

# MEIKO REPORT

## 49th Interim

(From April 1, 2023 to September 30, 2023)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

### Financial highlights

Net sales

**86,216** million yen

Operating income

**4,197** million yen

Net income attributable to owners of parent

**5,223** million yen

#### Consolidated balance sheet

(in million yen)

	End of FY2022 (As of March 31, 2023)	At the end of the second quarter for the fiscal year under review (As of September 30, 2023)
<b>Assets</b>		
Current assets	91,905	105,371
Noncurrent assets	110,489	125,343
Property, plant and equipment	95,537	110,304
Intangible assets	6,999	6,684
Investments and other assets	7,951	8,353
<b>Total assets</b>	<b>202,394</b>	<b>230,714</b>
<b>Liabilities</b>		
Current liabilities	73,672	88,010
Noncurrent liabilities	44,246	44,709
<b>Total liabilities</b>	<b>117,919</b>	<b>132,719</b>
<b>Net assets</b>		
Shareholders' equity	59,981	64,329
Capital	12,888	12,888
Capital surplus	13,700	13,700
Retained earnings	35,568	39,913
Treasury stocks	△2,176	△2,172
Cumulative other comprehensive income	17,339	26,473
Valuation difference on available-for-sale securities	13	58
Deferred gains or losses on hedges	54	△67
Foreign currency translation adjustment	17,425	26,529
Remeasurements of defined benefit plans	△154	△47
<b>Total net assets</b>	<b>84,475</b>	<b>97,994</b>
<b>Total liabilities and net assets</b>	<b>202,394</b>	<b>230,714</b>

#### Consolidated statement of income

(in million yen)

	First half of the 48th term (year to date) (April 1, 2022 to September 30, 2022)	First half of the 49th term (year to date) (April 1, 2023 to September 30, 2023)
Net sales	81,710	86,216
Cost of sales	69,189	72,327
Gross profit	12,520	13,889
Selling, general and administrative expenses	7,879	9,691
Operating income	4,641	4,197
Non-operating income	4,595	3,207
Non-operating expenses	495	645
Ordinary income	8,741	6,760
Extraordinary income	0	41
Extraordinary losses	213	56
Net income before income taxes	8,527	6,745
Income taxes	2,156	1,497
Net income	6,371	5,247
Net loss attributable to non-controlling interests	△48	24
Net income attributable to owners of parent	6,419	5,223

#### Consolidated statement of cash flows

(in million yen)

	First half of the 48th term (year to date) (April 1, 2022 to September 30, 2022)	First half of the 49th term (year to date) (April 1, 2023 to September 30, 2023)
Net cash generated from operating activities	2,327	10,531
Net cash expended in investment activities	△21,483	△12,711
Net cash generated from financing activities	26,401	5,679
The effect of changes in the exchange rate on cash and cash equivalents	1,081	1,343
Cash and cash equivalents at the beginning of the period	10,450	17,334
Cash and cash equivalents at the end of the period	18,777	22,177

### Key points of the financial results

#### ● Consolidated balance sheet

- Total assets at the end of the second quarter under review increased 28,319 million yen from the end of previous fiscal year to 230,714 million yen.
- This is mainly attributable to increases of 4,843 million yen in cash and deposits, 1,119 million yen in notes and accounts receivable-trade, 3,021 million yen in electronically recorded monetary claims, 2,083 million yen in inventories, and 2,255 million yen in other included in current assets, as well as an increase of 14,766 million yen in property, plant and equipment included in noncurrent assets.
- Liabilities at the end of the second quarter under review increased 14,800 million yen from the end of previous fiscal year to 132,719 million yen.

- This is mainly attributable to a 6,824 million yen increase in notes and accounts payable-trade, a 5,417 million yen increase in short-term borrowings, a 1,374 million yen increase in current portion of long-term borrowings included in current liabilities, as well as a 783 million yen increase in long-term borrowings included in noncurrent liabilities.
- Net assets at the end of the second quarter under review increased 13,519 million yen from the end of previous fiscal year to 97,994 million yen.
- This is mainly attributable to a 4,345 million yen increase in retained earnings and a 9,104 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 2024.

