Annual Report 2023

For the year ended March 31, 2023

Meiko Electronics Co., Ltd.

The Meiko Group consists of Meiko Electronics Co., Ltd. (the “Company”), thirteen consolidated subsidiaries, ten non-consolidated subsidiaries, and one affiliated company (the “Group”). As the Group’s businesses are primarily in PCB design, manufacturing, sales, and ancillary operations, the descriptions of other businesses are omitted as they are of little significance.

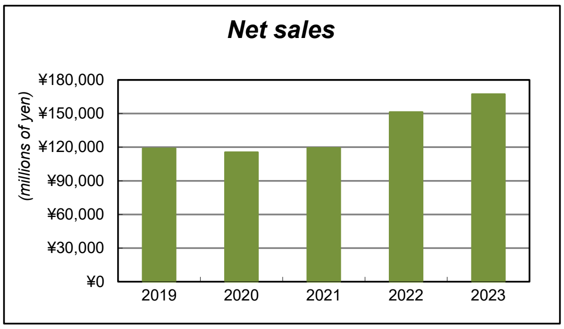
Forward-looking Statements:
This annual report contains forward-looking statements that are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties. Actual results may differ materially from these projections for a variety of reasons, including changes in business environments, market trends and exchange rate fluctuations relevant to the business of Meiko Electronics Co., Ltd.

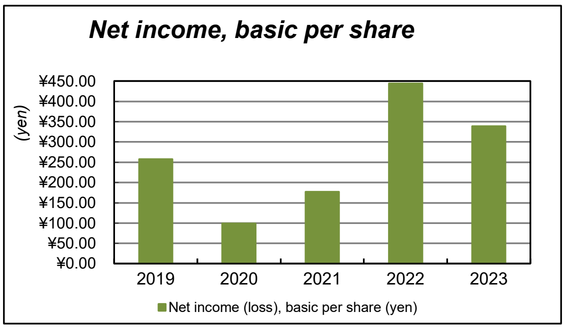
Contents

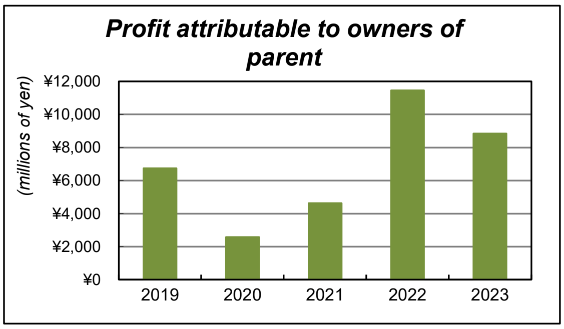
Five-year Financial Summary

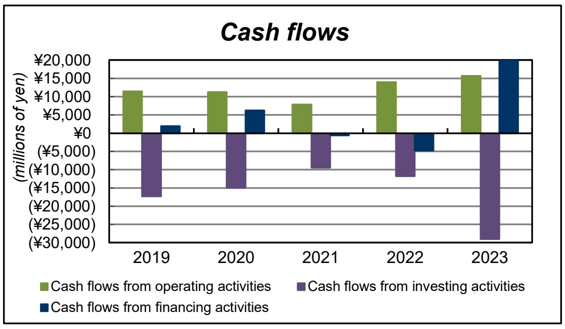
(For the years ended/as of March 31)

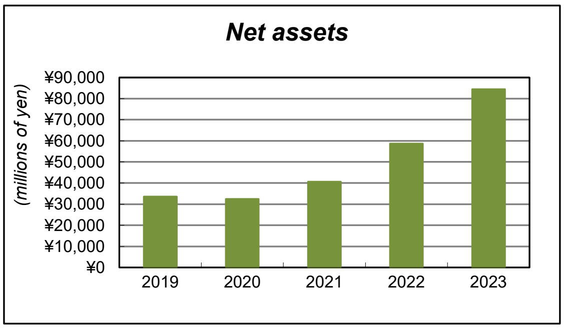
	2019	2020	2021	2022	2023
	(millions of yen, except per share amounts)				
Consolidated financial indicators:					
Net sales	¥118,911	¥115,479	¥119,257	¥151,275	¥167,277
Ordinary income	8,611	4,790	5,698	14,295	11,213
Profit attributable to owners of parent	6,744	2,586	4,641	11,451	8,848
Comprehensive income	6,482	(419)	8,629	20,319	13,119
Net assets	33,588	32,482	40,611	58,686	84,475
Total assets	120,656	129,238	142,040	168,329	202,395
Net assets per share *(yen)*	1,283.24	1,233.61	1,551.93	2,281.09	2,736.07
Net income per share *(yen)*	257.65	98.81	177.33	444.23	338.94
Equity ratio	27.8%	25.0%	28.5%	34.7%	38.2%
Return on equity (ROE)	20.2%	7.9%	12.8%	23.2%	13.0%
Price earnings ratio (PER) *(times)*	6.7	13.5	15.2	9.1	8.6
Cash flows from operating activities	11,467	11,240	7,853	13,975	15,714
Cash flows from investing activities	(17,293)	(14,937)	(9,490)	(11,786)	(29,043)
Cash flows from financing activities	1,957	6,249	(619)	(4,730)	19,962
Cash and cash equivalents at the end of the period	11,419	13,646	12,122	10,451	17,335
Number of employees	11,899	12,232	13,721	13,637	11,889
[Average number of temporary staff]	[1,351]	[1,450]	[1,117]	[575]	[423]

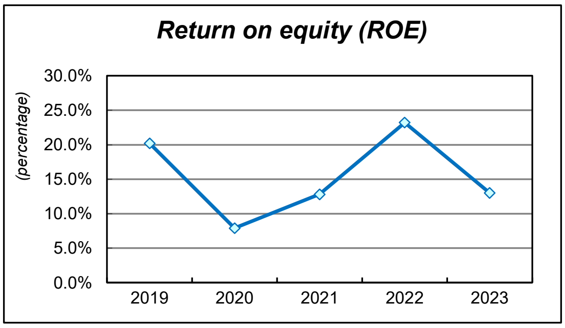

Net sales
(millions of yen)
¥180,000
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2019
2020
2021
2022
2023

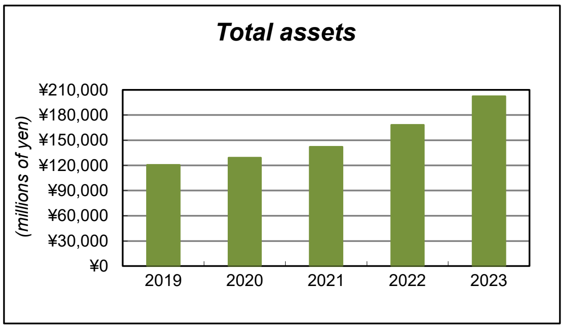

Net income, basic per share
(yen)
¥450.00
¥400.00
¥350.00
¥300.00
¥250.00
¥200.00
¥150.00
¥100.00
¥50.00
¥0.00
2019
2020
2021
2022
2023
Net income (loss), basic per share (yen)

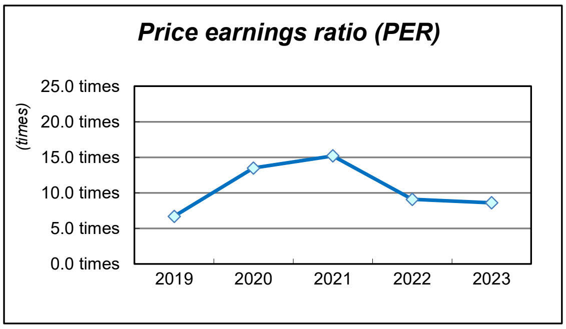

Profit attributable to owners of parent
(millions of yen)
¥12,000
¥10,000
¥8,000
¥6,000
¥4,000
¥2,000
¥0
2019
2020
2021
2022
2023

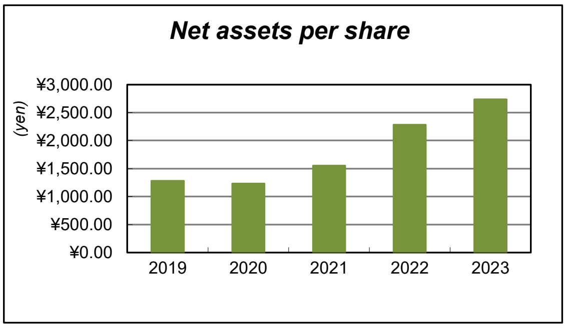

Cash flows
(millions of yen)
¥20,000
¥15,000
¥10,000
¥5,000
¥0
(¥5,000)
(¥10,000)
(¥15,000)
(¥20,000)
(¥25,000)
(¥30,000)
2019
2020
2021
2022
2023
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities


Net assets
(millions of yen)
¥90,000
¥80,000
¥70,000
¥60,000
¥50,000
¥40,000
¥30,000
¥20,000
¥10,000
¥0
2019
2020
2021
2022
2023


Return on equity (ROE)
(percentage)
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2019
2020
2021
2022
2023


Total assets
(millions of yen)
¥210,000
¥180,000
¥150,000
¥120,000
¥90,000
¥60,000
¥30,000
¥0
2019
2020
2021
2022
2023


Price earnings ratio (PER)
(times)
25.0 times
20.0 times
15.0 times
10.0 times
5.0 times
0.0 times
2019
2020
2021
2022
2023


Net assets per share
(yen)
¥3,000.00
¥2,500.00
¥2,000.00
¥1,500.00
¥1,000.00
¥500.00
¥0.00
2019
2020
2021
2022
2023

The forward-looking statements in this section are based on the Group's assumptions as of the end of the current consolidated fiscal year.

