP method in our Vietnam Factory No. 3 for package PCBs which will be our main product in the future. We are making good progress at present. We are preparing for the shipment of prototypes by the end of the fiscal year.

Introduction to EMS/electronic device development and manufacturing

We have been working on the development and manufacturing of EMS/electronic devices for many years. We have turned Meiko Embedded Products, which develops electronic devices, and Meiko Embedded Technology, which produces electronic devices, into consolidated subsidiaries in October in order to strengthen our competitiveness.




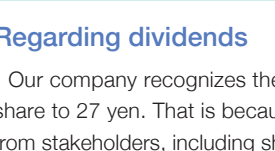
EMS business

We have promoted business focused on mass-production in our two Vietnam factories up to now. As Meiko Embedded Technology started operation in October, we are now employing a two-prong production structure in Japan and Vietnam. That has achieved support for the development of prototypes in Japan in addition to the conventional mass-production we have been engaged in the past. It has also become possible to perform EMS business which further suits customer needs.

Factories	No. of production lines	Features
 <p>Hanoi, Vietnam</p>	EMS Production Dept., Vietnam Factory SMT: 16 lines	This factory employs a one-stop production structure adjacent to the PCB factory mainly centered on automotive projects. It is capable of supporting clean rooms in both the mounting and assembly lines. It can also flexibly respond to high-density mounting and dust-free assembly which require protection against dust.
 <p>Hai-duong, Vietnam</p>	Meiko Towada Vietnam Co., Ltd. SMT: 11 lines	This factory engages in the wireless and communications equipment-related mounting and assembly. It has various types of communications inspection devices. Accordingly, it is capable of responding to requested functional and characteristic inspections. It employs a one-stop structure for PCBs by supplying them from our factories in Vietnam.
 <p>Nanyo City, Yamagata</p>	Meiko Embedded Technology SMT: 6 lines	Development and design departments responsible for circuit design, software design and mechanism design are stationed and this factory is capable of assembly and mounting of prototypes as well as mass-production of them. It employs a one-stop structure for PCBs by utilizing our factories in Japan.

Electronic device development and manufacturing business

We produce FA equipment in the Industrial Automation System Division and video equipment in the Visual System Division in our head office as our electronic device development and manufacturing business. In addition, Meiko Automation in Vietnam has contributed mainly to the automation of our PCB factories. In October, Meiko Embedded Products, which has been undertaking various contract development projects, joined our group, and we have further strengthened the utilization of IoT technologies which take advantage of imaging analysis and sensors based on AI. We will enhance the synergy effect with our existing FA equipment manufacturing to promote the conversion of our PCB factories to smart ones, to expand external sales of the advanced FA products.

Sites	Departments/Companies	Features
 <p>Ayase City, Kanagawa</p>	Head Office, Industrial Automation System Division	The department makes advanced value-added proposals from the development and manufacturing to after-sales services of automation equipment, IoT systems and software.
 <p>Hanoi, Vietnam</p>	Visual System Division	The department develops, manufactures and sells video equipment for business use. These have been adopted in multiple areas including local government's disaster response headquarters, police general command systems, firefighting disaster prevention systems, road traffic control, and systems for monitoring social infrastructure such as railways and airports.
 <p>Yonezawa City, Yamagata</p>	Meiko Automation	This company designs and manufactures AGV and other automatic transportation equipment including the automation equipment in our PCB factories.
 <p>Yonezawa City, Yamagata</p>	Meiko Embedded Products	The company makes products with advanced technologies, high quality and high reliability through contract development and manufacturing service business and contract manufacturing service business for electrical and electronic devices.

Regarding dividends

Our company recognizes the increase of profits for shareholders as an important managerial mission. We increased the interim dividend by 2 yen per share to 27 yen. That is because we posted record high net income attributable to owners of parent. 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.



Shigeru Naya
Director

I am focusing my efforts on R&D and launching the mass-production of PCBs which emphasize heat dissipation in the Power Electronics Headquarters. The problem of heat generation in electronic devices is becoming more serious year-by-year. It is becoming difficult to develop high-performance products without solving the problem. We have announced Mega Through Hole, an original technology from our company, to dissipate heat generation by using the structure of the PCBs. It is currently welcomed by many of our customers and we are preparing for the mass-production of this product in the future. In addition, we are developing a metal base PCBs made with insulating heat dissipation materials that has an industry-leading thermal conductivity of 16 W/m · k. It is now being applied in inverters and other applications. We will strive to contribute extensively to society by developing PCB technologies used in highly efficient power supply control. I ask for your continued support.

Corporate data (As of September 30, 2022)

Corporate Profile

Name	MEIKO ELECTRONICS CO., LTD.
Established	November 25, 1975
Capital	12,888 million yen
No. of Employees	12,228 (consolidated) (Japan: 923) (Overseas: 11,305)
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

Stock Information

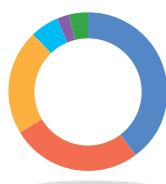
Number of Shares Authorized	70,000,000 shares
Number of Shares Issued	25,780,139 shares (excluding treasury stock of 1,023,181 shares)
Number of Shareholders	6,706

Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	18.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,475	13.48
Custody Bank of Japan, Ltd. (Trust Account)	1,564	6.06
CLEARSTREAM BANKING S.A.	1,012	3.92
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - HONG KONG PRIVATE BANKING DIVISION - CLIENT ACCOUNT	946	3.67
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIM/LUXEMBOURG FUNDS/UCITS ASSETS	810	3.14
Meiko Kosan Co., Ltd.	608	2.35
Yuhō, Ltd.	521	2.02
Seiichi Naya	405	1.57
Sumitomo Mitsui Banking Corporation	377	1.46

*The Company owns treasury stock of 1,023,181 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	39.80%
Financial institutions	26.68%
Foreign institutions and others	21.50%
Other institutions	5.86%
Financial instruments business operators	2.32%
Treasury stock	3.81%

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 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.