Yuichiro Naya, President & CEO

### 1st Half Results of FY2023-Consolidated (in 100 million yen)

	FY22 1st half results	FY23 1st half results	Year on year	
			Increase/decrease	Increase/decrease rate
Net sales	817	862	45	5.5%
Operating income	46 5.7%	42 4.9%	-4	-9.6%
Ordinary income	87 10.7%	68 7.8%	-19	-22.7%
Net income	64 7.9%	52 6.0%	-12	-18.6%
Average FX rate (JPY/USD)	135.31	142.61		
Dividend per share	27yen	27yen		

### 1st Half Results of FY2023 Breakdown by Products Application (in 100 million yen)

	FY22 1st half results						FY23 1st half results					
	PCB business		EMS business		Total		PCB business		EMS business		Total	
	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin
Automotive	417	28 6.7%	13	0 0.0%	430	28 6.5%	452	28 6.2%	20	1 5.0%	472	29 6.1%
Smartphones/ Tablets	142	7 4.9%			142	7 4.9%	115	4 3.5%			115	4 3.5%
Semiconductor package	2	0 0.0%			2	0 0.0%	2	-4 -200.0%			2	-4 -200.0%
SSD and IoT modules	48	7 14.6%			48	7 14.6%	36	4 11.1%			36	4 11.1%
AI appliances/amusement/ other products for industrial equipment	136	3 2.2%	59	1 1.7%	195	4 2.1%	109	6 5.5%	128	3 2.3%	237	9 3.8%
<b>Total</b>	<b>745</b>	<b>45</b> <b>6.0%</b>	<b>72</b>	<b>1</b> <b>1.4%</b>	<b>817</b>	<b>46</b> <b>5.7%</b>	<b>714</b>	<b>38</b> <b>5.3%</b>	<b>148</b>	<b>4</b> <b>2.7%</b>	<b>862</b>	<b>42</b> <b>4.9%</b>

### 2nd Half and Full-Year Outlook of FY2023-Consolidated (in 100 million yen)

	FY2023			Forecasted difference from outlook	
	2nd half outlook	Full-year outlook	Initial forecast	Increase/decrease	Increase/decrease rate
Net sales	868	1,730	1,650	80	4.8%
Operating income	58 6.7%	100 5.8%	90 5.5%	10	11.1%
Ordinary income	48 5.5%	116 6.7%	80 4.8%	36	45.0%
Net income	41 4.7%	93 5.4%	62 3.8%	31	50.0%
Average FX rate (JPY/USD)	135	138.80	130		
Dividend per share	28円	55円	50円		

### 2nd Half and Full-Year Outlook of FY2023 Breakdown by Products Application (in 100 million yen)

	FY23 2nd half outlook						FY23 full-year outlook					
	PCB business		EMS business		Total		PCB business		EMS business		Total	
	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin	Sales	Operating income Operating margin
Automotive	455	35 7.7%	33	1 3.0%	488	36 7.4%	907	63 6.9%	53	2 3.8%	960	65 6.8%
Smartphones/ Tablets	130	14 10.8%			130	14 10.8%	245	18 7.3%			245	18 7.3%
Semiconductor package	2	-6 -300.0%			2	-6 -300.0%	4	-10 -250.0%			4	-10 -250.0%
SSD and IoT modules	51	4 7.8%			51	4 7.8%	87	8 9.2%			87	8 9.2%
AI appliances/amusement/ other products for industrial equipment	86	6 7.0%	111	4 3.6%	197	10 5.1%	195	12 6.2%	239	7 2.9%	434	19 4.4%
<b>Total</b>	<b>724</b>	<b>53</b> <b>7.3%</b>	<b>144</b>	<b>5</b> <b>3.5%</b>	<b>868</b>	<b>58</b> <b>6.7%</b>	<b>1,438</b>	<b>91</b> <b>6.3%</b>	<b>292</b>	<b>9</b> <b>3.1%</b>	<b>1,730</b>	<b>100</b> <b>5.8%</b>