(1) Significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). The presentation of these consolidated financial statements requires estimates that affect the selection and application of accounting policies, the reporting amounts of assets, liabilities, profits and expenses and the disclosure thereof. The management has assessed those estimates in view of past results and reasonable assumptions, however, actual results may differ from the estimates presented due to uncertainties that are intrinsic to estimates.

(2) Analysis of the Group's financial position

Assets

Assets as of March 31, 2023 were ¥202,395 million, up ¥34,066 million from the end of the previous fiscal year. This change mainly comprised an increase of ¥6,884 million in cash and cash equivalents, an increase of ¥1,929 million in electronically recorded monetary claims - operating, and an increase of ¥2,862 million in inventories in current assets, in addition to an increase of ¥12,976 million in property, plant and equipment, and an increase of ¥6,000 million in goodwill in non-current assets.

Liabilities

Liabilities as of March 31, 2023 were ¥117,920 million, up ¥8,277 million from the end of the previous fiscal year. This change mainly comprised a decrease of ¥1,525 million in trade notes and accounts payable, an increase of ¥1,496 million in short-term borrowings, an increase of ¥1,238 million in the current portion of long-term borrowings, and a decrease of ¥714 million in other in current liabilities, in addition to an increase of ¥6,200 million in long-term borrowings, and an increase of ¥1,409 million in retirement benefit liability in non-current liabilities.

Net assets

Net assets as of March 31, 2023 were ¥84,475 million, up ¥25,789 million from the end of the previous fiscal year. This mainly reflected a ¥7,000 million increase in capital surplus, a ¥7,506 million increase in retained earnings, a ¥4,252 million increase in foreign currency translation adjustment, and a ¥6,956 million increase in non-controlling interests.

(3) Analysis of business results

1) Net sales

The electronic components industry, where the Group operates, was affected by the slowdown in economic and production activities in China due to the COVID-19 pandemic and soaring energy prices on the back of the state of affairs concerning Ukraine. Sales of PCBs (printed circuit boards) for automotive products were robust as the yen depreciated, despite orders for the products failing to see a full-scale recovery due to the continued decrease in automobile production owing to semiconductor shortages and other factors. Consequently, net sales for the fiscal year under review increased ¥16,002 million, or 10.6%, from the previous fiscal year to ¥167,277 million.

2) Gross profit

Cost of sales increased ¥17,381 million, or 14.0%, from the previous fiscal year to ¥141,261 million due to the steep rise in raw materials and energy prices and an increase in depreciation and amortization associated with capital investments. Consequently, gross profit for the fiscal year under review decreased ¥1,379 million, or 5.0%, from the previous fiscal year to ¥26,016 million. The gross margin fell 2.5 percentage points from the previous fiscal year to 15.6%.

3) Operating income

Selling, general and administrative expenses increased ¥2,300 million, or 16.3%, from the previous fiscal year to ¥16,440 million, due to an increase in research and development costs, the recording of costs related to the acquisition of a subsidiary, and an increase in amortization of goodwill. As a result, operating income for the fiscal year under review decreased ¥3,679 million, or 27.8%, from the previous fiscal year to ¥9,576 million. The operating margin fell 3.1 percentage points from the previous fiscal year to 5.7%.

4) Ordinary income

Non-operating income increased ¥1,178 million to ¥3,269 million, mainly due to increases in foreign exchange gains and compensation income. Non-operating expenses increased ¥581 million to ¥1,631 million, mainly due to an increase in interest expenses and the recording of share issuance costs. As a result, ordinary income for the fiscal year under review decreased ¥3,082 million, or 21.6%, from the previous fiscal year to ¥11,213 million.

5) Profit attributable to owners of parent

In the fiscal year under review, extraordinary income amounted to ¥43 million, mainly due to the recording of gain on liquidation of subsidiaries and associates, net of ¥42 million. Extraordinary losses totaled ¥584 million, mainly due to the recording of loss on sale and retirement of non-current assets of ¥218 million, and business restructuring expenses of ¥301 million. The total amount of income taxes–current and income taxes–deferred increased ¥711 million to ¥1,887 million. The loss attributable to non-controlling interests was ¥63 million. As a result of the above, the net income attributable to owners of the Company was ¥8,848 million, down 22.7% compared with the previous fiscal year.

(4) Analysis of source of funds and liquidity

1) Cash flows

Cash and cash equivalents (hereafter, “net cash”) as of March 31, 2023 increased ¥6,884 million from the previous fiscal year, to ¥17,335 million.

Cash flows of each category and their causes during the consolidated fiscal year ended March 31, 2023 were as follows.

Net cash provided by operating activities for the fiscal year under review was ¥15,714 million, up ¥1,739 million from the previous fiscal year. Increases were mainly from income before income taxes of ¥10,672 million, depreciation and amortization of ¥9,795 million, a decrease in trade notes and accounts receivable of ¥1,054 million, and a decrease in inventories of ¥2,213 million. The major decreases consisted of foreign exchange gains of ¥1,143 million, a decrease in trade notes and accounts payable of ¥5,182 million, and income taxes paid of ¥1,820 million.

Net cash used in investing activities was ¥29,043 million, up ¥17,257 million from the previous fiscal year. The major outflows were ¥18,856 million for the purchase of property, plant and equipment, ¥9,312 million for the purchase of shares of subsidiaries resulting in change in scope of consolidation, and ¥1,109 million for long-term loan advances.

Net cash provided by financing activities was ¥19,962 million (compared to ¥4,730 million net cash used in the previous fiscal year). The major inflows were proceeds from long-term borrowings of ¥13,910 million, proceeds from issuance of shares of ¥6,686 million, and proceeds from share issuance to non-controlling shareholders of ¥6,973 million. The major outflows comprised payments for long-term borrowings of ¥6,565 million and cash dividends paid of ¥1,340 million.

Trends in cash flow indicators of the Group are as follows:

	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Equity ratio *(%)*	28.5	34.7	38.2
Market value equity ratio *(%)*	49.3	61.8	37.0
Cash flows versus interest-bearing debt ratio *(years)*	8.9	4.9	4.9
Interest coverage ratio *(times)*	12.4	22.0	14.5

Equity ratio = Equity capital / Total assets

Market value equity ratio = Stock market capitalization / Total assets

Cash flow versus interest-bearing debt ratio = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest payment

Notes:

1. Each indicator is calculated based on consolidated financial values.
2. The stock market capitalization is calculated as follows: term-end closing stock price x term-end number of shares issued (after deducting shares of treasury stock). Common stocks are subject to the calculation.
3. The operating cash flow represents the cash flow provided by (used in) operating activities as indicated in the consolidated statements of cash flows. Of the liabilities posted on the consolidated balance sheets, the interest-bearing debt covers all the liabilities for which interest was paid. The interest payment represents the payment of interest indicated in the consolidated statements of cash flows.

2) Financial policy

The Group procures funds for its operations from funds on hand or borrowings from financial institutions. The Group has a policy of procuring funds for investment and loans as well as funds to acquire manufacturing equipment inside and outside Japan via long-term borrowings from financial institutions. With regard to procuring such funds and the conditions of procurement, the Group strives to select the most favorable timing and conditions.

Business Risks

Below are some of the major risks from among those described in the securities report (provided/filed in Japanese only) which may significantly affect any decisions made by investors.
Forward-looking statements are based on the Group's best judgment during the consolidated fiscal year under review.

(1) Risks related to the business environment

1) Risk related to the Group's major customers and their industries' trends

The Group's major customers are manufacturers of automotive products, smartphones and tablets, SSD and IoT modules, AI household appliances, amusement equipment, and industrial equipment, among others. The Group's major business is the manufacture and sale of PCBs, which are parts that constitute a core function of finished products. Furthermore, the Group endeavors to strengthen and expand the semiconductor package board and EMS businesses as new mainstay businesses with the aim of minimizing influence from overdependence on PCBs. However, should economic trends or a natural disaster adversely impact the Group's major customers or their industry markets, such factors could affect the business performance and financial position. The monitoring of customers and trends in their industries and measures to minimize influence implemented by the Group cannot eliminate said risk completely. Therefore, the Group realizes that such risk could emerge in the event of a sudden change in market conditions, with the influence depending on the timing and size of the incident.