## Regarding the operating results in the first half of FY2023

In the first half of the fiscal year under review, the electronic parts industry saw a recovery in global automobile production volume as supply chain disruptions due to component shortages started to subside, but the consumer market remained sluggish due to continued global inflation and the slowdown of the Chinese economy, and demand did not recover fully. Additionally, with the rise of geopolitical risks, the future outlook is becoming increasingly uncertain.

Despite these circumstances, we saw an increase of orders for automotive PCBs, and sales remained strong accordingly. In the field of smartphone PCBs, orders for high-end models and flexible PCBs increased, and there were signs of bottoming out of sales. In the EMS business, commissioned development business remained stable. In terms of production, our factory operating rate recovered in line with increased orders, and operating income is increasing due to cost reduction, investment control, and other measures, as well as the impact of foreign exchange rates, but results were lower than those in the same period of the previous fiscal year due to operating costs for new factories, etc.

As a result, we posted net sales of 86.2 billion yen (+5.5% year on year), up 4.5 billion yen compared with the same period in the previous fiscal year. Concerning profits and losses, operating income was 4.2 billion yen (-9.6% year on year), ordinary income was 6.8 billion yen (-22.7% year on year) and net income attributable to owners of parent was 5.2 billion yen (-18.6% year on year).

## Regarding the full-year forecast

Although the initial full-year forecast called for the drop in sales and profit from the previous fiscal year, we have revised the forecast as the business environment has been improving recently.

In terms of sales, in the PCB business, we expect a full-fledged recovery in automobile production to contribute to sales of automotive PCBs, and we also anticipate the launch of EV projects from European and the U.S. customers, resulting in net sales of 90.7 billion yen, up 9.2 billion yen (+11.3%) from the initial forecast of 81.5 billion yen. The forecast sales of smartphone PCBs increased 3.4 billion yen (+16.1%) from the initial forecast of 21.1 billion yen to 24.5 billion yen due to orders for high-end smartphones. Regarding PCBs for SSD and IoT modules, the sales of IoT module PCBs are expected to expand, but due to the sluggish SSD market, the initial forecast of 8.9 billion yen was revised downwardly by 200 million yen (-2.2%) to 8.7 billion yen. Looking at sales by product specification, the sales of flexible PCBs are expected to expand. In the EMS business, projects for automotive applications are expected to expand, but the demand for projects for home appliances and HDDs is sluggish, resulting in net sales of 29.2 billion yen, down 2.1 billion yen (-6.7%) from the initial forecast of 31.3 billion yen. In terms of profit, we expect an increase in profit due to a larger number of orders and higher factory operating rates, coupled with cost reduction and productivity improvement.

Accordingly, compared to the initial forecast, we have increased net sales by 8 billion yen (+4.8%) to 173 billion yen, operating income by 1 billion yen

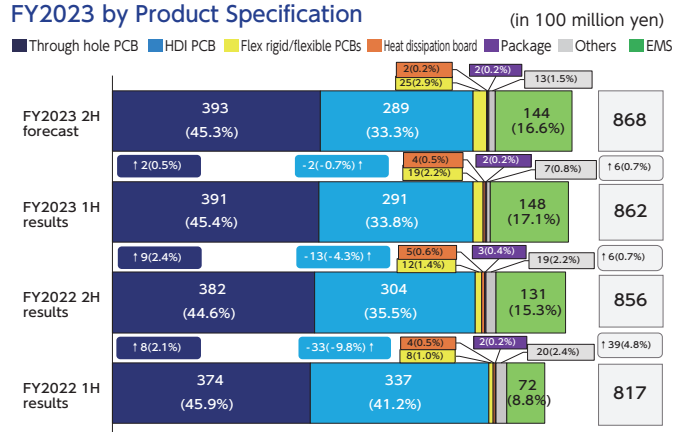
(+11.1%) to 10 billion yen, ordinary income by 3.6 billion yen (+45.0%) to 11.6 billion yen, and net income attributable to owners of parent by 3.1 billion yen (+50.0%) to 9.3 billion yen.