2) Raw materials market fluctuation risk

The Group strives to minimize risk using commodity derivatives. However, if an unexpected surge in the procurement prices of crude oil, copper, gold, or any other materials is not able to be passed on to our selling prices to customers, or if we may miss business opportunities due to difficulty in procuring materials, the business performance and financial position could thus be adversely affected. As said risk cannot be lessened or eliminated completely by the above mentioned measures to minimize risk alone, the Group realizes that it is inevitable that it will suffer some degree of impact if such risk actually emerges.

3) Risk related to technological development and price competition

The time will come when all things are connected, due to the increase in the use of electronics in vehicles, the dissemination of electric vehicles, the emergence of connected cars based on high-speed communication, and the worldwide spread of IoT. Although the Group expects expansion of demand for PCBs, to address intensifying global competition stemming from downward pressure on prices from China and Southeast Asia, the Group needs to differentiate its products with technology. To this end, the Group is developing technologies such as element technologies to make wires thinner, dissipate heat, and make hole diameters smaller, as well as cost-reduction technologies. However, should such technologies diverge from market needs and not be accepted, the Group may become embroiled in a price war, or the yield rate may decline, which could affect its business performance and financial position. The Group closely monitors customers' needs, competitors' technology, and price movements, etc. However, as this type of risk is inherent in business management and is difficult to eliminate completely, such risk might ordinarily emerge in the process of business management. The Group realizes that it is difficult to make a definite estimate of the influence when such risk actually emerges, since the influence may depend on the timing and conditions of the incident.

4) Risks related to the timing of capital investments

The Group conducts appropriate capital investment to enhance productivity and maintain product competitiveness in accordance with demand trends. Although capital investments are carefully determined considering market trends and brand manufacturers’ business performance, should the Group’s capital investments become excessive upon a downturn in the economy or manufacturers change strategies, or the operation of new facilities be delayed, factors such as the burden of depreciation costs could adversely affect the business results and financial position. In addition, should the asset value or business profitability decline, it could result in the occurrence of impairment loss, adversely affecting the business performance and financial position. The Group believes that there is not a high possibility that any individual capital investment will lead to the occurrence of impairment loss. However, risk caused by external factors, such as a sudden change in market conditions, natural disasters, and infectious diseases, cannot be lessened or eliminated by the Group’s risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the timing and size of the incident.

5) Risk related to equipment failures and accidents

Although the Group conducts regular inspections and maintenance work on its production equipment as well as plant monitoring using IoT technology in its manufacturing bases and strives to minimize the occurrence of equipment failures, fire, or other accidents, which may result in the suspension of line operations, there is no guarantee that these will be prevented or reduced completely. Should production or shipping be suspended for a long period of time due to these factors, the business performance and financial position could be adversely affected. Said risk cannot be lessened or eliminated by the Group’s own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

6) Risk related to product defects

PCBs are mounted with electronic components and then embedded in finished products. The Group manufactures PCBs in compliance with globally accepted quality control standards. In addition, brand manufacturers conduct inspections upon receipt of the finished product checking for product defects. However, should a large-scale recall or a product liability claim occur, such an incident would incur significant costs that cannot be covered by insurance amounts and harm the value of our corporate brand, which could adversely affect the business performance and financial position. The Group believes that there is not a high possibility that said risk will emerge. However, as such risk cannot be lessened or eliminated by the Group’s own risk management alone, the Group realizes that it is inevitable that it will suffer some degree of impact if such risk emerges.

(2) Risk related to natural disasters, etc.

1) Risk related to natural disasters

If natural disasters, such as earthquakes, tsunami, floods, storms, or torrential downpours occur, operation of the Group’s facilities may be partially or totally suspended, resulting in delays in production and shipments. Having learned from past experiences, the Group reviews its risk management system appropriately and endeavors to secure the safety of its employees and protect its facilities against natural disasters. However, should a disaster of an enormous scale occur in the future, we may consume expenses required to restore damaged production facilities and experience a sales decline, resulting in an adverse effect on the business performance and financial position. Said risk cannot be lessened or eliminated by the Group's own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

2) Risk related to infectious diseases

During the COVID-19 pandemic, the Group has continued thorough implementation of preventive measures to secure the safety of customers, business partners, and employees and prevent the further spread of infection in accordance with the guidance of health authorities in each country where we operate. However, situations such as the health crisis becoming prolonged, pandemic conditions continuing, or new types of infections occurring might result in suspension of the Group's factories, worsening of the Japanese and global economy, and contraction of economic activities, which could adversely affect the business performance and financial position. Said risk cannot be lessened or eliminated by the Group's own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

(3) Risk related to compliance

As the Group operates its business in bases inside and outside Japan, it needs to comply with a wide range of laws and regulations and restrictions. In Japan, the Group is required to obey the Companies Act, Financial Instruments and Exchange Act, Anti-Monopoly Act, tax laws, labor laws, and environmental laws, etc. while it must observe laws and regulations and restrictions in each country and region it operates in overseas. The Group not only established the Risk and Compliance Committee to supervise compliance with laws and regulations and restrictions but also strives to raise its employees' awareness of compliance issues by formulating and implementing its own compliance measures. However, there is a possibility that risk related to compliance will not be dodged completely by implementing these measures. Should the Group fail to perform obligations required by laws and regulations and restrictions, it could adversely affect the business performance and financial position. The Group believes that there is not a high possibility that risk related to compliance will emerge. However, as the type and timing of the occurrence, etc. of such incident cannot be controlled by the Group, it realizes that it is difficult to make an estimate of the influence beforehand.

(4) Risk related to finance, etc.

1) Financial risks

The Group has made aggressive capital investments to prepare for the anticipated increase in demand for PCBs for automotive products and smartphones, as well as in response to new products in line with technological innovation. As a result, the ratio of borrowings to total assets as of March 31, 2023 was 37.2%. Should new borrowings or refinancing of outstanding borrowings for capital investments necessary from the perspective of its business strategy become difficult in the future due to a change in monetary conditions or banks' situations, it could affect the Group's fund raising plans. In addition, a rise in interest rates on borrowings could adversely affect the business performance and financial position. As risk related to monetary conditions or each bank's situation is hard to reduce or eliminate by the Group's own measures, the Group believes that it will suffer impact in the event of the occurrence of such risk, with the influence depending on the timing, size, and conditions of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence.

2) Credit risk

As the Group extends credit to its business partners in the form of trade credit, including accounts receivables and advance payments, it is therefore exposed to credit risk in the form of losses arising from deterioration in the credit of or bankruptcy of business partners. To manage such risk, the Group responds depending on the credit profile of the counterparty based on internal rules that determine the credit limit for each business partner. However, failure to collect receivables and other credit could affect the business performance and financial position. The Group believes that it will suffer only limited impact, even if said risk emerges, since it monitors obligors' credit conditions and diversifies risk, which maintains the frequency and influence within the range of normal fluctuation of business results. Although the possibility of the abrupt emergence of unexpected credit risk from a large obligor is not completely eliminated, the Group realizes that the probability is quite low.

3) Risk related to foreign currency rate fluctuation

To operate plants in China and Vietnam, we need to hold U.S. dollars and other foreign currency-denominated assets. Therefore, the Group is exposed to yen-to-yuan, yen-to-U.S. dollar and other currencies exchange rate fluctuations. These fluctuations could result in losses. The Group strives to minimize risks to some extent by conducting exchange marry or currency exchange hedge, etc. However, should an unexpected foreign currency rate fluctuation occur, it could adversely affect the business performance and financial position. As said risk depends on the fluctuation of foreign exchange rates and cannot be lessened or eliminated by the Group's own effort alone, the Group realizes that it is difficult to make a definite estimate on the timing of the occurrence and influence.

4) Risk related to M&A, joint venture, and alliance

The Group forms capital alliances with and conducts joint ventures with other companies that have the technology, products, sales network, customer base, and personnel necessary for business growth. However, there is a possibility that the Group may not receive the anticipated effects or will need to spend additional expenses or incur impairment loss when the market and competition environments significantly change or the business does not develop as planned. Should such incident occur, the Group may fail to earn the forecast profits, adversely affecting its business performance and financial position. As such risk cannot be lessened or eliminated by the Group's own risk management alone, the Group realizes that it is inevitable that it would suffer some degree of impact if such risk actually emerges.

(5) Other risk

1) Risk inherent in plant operations in China and Vietnam

To expand productivity and reduce production costs, the Group has established local corporations in Hong Kong, Guangzhou and Wuhan in China, and in Vietnam, conducting manufacturing and sales activities. In these countries, the Group may face the following difficulties—hygiene-related issues such as infectious diseases; change or introduction of environmental regulations, legal restrictions and the tax system; failure of infrastructure such as electricity, water and transportation; political uncertainty and public security-related issues; anti-Japanese demonstrations and/or labor disputes; expropriation of assets, destruction of facilities by wars and conflicts, and limitation on the transfer of funds (transfer restriction), etc. Should unexpected events such as changes in the political or legal environment, economic situation or environmental regulations occur, the business performance and financial position could be adversely affected as a result of the issues which might arise in the management of production facilities and equipment and in the execution of other operations, or a large amount of liabilities or obligations associated with the compliance of environmental conservation and other regulations. Said risk cannot be lessened or eliminated by the Group's own risk management alone. There is a possibility that the Group will suffer impact in the event of the occurrence of such risk, with the influence depending on the frequency and size of the incident. However, the Group realizes that it is difficult to make a definite estimate of the influence in light of the conditions of such risk.

2) Risk related to information security

The Group obtains customer information, etc. through its business activities from time to time and also owns confidential information on technology, sales, individual persons, and overall business. To prevent unauthorized information access, falsification, corruption, leakage, loss, and any other damages caused by cyberattacks, human errors, and any other incidents, the Group established its information management system and conducts appropriate safety procedures, including rational technological measures and drills to prepare for cybersecurity risk. However, should the leakage or loss of information occur, it could adversely affect the business performance and financial position. As the Group strives to appropriately operate its confidential information management system, it realizes that the probability of emergence of such risk is quite low.

3) Risk related to intellectual property rights

The Group recognizes intellectual properties as its significant management resources and seeks to acquire intellectual property rights by applying for patents, etc. for proprietary technologies, etc. developed by the Group with the aim of protecting intellectual properties. However, not all applications may be approved and it is also possible that obtained rights may be rendered void due to objections by third parties. Although the responsible department manages obtained intellectual properties and pays attention to violation of rights by external parties, anticipated profits could be lost in the event of illegal use, etc. Meanwhile, should a lawsuit be filed against the Group with regard to a violation of intellectual property rights of third parties, the business performance and financial position could be adversely affected as a result of the compensation or damages paid to customers due to the suspension of production and payment of license fees, etc., related to patent use in order to resume production. Although the possibility of abrupt emergence of the risk is not completely eliminated, the Group realizes that the probability is quite low.

Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2023 and 2022

		Millions of yen			Thousands of U.S. dollars (Note 1)
ASSETS		**2023**		2022		**2023**
Current Assets:						
Cash and cash equivalents (Note 17)	¥	**17,335**	¥	10,451	$	**129,810**
Receivables —						
Trade notes (Note 17)		**1,482**		1,102		**11,095**
Accounts receivable (Note 17)		**34,508**		33,656		**258,407**
Electronically recorded monetary claims (Note 17)		**2,920**		991		**21,865**
Other receivables		**1,100**		1,117		**8,238**
Less: Allowance for doubtful accounts		**(171)**		(165)		**(1,282)**
Inventories —						
Merchandise and finished goods		**9,929**		10,238		**74,351**
Work in process		**7,044**		8,074		**52,747**
Raw materials and supplies		**15,658**		11,457		**117,254**
Other (Note 17)		**2,100**		1,447		**15,739**
Total current assets		**91,905**		78,368		**688,224**
Property, Plant and Equipment, at Cost:						
Land		**2,553**		2,445		**19,120**
Buildings and structures (Note 4)		**58,512**		53,491		**438,163**
Machinery and vehicles (Note 4)		**125,218**		114,369		**937,678**
Leased assets		**2,714**		2,844		**20,322**
Construction in progress		**18,315**		9,926		**137,149**
Other (Note 4)		**9,718**		6,834		**72,776**
		217,030		189,909		**1,625,208**
Less: Accumulated depreciation		**(121,492)**		(107,347)		**(909,784)**
Net property, plant and equipment		**95,538**		82,562		**715,424**
Intangible Assets:						
Goodwill		**6,304**		304		**47,205**
Other		**696**		651		**5,213**
Total intangible assets		**7,000**		955		**52,418**
Investments and Other Assets:						
Investment securities (Notes 3 and 17)		**3,038**		2,555		**22,751**
Long-term loans receivable		**1,188**		553		**8,899**
Deferred tax assets (Note 16)		**1,873**		1,841		**14,029**
Other		**1,884**		1,518		**14,101**
Less: Allowance for doubtful accounts		**(31)**		(23)		**(235)**
Total investments and other assets		**7,952**		6,444		**59,545**
Total	¥	**202,395**	¥	168,329	$	**1,515,611**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS		Millions of yen			Thousands of U.S. dollars (Note 1)
		2023		2022	**2023**
Current Liabilities:					
Trade notes and accounts payable	¥	**22,794**	¥	24,319	$ **170,693**
Short-term borrowings (Note 5)		**29,663**		28,167	**222,130**
Current portion of long-term borrowings (Note 5)		**7,200**		5,962	**53,916**
Income taxes payable (Note 16)		**1,020**		985	**7,639**
Accrued bonuses		**1,201**		1,064	**8,992**
Accrued bonuses to directors		**55**		59	**408**
Lease obligations (Notes 5 and 17)		**196**		214	**1,469**
Other (Notes 5, 12, 17 and 20)		**11,544**		12,258	**86,443**
Total current liabilities		**73,673**		73,028	**551,690**
Long-term Liabilities:					
Long-term borrowings (Notes 5 and 17)		**38,467**		32,267	**288,053**
Lease obligations (Notes 5 and 17)		**268**		392	**2,009**
Provision for directors' retirement benefits		**216**		216	**1,617**
Provision for share awards		**173**		115	**1,295**
Provision for share awards for directors		**36**		25	**270**
Net defined benefit liability (Note 6)		**4,126**		2,717	**30,894**
Other (Note 17)		**961**		883	**7,199**
Total long-term liabilities		**44,247**		36,615	**331,337**
Commitments and Contingent Liabilities (Note 11) :					
Net Assets (Note 7):					
Shareholders' Equity:					
Common stock:					
Authorized:					
70,000,000 shares in 2023 and 2022					
Issued:					
26,803,320 shares in 2023 and 2022					
Preferred stock:					
Authorized:					
100 shares in 2023 and no share in 2022					
Issued:					
70 shares in 2023 and no share in 2022		**12,889**		12,889	**96,514**
Capital surplus		**13,700**		6,700	**102,596**
Retained earnings		**35,568**		28,062	**266,351**
Less: Treasury stock, at cost; common stock					
1,159,051 shares in 2023, 1,162,643 shares in 2022		**(2,176)**		(2,186)	**(16,298)**
Total shareholders' equity		**59,981**		45,465	**449,163**
Accumulated Other Comprehensive Income:					
Unrealized gains on available-for-sale securities		**13**		4	**101**
Deferred gains on hedges		**55**		(42)	**411**
Foreign currency translation adjustments		**17,426**		13,174	**130,490**
Remeasurements of defined benefit plans (Note 6)		**(154)**		(113)	**(1,155)**
Total accumulated other comprehensive income		**17,340**		13,023	**129,847**
Non-controlling interests		**7,154**		198	**53,574**
Total net assets		**84,475**		58,686	**632,584**
Total	¥	**202,395**	¥	168,329	$ **1,515,611**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net Sales (Note 20)	¥ **167,277**	¥ 151,275	$ **1,252,633**
Cost of Sales (Note 13)	**141,261**	123,880	**1,057,816**
Gross profit	**26,016**	27,395	**194,817**
Selling, General and Administrative Expenses (Note 13)	**16,440**	14,140	**123,112**
Operating income	**9,576**	13,255	**71,705**
Other Income (Expenses):			
Interest expense, net	**(812)**	(594)	**(6,079)**
Dividend income	**94**	16	**705**
Foreign exchange gain	**2,003**	1,498	**14,997**
Share issuance costs	**(342)**	-	**(2,561)**
Net loss on sales and disposal of property, plant and equipment (Note 15)	**(217)**	(521)	**(1,625)**
Compensation income	**380**	62	**2,847**
Gain on sales of investment securities, net (Note 3)	**(5)**	10	**(37)**
Gain on liquidation of subsidiaries and affiliates	**42**	-	**313**
Expenses for business structure improvement (Note 9)	**(301)**	(226)	**(2,251)**
Loss related to COVID-19 pandemic (Note 10)	**-**	(647)	**-**
Loss on disaster (Note 8)	**(60)**	(116)	**(452)**
Other, net	**314**	(124)	**2,355**
Total	**1,096**	(642)	**8,212**
Income before Income Taxes	**10,672**	12,613	**79,917**
Income Taxes (Note 16):			
Current	**1,867**	1,348	**13,980**
Deferred	**20**	(172)	**153**
Total income taxes	**1,887**	1,176	**14,133**
Net Income	**8,785**	11,437	**65,784**
Net Loss attributable to non-controlling interests	**(63)**	(14)	**(470)**
Net Income attributable to owners of the Company	¥ **8,848**	¥ 11,451	$ **66,254**