## Trends of net sales and operating income

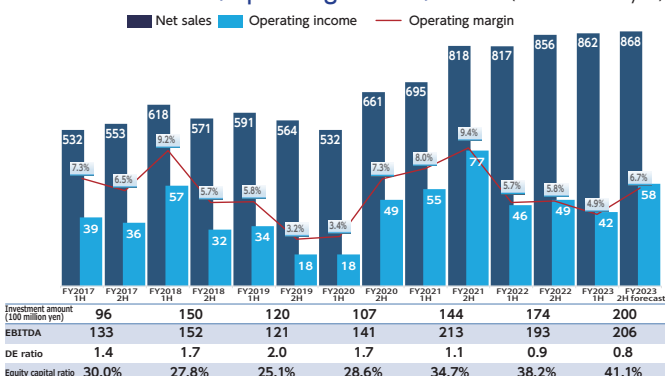
Net sales increased significantly in the second half of FY2021, reaching 81.8 billion yen. Although we have gradually increased net sales since then, demand during this period was affected by the sharp rise in prices of resources triggered by the conflict in Ukraine in 2022 and the significant slump in demand in the global economy caused by the COVID-19 pandemic. As a result, sales in the PCB business remained flat, while the EMS business contributed to sales expansion due to M&A and other factors. Operating income, on the other hand, reached 7.7 billion yen, achieving an operating margin of 9.4% in the second half of FY2021, but remained around 5% thereafter due to a slowdown in sales growth and a sluggish factory operating rate. In the first half of the fiscal year under review, demand has been gradually recovering and factory operating rate is improving. In the second half, we expect a further recovery trend, and operating margin is expected to recover to 6.7%.

As the new factories gradually begin operations, we will strive to expand sales of automotive PCBs and semiconductor package PCBs, and further improve operating margin.

## 1st Half Results and 2nd Half Outlook of FY2023 by Product Specification



## Trends of net sales, operating income, etc. (in 100 million yen)



## Progress of new businesses

### Situation of Tendo Factory

Tendo Factory was built as a factory that mainly manufactures automotive PCBs. Construction was completed in October 2023, and we are currently undergoing customer certification, with production scheduled to begin in April 2024. Tendo Factory is our first eco-smart factory designed to automate production and save 30% of energy compared to our existing factories.

### Situation of Ishinomaki Factory No. 2

Ishinomaki Factory No. 2 produces FC-BGA PCBs using the SAP method. We have received customer approval and are ready to begin production, but due to the recent slump in demand for semiconductors, production has been delayed by about a year and mass production is scheduled to begin in October 2024.

### Situation of Vietnam Plant No. 3

Vietnam Plant No. 3 is a plant that produces memory package PCBs using the MSAP method. We have received customer approval and are ready to begin production, but due to the recent slump in demand for semiconductors, production has been delayed by about a year and mass production is scheduled to begin in April 2024.



## 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)
<b>45yen</b>	<b>55yen</b>	<b>55yen</b>
Interim: 20 yen Year-end: 25 yen	Interim: 27 yen Year-end: 28 yen	Interim: 27 yen Year-end: 28 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.



**Kotomi Ejiri**  
Audit & Supervisory  
Board Member

I was appointed at the General Meeting of Shareholders in June 2022 and have been performing my duties as an Outside Audit & Supervisory Board Member. In October 2023, I witnessed the completion of Tendo Factory, a state-of-the-art smart one designed while pursuing automation and manpower saving, and I am keenly aware that our company is in a position to lead the PCB industry from now on.