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Net income per share			
Basic	¥ **338.94**	¥ 444.23	$ **2.54**
Cash dividends applicable to the year			
Common stock	**55.00**	45.00	**0.41**
Series 1 Non-convertible preferred stock	**2,233,660.00**	-	**16,726.52**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net Income	¥ **8,785**	¥ 11,437	$ **65,784**
Other Comprehensive Income (Note 19):			
Unrealized gains (losses) on available-for-sale securities	**9**	(35)	**65**
Deferred gains (losses) on hedges	**97**	(292)	**725**
Foreign currency translation adjustments	**4,270**	9,066	**31,986**
Remeasurements of defined benefit plans	**(42)**	143	**(316)**
Total other comprehensive income	**4,334**	8,882	**32,460**
Comprehensive Income	¥ **13,119**	¥ 20,319	$ **98,244**
Comprehensive Income Attributable to:			
Owners of the Company	¥ **13,162**	¥ 20,314	$ **98,568**
Non-controlling interests	**(43)**	5	**(324)**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries

For the Years Ended March 31, 2023 and 2022

Millions of yen

	Shareholders' Equity								Accumulated Other Comprehensive Income						
	Common Stock		Preferred Stock												
	Number of Shares	Amount	Number of Shares	Amount	Capital Surplus	Retained Earnings	Treasury Stock at Cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance as at March 31, 2021	26,803,320	¥ 12,889	-	¥ -	¥ 6,464	¥ 17,649	¥ (745)	¥ 36,257	¥ 39	¥ 250	¥ 4,128	¥ (256)	¥ 4,161	¥ 193	¥ 40,611
Net income attributable to owners of the Company	-	-	-	-	-	11,451	-	11,451	-	-	-	-	-	-	11,451
Issuance of new shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from common stock to capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends paid	-	-	-	-	-	(1,038)	-	(1,038)	-	-	-	-	-	-	(1,038)
Purchase of treasury stock	-	-	-	-	-	-	(1,596)	(1,596)	-	-	-	-	-	-	(1,596)
Retirement of treasury stock	-	-	-	-	236	-	155	391	-	-	-	-	-	-	391
Net increase (decrease)	-	-	-	-	-	-	-	-	(35)	(292)	9,046	143	8,862	5	8,867
Balance as at March 31, 2022	26,803,320	¥ 12,889	-	¥ -	¥ 6,700	¥ 28,062	¥ (2,186)	¥ 45,465	¥ 4	¥ (42)	¥ 13,174	¥ (113)	¥ 13,023	¥ 198	¥ 58,686
Net income attributable to owners of the Company	**-**	**-**	**-**	**-**	**-**	**8,848**	**-**	**8,848**	**-**	**-**	**-**	**-**	**-**	**-**	**8,848**
Issuance of new shares	**-**	**-**	**70**	**3,500**	**3,500**	**-**	**-**	**7,000**	**-**	**-**	**-**	**-**	**-**	**-**	**7,000**
Transfer from common stock to capital surplus	**-**	**-**	**-**	**(3,500)**	**3,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash dividends paid	**-**	**-**	**-**	**-**	**-**	**(1,342)**	**-**	**(1,342)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,342)**
Purchase of treasury stock	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**
Retirement of treasury stock	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**11**
Net increase (decrease)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**97**	**4,252**	**(41)**	**4,317**	**6,956**	**11,273**
Balance as at March 31, 2023	**26,803,320**	**¥ 12,889**	**70**	**¥ -**	**¥ 13,700**	**¥ 35,568**	**¥ (2,176)**	**¥ 59,981**	**¥ 13**	**¥ 55**	**¥ 17,426**	**¥ (154)**	**¥ 17,340**	**¥ 7,154**	**¥ 84,475**

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity						Accumulated Other Comprehensive Income						
	Common Stock	Preferred Stock	Capital Surplus	Retained Earnings	Treasury Stock at Cost; Common Stock	Total Shareholders' Equity	Unrealized Gains (Losses) on Available-for-sale Securities	Deferred Gains (Losses) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
Balance as at March 31, 2022	$ 96,514	$ -	$ 50,178	$ 210,136	$ (16,373)	$ 340,455	$ 36	$ (314)	$ 98,650	$ (839)	$ 97,533	$ 1,478	$ 439,466
Net income attributable to owners of the Company	**-**	**-**	**-**	**66,254**	**-**	**66,254**	**-**	**-**	**-**	**-**	**-**	**-**	**66,254**
Issuance of new shares	**-**	**26,209**	**26,209**	**-**	**-**	**52,418**	**-**	**-**	**-**	**-**	**-**	**-**	**52,418**
Transfer from common stock to capital surplus	**-**	**(26,209)**	**26,209**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash dividends paid	**-**	**-**	**-**	**(10,039)**	**-**	**(10,039)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,039)**
Purchase of treasury stock	**-**	**-**	**-**	**-**	**(5)**	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**
Retirement of treasury stock	**-**	**-**	**-**	**-**	**80**	**80**	**-**	**-**	**-**	**-**	**-**	**-**	**80**
Net increase (decrease)	**-**	**-**	**-**	**-**	**-**	**-**	**65**	**725**	**31,840**	**(316)**	**32,314**	**52,096**	**84,410**
Balance as at March 31, 2023	**$ 96,514**	**$ -**	**$ 102,596**	**$ 266,351**	**$ (16,298)**	**$ 449,163**	**$ 101**	**$ 411**	**$ 130,490**	**$ (1,155)**	**$ 129,847**	**$ 53,574**	**$ 632,584**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Operating Activities:			
Income before income taxes	¥ **10,672**	¥ 12,613	$ **79,917**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**9,795**	7,995	**73,351**
Amortization of goodwill	**358**	41	**2,684**
Decrease in allowance for doubtful accounts	**(7)**	(101)	**(54)**
Increase (decrease) in net defined benefit liability	**(95)**	44	**(712)**
Increase (decrease) in accrued bonuses	**(109)**	321	**(817)**
Increase (decrease) in accrued bonuses to directors	**(7)**	16	**(53)**
Increase in provision for share awards	**58**	115	**436**
Increase in provision for share awards for directors	**11**	25	**84**
Interest income and dividend income	**(284)**	(65)	**(2,132)**
Interest expenses	**1,002**	643	**7,506**
Foreign exchange gain	**(1,143)**	(654)	**(8,558)**
Net loss on sales and disposal of property, plant and equipment	**217**	521	**1,625**
Loss (gain) on sales of investment securities, net	**5**	(10)	**37**
Gain on liquidation of subsidiaries and affiliates	**(42)**	-	**(313)**
Insurance income	**(64)**	(80)	**(477)**
Share issuance costs	**342**	-	**2,561**
Expenses for business structure improvement	**301**	226	**2,251**
Loss related to COVID-19 pandemic	**-**	647	**-**
Loss on disaster	**60**	116	**452**
Decrease (increase) in trade notes and accounts receivable	**1,054**	(3,618)	**7,889**
Decrease (increase) in inventories	**2,213**	(5,385)	**16,572**
Increase (decrease) in trade notes and accounts payable	**(5,182)**	1,567	**(38,808)**
Decrease (increase) in other assets	**124**	(265)	**927**
Increase (decrease) in other liabilities	**(766)**	933	**(5,734)**
Other	**83**	15	**623**
Subtotal	**18,596**	15,660	**139,257**
Interest and dividend received	**258**	64	**1,930**
Interest paid	**(1,083)**	(634)	**(8,108)**
Proceeds from insurance income	**64**	80	**477**
Payments for business structure improvement	**(301)**	(38)	**(2,251)**
Payments for loss related to COVID-19 pandemic	**-**	(529)	**-**
Income taxes paid	**(1,820)**	(628)	**(13,629)**
Net cash provided by operating activities	**15,714**	13,975	**117,676**
Investing Activities:			
Payments for purchases of property, plant and equipment	**(18,856)**	(11,835)	**(141,202)**
Proceeds from sales of property, plant and equipment	**4**	5	**26**
Payments for purchases of intangible assets	**(250)**	(138)	**(1,871)**
Proceeds from liquidation of subsidiaries and affiliates	**451**	0	**3,375**
Payments for purchases of investment securities	**(277)**	(105)	**(2,078)**
Proceeds from sales of investment securities	**5**	98	**38**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	**(9,312)**	-	**(69,734)**
Net decrease (increase) in short-term loans receivable	**75**	-	**559**
Long-term loan advances	**(1,109)**	-	**(8,307)**
Proceeds from collection of long-term loans receivable	**191**	30	**1,430**
Other, net	**35**	159	**279**
Net cash used in investing activities	**(29,043)**	(11,786)	**(217,485)**
Financing Activities:			
Increase in short-term borrowings	**552**	6,195	**4,134**
Proceeds from long-term borrowings	**13,910**	-	**104,163**
Payments for long-term borrowings	**(6,565)**	(8,305)	**(49,161)**
Proceeds from issuance of shares	**6,686**	-	**50,067**
Proceeds from share issuance to non-controlling shareholders	**6,973**	-	**52,210**
Repayments of lease obligations	**(255)**	(360)	**(1,906)**
Payments for purchase of treasury stock	**(1)**	(1,222)	**(5)**
Proceeds from retirement of treasury stock	**2**	0	**17**
Cash dividends paid	**(1,340)**	(1,038)	**(10,037)**
Net cash provided by (used in) financing activities	**19,962**	(4,730)	**149,482**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**251**	870	**1,879**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,884**	(1,671)	**51,552**
Cash and Cash Equivalents at the Beginning of the Year	**10,451**	12,122	**78,258**
Cash and Cash Equivalents at the End of the Year	**¥ 17,335**	¥ 10,451	**$ 129,810**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiko Electronics Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2023 and 2022

1. Basis of Presenting Consolidated Financial Statements
The accompanying consolidated financial statements of Meiko Electronics Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.
In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form that is more familiar to readers outside Japan.
In addition, the notes to the consolidated financial statements include information that is not required under Japanese GAAP, but is presented herein as additional information.
The consolidated financial statements are denominated in Japanese yen, the currency of the country in which the Company is incorporated and operated. The conversion of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been done at the approximate exchange rate as at March 31, 2023 ($1 = ￥133.54). Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate of exchange.

2. Significant Accounting Policies
The following is a summary of the significant accounting policies adopted by the Company and its consolidated subsidiaries in the preparation of the consolidated financial statements.

(a) Consolidation
The consolidated financial statements include the accounts of the Company and its significant 13 subsidiaries (together, the "Group").
All significant inter-company accounts and transactions have been eliminated.
In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries. Investments in certain unconsolidated subsidiaries are accounted for by the cost method due to immateriality in view of consolidation.

(b) Cash Equivalents
Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.
Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

(c) Translation of Foreign Currency Accounts
Current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in the consolidated statements of operations.
Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rate as at the balance sheet date, except that shareholders' equity accounts are translated at historical rates and statement of income items resulting from transactions with the Company at the rates used by the Company.
Foreign currency translation adjustments resulting from translation of foreign currency financial statements prepared by consolidated overseas subsidiaries are presented in net assets in the consolidated balance sheets.

(d) Inventories
Inventories are stated at cost, determined by the first-in-first-out method.
However, they are written down based on decreased profitability, where appropriate.

(e) Depreciation and Amortization (excluding leased assets)
Depreciation of property, plant and equipment for the Company and its domestic subsidiaries is computed by the straight-line method.
The ranges of useful lives are summarized as follows:
Buildings and structures: 2–47 years
Machinery and vehicles: 2−10 years
Software for company use is carried at cost less accumulated amortization, which is calculated by the straight-line method over its estimated useful life of five years.

(f) Leased Assets
Leased property under finance lease arrangements that transfer ownership of the leased property to the lessee is depreciated using the same method as the one applied to property, plant and equipment owned by the Company.
Leased property under finance lease arrangements that do not transfer ownership of the leased property to the lessee is capitalized to recognize leased assets and lease obligations in the balance sheets and depreciated over the lease term of the respective assets with zero residual value.

(g) Allowance for Doubtful Accounts
The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain individual accounts including claims in bankruptcy.

(h) Accrued Bonuses
Accrued bonuses to employees are provided for the estimated amounts, which the Company and its consolidated subsidiaries are obligated to pay to employees after the fiscal year end based on services rendered during the current fiscal year.

(i) Accrued Bonuses to Directors
The Company provides allowance for directors' accrued bonuses based on the estimated amounts as at the balance sheet date.

(j) Provision for share awards
The Company accounts for the provision for share awards for employees based on the estimated amounts as at the balance sheet date in accordance with internal regulations.

(k) Provision for share awards for directors
The Company accounts for the provision for share awards for directors based on the estimated amounts as at the balance sheet date in accordance with internal regulations.

(l) Impairment Losses on Fixed Assets
The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.
The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use.

(m) Investment Securities
The Company has classified all the equity securities as available-for-sale securities based on management's intention. Available-for-sale securities other than equity securities without market price are reported at fair value with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets.
Equity securities without market prices are stated at cost determined by the moving-average method.
The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnerships most recently available stipulated in the partnership agreement.

(n) Revenue Recognition
The Group mainly engages in electronic business such as designing, manufacturing and sales of electronic circuit boards ("PCB"), and the related businesses.
The Group recognizes revenue, determining its performance obligation to be satisfied, at the time of the transfer of control of promised goods and products to customers, or at the time of acceptance inspection by customers.
However, for domestic sales of goods and products, the Group recognizes revenue at the time of shipment when the periods between the shipment and the transfer of control of promised goods and products to customers are considered normal.
Consideration for goods and products is received within one year from the time when performance obligation is determined to be satisfied and there is no significant financing component.

(o) Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are measured by applying the currently enacted tax laws to the temporary differences.

(p) Derivative Financial Instruments
The Group uses interest rate swaps, currency swaps and copper price swaps as a means of hedging exposure to foreign currencies, interest risks and market fluctuation. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on transactions arising from derivatives except for hedging purposes are recognized in the consolidated statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
If interest rate swap contracts are used as a hedge and meet certain criteria, the net amount to be paid or received under the swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
For currency swaps that qualify for hedge accounting, gain or loss is translated at the exchange rate stipulated in the contract under the allocation method.

(q) Retirement Benefits for Employees
The benefit formula method is used as a method of attributing expected benefits to the periods through the end of the fiscal year in calculating projected benefit obligation.
Actuarial gain or loss is amortized using the declining balance method (straight-line method for certain consolidated subsidiaries) over 9 to 10 years, which is less than the average remaining years of service of the employees, and the amortization will be started in the following year in which the gain or loss is recognized.
Past service cost is amortized using the straight-line method over 10 years, which is less than the average remaining years of service of the employees.
Certain consolidated subsidiaries apply the simplified method in which the retirement benefit amount required for voluntary termination at year end is deemed a projected benefit obligation for a lump-sum retirement plan and the latest actuarial liability is deemed a projected benefit obligation for the corporate pension plan, for the calculation of liability associated with retirement and retirement benefit expenses.

(r) Provision for Directors' Retirement Benefits
The Company and its domestic consolidated subsidiaries account for the provision for directors' retirement benefits as at the balance sheet date in accordance with internal regulations.

(s) Appropriations of Retained Earnings
Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon shareholders' approval.

(t) Per Share Information
Dividends per share shown in the consolidated statements of operations have been presented on an accrual basis and include, in each fiscal period, dividends approved after each balance sheet date, but applicable to the fiscal period then ended.
Net income per share is computed by dividing net income attributable to common shareholders of the Company by the weighted-average number of common shares outstanding for the period.
The diluted net income per share is omitted as the Company has no dilutive shares for the years ended March 31, 2023 and 2022.

(u) Significant Accounting Estimates
(Valuation of goodwill)
(1) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Goodwill...................	¥ **6,304**	¥ 304	$ **47,205**

(2) Information on identified items regarding significant accounting estimates
① Method to calculate the amount
The Company acquired all of the outstanding shares of Meiko Embedded Products, Ltd. (hereinafter "Meiko EP") and made Meiko EP a consolidated subsidiary during the year ended March 31, 2023.
The amount of goodwill recognized by the acquisition was due to the estimated excess earnings power expected from future business development and calculated by subtracting the net amount of assets acquired and liabilities assumed at the acquisition date from the acquisition cost.
The acquisition cost was determined based on the share value calculated using the discounted future cash flows with the consideration of the business plan developed by Meiko EP.
The estimation of the future cash flows is based on the business plan developed with the forecast and the consideration of the potential of the market.
For goodwill, the Company reviews the achievement of the business plan to identify impairment indicators.
When the carrying amount of goodwill exceeds the sum of the undiscounted future cash flows, the carrying amount is reduced to the recoverable amount and the difference between the carrying amount and recoverable amount is recorded as an impairment loss.

② Assumptions used in significant accounting estimates
The future cash flows were estimated based on the business plan, taking into consideration the sales growth rate reflecting estimation of the size of the market for Meiko EP as key assumptions.

③ Impact on the consolidated financial statements for the next consolidated accounting period
The Company determined there was no indication of impairment of goodwill as of the year end, however changes in assumptions and conditions used for the estimation due to changes in the business plan and market environment may have a material impact on the valuation of goodwill on the consolidated financial statements in the next fiscal year and thereafter.

(Recoverability of deferred tax assets)
(1) Amount recorded in the consolidated financial statements as of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets...................	¥ **1,873**	¥ 1,841	$ **14,029**

(2) Information on identified items regarding significant accounting estimates
① Method to calculate the amount
As of March 31, 2023 and 2022, the Company recorded deferred tax assets worth ¥1,873 million ($14,029 thousand) and ¥1,841 million, respectively, to the extent that it is expected to reduce future taxable income.
In the calculation, the Company scheduled the period when the deductible temporary differences and tax loss carryforward would reverse, based on the future taxable income estimated according to the business plan.
Deferred tax assets before offset by the deferred tax liabilities were ¥2,244 million ($16,807 thousand) and ¥2,063 million, respectively, as of March 31, 2023 and 2022.
As of March 31, 2023 and 2022, deferred tax assets of ¥733 million ($5,490 thousand) and ¥741 million, respectively, were recognized for tax loss carryforwards of ¥2,032 million ($15,214 thousand) and ¥2,126 million, respectively, for the years ended March 31, 2023 and 2022, calculated using the enacted statutory tax rates.
This is recognized as tax loss carryforwards of the Company's consolidated subsidiaries in the amount of ¥1,052 million ($7,880 thousand) and ¥2,126 million, respectively, for the years ended March 31, 2023 and 2022, calculated using the enacted statutory tax rates.