As an independent Outside Audit & Supervisory Board Member with such important responsibilities, I will make every effort to establish corporate governance, foster and ensure the awareness of compliance with laws and regulations, and achieve balanced and sustainable growth through audits and effective management of the Board of Directors, so that our shareholders and other stakeholders will truly feel "glad to have been involved with Meiko."

Although the business environment is expected to change at a dizzying pace, I would appreciate your continued support.

## Corporate data (As of September 30, 2023)

### Corporate Profile

<b>Name</b>	MEIKO ELECTRONICS CO., LTD.
<b>Established</b>	November 25, 1975
<b>Capital</b>	12,888 million yen
<b>No. of Employees</b>	12,004 (consolidated) (Japan: 1,305) (Overseas: 10,699)
<b>Outline of Business</b>	Design and manufacturing and sales of PCBs and auxiliary electronics business

### Executives

<b>President &amp; CEO</b>	Yuichiro Naya
<b>Director and Senior Managing Executive Officer</b>	Masakuni Shinozaki
<b>Director and Senior Managing Executive Officer</b>	Junya Wada
<b>Director and Senior Managing Executive Officer</b>	Atsushi Sakate
<b>Director and Managing Executive Officer</b>	Yoshihito Kikyo
<b>Director and Executive Officer</b>	Shigeru Naya
<b>Director</b>	Yoon Ho, Shin
<b>Director</b>	Nao Tsuchiya
<b>Director</b>	Yosuke Nishiyama
<b>Director</b>	Takashi Harada
<b>Director</b>	Toshifumi Kobayashi
<b>Audit &amp; Supervisory Board Member (Standing)</b>	Takahiro Matsuda
<b>Audit &amp; Supervisory Board Member</b>	Hiroshi Miyauchi
<b>Audit &amp; Supervisory Board Member</b>	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 Towada Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business

### Stock Information

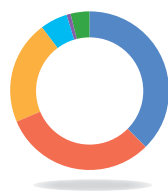
<b>Number of Shares Authorized</b>	Common stock: 70,000,000shares First bond-type stock:100shares
<b>Number of Shares Issued</b>	Common stock:25,780,069shares (excluding treasury stock of 1,023,251shares) First bond-type stock:70shares
<b>Number of Shareholders</b>	Common stock: 4,334 First bond-type stock:1

### Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,704	18.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,033	15.65
Custody Bank of Japan, Ltd. (Trust Account)	2,553	9.91
CLEARSTREAM BANKING S.A.	945	3.67
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIW/LUXEMBOURG FUNDS/UCITS ASSETS	635	2.46
Meiko Kosan Co., Ltd.	608	2.36
Yuhō, Ltd.	521	2.02
Seiichi Naya	405	1.57
Sumitomo Mitsui Banking Corporation	377	1.46
STATE STREET BANK WEST CLIENT - TREATY 505234	293	1.14

\*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.

### Shareholding Structure (Common Stock)



Individuals and others	35.04%
Financial institutions	32.32%
Foreign institutions and others	21.96%
Other institutions	5.77%
Financial instruments business operators	1.09%
Treasury stock	3.82%

### Shareholders' Information

<b>Fiscal year</b>	April 1 to March 31 of the following year
<b>Annual shareholders' meeting</b>	June
<b>Record date</b>	Year-end dividends: March 31 Interim dividends: September 30
<b>Transfer agent</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
<b>Transfer office</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
<b>Address for sending mails</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 Japan
<b>Contact</b>	Tel: 0120-782-031
<b>Stock exchange</b>	Prime Market, Tokyo Stock Exchange
<b>Method of public notice</b>	Electronic public notice in our official page Official Page: <a href="https://www.meiko-elec.com/ir/pa.shtml">https://www.meiko-elec.com/ir/pa.shtml</a> 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.



**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.