② Assumptions used in significant accounting estimates
Future taxable income used in assessment of recoverability of deferred tax assets was estimated based on the business plan, taking into consideration estimated sales reflecting order backlogs and estimated future orders as key assumptions.

③ Impact on the consolidated financial statements for the next consolidated accounting period
Deferred tax assets were calculated based on the estimated future taxable income in the expected period according to the business plan.
Estimates are potentially affected by uncertain changes in economic conditions.
When the actual taxable income is different from the estimates in the amount and the period of accrual, significant impact may occur on deferred tax assets on the consolidated financial statements for the next consolidated accounting period.

(v) Changes in Accounting Policy
(Adoption of "Implementation Guidance on Accounting Standard for Fair Value Measurement")
From the beginning of the fiscal year ended March 31, 2023, the Group adopted "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021).
The new accounting policies as stipulated in this guidance are applied prospectively in accordance with the transitional treatment as stipulated in paragraph 27-2 of the guidance.
There is no effect of adopting the guidance on the consolidated financial statements for the fiscal year ended March 31, 2023.

(w) Change in Accounting Policy difficult to distinguish from change in Significant Accounting Estimates

The Company and its domestic consolidated subsidiaries changed the method of depreciation of property, plant and equipment (excluding leased assets) from the declining-balance method used in the past to the straight-line method for the current consolidated fiscal year.
Along with major customers' overseas expansion of production bases, the Group established mass production bases in China and Vietnam in order to accommodate demands for printed circuit boards for mobile phones and cars.
However, stable supply of products is the challenge due to factory shutdown and supply chain disruption under the COVID-19 pandemic.
In addition, the Group made large investment in domestic factories to accommodate the increasing demands expected with the electric cars and 5G and 6G connectivity in communication fields.
Driven by these investments, the Group reassessed the depreciation method and determined that adopting straight-line method is rational for the depreciation of property, plant and equipment held by the Company and its domestic consolidated subsidiaries to reflect the business condition, as these assets are expected to be used stably and generate investment effects averagely.
As a result of this change, Operating income and Income before Income Taxes increased by ¥251 million ($1,881 thousand).

(x) Additional Information

(Stock Delivery Trust for directors)
At the 46th Ordinary General Meeting of Shareholders held on June 24, 2021, the Company resolved to introduce a stock compensation plan through trust to directors (excluding outside directors).
With the plan, the Company expects to increase directors' interest in improvement of medium- to long-term business performance and share price of the Company by strengthening the linkage of directors' benefits with those factors and by sharing economic benefits with shareholders.

(1) Outline of transactions
With the plan, the Company set up the trust fund by disbursing money and the trust fund acquires the Company's shares.
The shares are distributed to directors through the trust fund corresponding to the number of points directors received from the Company.
The Company's shares are distributed to directors incumbent for three years from the next day of the 46th Ordinary General Meeting of Shareholders held on June 24, 2021 to the end of the Ordinary General Meeting of Shareholders to be held in June 2024.
The directors incumbent as of March 31, 2021 and reappointed at the 46th Ordinary General Meeting of Shareholders are eligible to receive the compensation based on the plan for the period from the next day of the 45th Ordinary General Meeting of Shareholders to the end of the day of 46th Ordinary General Meeting of Shareholders.
Basically, the Company's shares are distributed to directors at the time of their resignation as directors.

(2) The Company's shares in the trust fund
The Company recorded book values of the Company's shares in the trust fund, except for related expenses, as treasury stock in net assets.
The book values of the treasury stock is ¥90 million ($677 thousand) and ¥96 million, and number of treasury stock is 30,900 shares and 32,800 shares, respectively, as of March 31, 2023 and 2022.

(Employee Stock Delivery Trust (the "J-ESOP"))
At a meeting of the Board of Directors held on February 22, 2021, the Company resolved to introduce an incentive plan referred to as the Employee Stock Delivery Trust (the "J-ESOP") under which the Company's shares will be delivered to employees of the Company, subsidiaries and affiliates.
With the plan, the Company expects to increase employees' interest in improvement of business performance and share price of the Company by strengthening the linkage of employees' benefits with those factors and by sharing economic benefits with shareholders.

(1) Outline of transactions
Under the plan, the Company's stock or a payment equivalent to fair values of the Company's stock are distributed to employees of the Company, subsidiaries and affiliates, who meet certain requirements based on the stock compensation policy set by the Company, subsidiaries and affiliates.
The Company, subsidiaries and affiliates grant points to employees according to the degree of their contribution.
If employees meet certain conditions to receive the compensation under the plan, the shares or payments corresponding to the number of points are distributed to employees.
The shares to be distributed to employees are acquired by the trust fund set in advance and separately managed as trust assets.

(2) The Company's shares in the trust fund
The Company recorded book values of the Company's shares in the trust fund, except for related expenses, as treasury stock in net assets.
The book values of the treasury stock is ¥283 million ($2,119 thousand) and ¥288 million, and number of treasury stock is 104,900 shares and 106,800 shares, respectively, as of March 31, 2023 and 2022.

3. Investment Securities

All the equity securities, classified as available-for-sale securities, are included in non-current investment securities.
The carrying amounts and aggregate fair values of the available-for-sale securities as of March 31, 2023 and 2022 are as follows:

	2023					
	Millions of yen			Thousands of U.S. dollars		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying values exceed their acquisition cost:						
Equity securities	¥ **68**	¥ **22**	¥ **46**	$ **509**	$ **165**	$ **344**
Securities whose carrying values do not exceed their acquisition cost:						
Equity securities	**160**	**201**	**(41)**	**1,198**	**1,503**	**(305)**
Total	¥ **228**	¥ **223**	¥ **5**	$ **1,707**	$ **1,668**	$ **39**

	2022		
	Millions of yen		
	Fair Value	Acquisition Cost	Unrealized Gains (Losses)
Securities whose carrying values exceed their acquisition cost:			
Equity securities	¥ 58	¥ 22	¥ 36
Securities whose carrying values do not exceed their acquisition cost:			
Equity securities	164	201	(37)
Total	¥ 222	¥ 223	¥ (1)

Information on available-for-sale securities whose fair values are not readily determinable as of March 31, 2023 and 2022 is described in Note 17.

Information regarding the sale of securities classified as available-for-sale securities for the years ended March 31, 2023 and 2022 is summarized as follows:

	2023					
	Millions of yen			Thousands of U.S. dollars		
	Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales	Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales
Equity securities	¥ 5	¥ 0	¥ 5	$ 38	$ 0	$ 37
Total	¥ 5	¥ 0	¥ 5	$ 38	$ 0	$ 37

	2022		
	Millions of yen		
	Proceeds from Sales	Aggregate Gains on Sales	Aggregate Losses on Sales
Equity securities	¥ 98	¥ 10	¥ 0
Total	¥ 98	¥ 10	¥ 0

The Company recorded no impairment loss of investment securities for the years ended March 31, 2023 and 2022.

4. Reduction Entry for Property, Plant and Equipment

The amount deducted from the acquisition costs of property, plant and equipment due to government subsidies received and others as of March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings and structures	¥ 270	¥ 270	$ 2,023
Machinery and vehicles	162	162	1,214
Other	7	7	48
Total	¥ 439	¥ 439	$ 3,285

5. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2023 and 2022 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Short-term borrowings with average interest rate of 1.95% for 2023 and 1.02% for 2022	¥ 29,663	¥ 28,167	$ 222,130
Current portion of long-term borrowings with average interest rate of 0.85% for 2023 and 0.97% for 2022	7,200	5,962	53,916
Current portion of lease obligations	196	214	1,469
Current portion of other liabilities with average interest rate of 0.57% for 2023 and 2022	1,300	1,299	9,735
Total short-term borrowings	¥ 38,359	¥ 35,642	$ 287,250
Long-term borrowings with average interest rate of 0.89% for 2023 and 0.98% for 2022, less current portion	¥ 38,467	¥ 32,267	$ 288,053
Lease obligations, less current portion	268	392	2,009
Total long-term borrowings	¥ 38,735	¥ 32,659	$ 290,062
Total	¥ 77,094	¥ 68,301	$ 577,312

* Average interest rate of borrowings represents the weighted average rate for the outstanding balances as at March 31, 2023 and 2022.
Average interest rate of lease obligations is not disclosed since the amount equivalent to interest expenses included in total lease payments is allocated over the lease term using the straight-line method.
Average interest rate of other liabilities represents the weighted average rate for the average of the outstanding balances as at April 1, 2022 and March 31, 2023.

The aggregate annual maturities of long-term debt as of March 31, 2023 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 7,667	$ 57,411
2025	25,400	190,205
2026	3,000	22,465
2027	2,400	17,972
Total	¥ 38,467	$ 288,053

The aggregate annual maturities of lease obligations as of March 31, 2023 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥ 126	$ 945
2025	95	713
2026	47	351
2027	-	-
Total	¥ 268	$ 2,009

Financial covenants

Short-term borrowings and long-term borrowings, including the current portion amounting to ¥56,600 million ($423,843 thousand) and ¥49,392 million for the years ended March 31, 2023 and 2022, respectively, include certain financial covenants that forfeit the benefit of term with regard to the debts on certain loan agreement in the event the Company is in breach of either of the following covenants (stricter covenants are described if there are several covenants).
(1) For each fiscal year, ordinary losses shall not be recorded on the consolidated statement of operations under Japanese GAAP for two consecutive years.
(2) Total net assets on the consolidated balance sheet at each fiscal year end shall be maintained at least higher of either (i) ¥20,589 million ($154,179 thousand), or (ii) 75% of the total net assets recorded on the consolidated balance sheet as of the end of the previous fiscal year.
(3) The total amount of interest-bearing debts on the consolidated balance sheet at each fiscal year end shall be lower than the amount equivalent to the net sales on the consolidated statement of operations for that fiscal year divided by 12 and multiplied by 8.
(4) The ratio of interest-bearing debts divided by the amount equal to the total net assets minus foreign currency translation adjustments, using the amount on the consolidated balance sheet at each fiscal year end, shall be maintained on or below the level specified as follows:

Year ending March 31, 2023		Year ending March 31, 2022	
2023..................................	2.1	2021...................	2.5
2024..................................	1.9	2022...................	2.3
2025..................................	1.7	2023...................	2.1
2026..................................	1.6	2024...................	1.9
2027..................................	1.5	2025...................	1.7

(5) EBITDA modified interest-bearing debt multiplier calculated by the following formula shall be maintained below 5 at March 31, 2025 and each fiscal year end thereafter
Formula: Total modified interest-bearing debt at fiscal year end (March 31, 2025, for the first determination) divided by EBITDA average of the latest 3 periods.
EBITDA is calculated by adding depreciation expenses to operating income/loss on the consolidated statements of operations.

6. Retirement Benefits

The Company and some of its consolidated subsidiaries provide a funded and unfunded defined benefit plan and a defined contribution plan as a defined benefit pension plan for employees' retirement benefits.
A defined benefit plan, which are all funded, provides a lump-sum or pension payment based on salary and service period of the employees.
A lump-sum retirement plan, which are all unfunded, provides a lump-sum payment based on salary and service period of the employees.
Certain consolidated subsidiaries apply the simplified method in computing net defined benefit liability and benefit costs for their lump-sum retirement plans.

Defined benefit pension plans, except the plan applying the simplified method

(1) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	¥ **2,341**	¥ 2,389	$ **17,529**
Service cost	**155**	137	**1,162**
Interest cost	**32**	10	**237**
Actuarial loss	**(12)**	(42)	**(92)**
Benefits paid	**(426)**	(153)	**(3,185)**
Increase resulting from newly consolidated subsidiaries	**3,879**	-	**29,050**
Balance at the end of the year	¥ **5,969**	¥ 2,341	$ **44,701**

(2) Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	¥ **-**	¥ -	$ **-**
Expected return on plan assets	**31**	-	**234**
Actuarial gain (loss)	**(59)**	-	**(438)**
Contributions from the employer	**19**	-	**139**
Benefits paid	**(160)**	-	**(1,198)**
Increase resulting from newly consolidated subsidiaries	**2,390**	-	**17,895**
Balance at the end of the year	¥ **2,221**	¥ -	$ **16,632**

(3) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Funded projected benefit obligations	¥ **2,622**	-	$ **19,633**
Plan assets	**(2,221)**	-	**(16,632)**
	401	-	**3,001**
Unfunded projected benefit obligations	**3,348**	2,341	**25,068**
Total liability at the end of the year	¥ **3,749**	¥ 2,341	$ **28,069**
Net defined benefit liability	¥ **3,749**	¥ 2,341	$ **28,069**
Total liability at the end of the year	¥ **3,749**	¥ 2,341	$ **28,069**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Service cost	¥ **155**	¥ 137	$ **1,163**
Interest cost	**32**	10	**237**
Expected return on plan assets	**(31)**	-	**(234)**
Amortization of actuarial loss	**2**	13	**12**
Amortization of past service cost	**30**	39	**230**
Total benefit costs	¥ **188**	¥ 199	$ **1,408**

(5) Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Past service cost	¥ **31**	¥ 39	$ **230**
Actuarial loss	**(45)**	55	**(334)**
Total	¥ **(14)**	¥ 94	$ **(104)**

(6) Accumulated remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrecognized past service cost	**¥ 123**	¥ 154	**$ 920**
Unrecognized actuarial loss (gain)	**52**	8	**394**
Total	**¥ 175**	¥ 162	**$ 1,314**

(7) Plan assets

a. Components of plan assets

Ratio of each major category of total plan assets is as follows:

	2023	2022
Debt investments	**49.8%**	-
Equity investments	**26.4%**	-
Other	**23.8%**	-
Total	**100.0%**	-

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(8) Actuarial assumptions

	2023	2022
Discount rate	**0.8 - 1.0%**	0.5%
Expected rate of return on plan assets	**2.5%**	-

Defined benefit pension plan applying the simplified method

(1) Movement in net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	**¥ 376**	¥ 378	**$ 2,819**
Benefit costs	**46**	25	**343**
Benefits paid	**(30)**	(27)	**(221)**
Increase resulting from newly consolidated subsidiaries	**(45)**	-	**(336)**
Other	**(1)**	-	**(13)**
Balance at the end of the year	**¥ 346**	¥ 376	**$ 2,592**

(2) Reconciliation from projected benefit obligations and plan assets to net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Funded projected benefit obligations	**¥ 278**	¥ -	**$ 2,082**
Plan assets	**(309)**	-	**(2,315)**
	(31)	-	**(233)**
Unfunded projected benefit obligations	**377**	376	**2,825**
Total liability at the end of the year	**¥ 346**	¥ 376	**$ 2,592**
Net defined benefit liability	**¥ 377**	¥ 376	**$ 2,825**
Net defined benefit asset	**(31)**	-	**(233)**
Total liability at the end of the year	**¥ 346**	¥ 376	**$ 2,592**

(3) Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Retirement benefit costs calculated using the simplified method	**¥ 46**	¥ 25	**$ 343**
Total costs at the end of the year	**¥ 46**	¥ 25	**$ 343**

Defined contribution plan

The amount required to contribute to the defined contribution plans is ¥196 million ($1,468 thousand) and ¥166 million for the years ended March 31, 2023 and 2022, respectively.

7. Net Assets

Under the Japanese Corporation Law (“the Law”) and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

8. Loss on disaster
<u>For the year ended March 31, 2023</u>
The Group recorded loss on disaster for the restoration cost of damage by the earthquake in Fukushima in March 2022.

<u>For the year ended March 31, 2022</u>
The Group recorded loss on disaster for the disposal cost and restoration cost of damage by the earthquake in Fukushima in March 2022.

9. Expenses for Business Structure Improvement
<u>For the year ended March 31, 2023</u>
The Group recorded expenses for business structure improvement for the payment of financial compensation, equivalent to severance payment, with the aim of improving business structure of overseas subsidiaries.

<u>For the year ended March 31, 2022</u>
The Group recorded expenses for business structure improvement for the payment of financial compensation, equivalent to severance payment, with the aim of improving business structure of overseas subsidiaries and for the valuation loss on inventories in domestic subsidiaries followed by withdrawal from the business.

10. Loss related to COVID-19 pandemic
<u>For the year ended March 31, 2023</u>
There were no applicable matters for the year ended March 31, 2023.

<u>For the year ended March 31, 2022</u>
The Company recorded ¥479 million for the equivalent amount to salaries, depreciations and other fixed costs accrued in overseas subsidiaries during the period of low operation which was requested by the governments in China and Vietnam, and ¥168 million for the COVID-19 infection prevention.

11. Contingent Liabilities

Contingent liabilities of the Company as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Trade notes discounted	¥ **-**	¥ 6	$ **-**
Electronically recorded monetary claims discounted	¥ **15**	¥ 17	$ **116**

12. Contract Liabilities

Contract liabilities of the Company as of March 31, 2023 and 2022, which are included in “Other” in “Current Liabilities”, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Contract liabilities	¥ **182**	¥ 30	$ **1,363**

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs are ¥4,466 million ($33,447 thousand) and ¥3,074 million for the years ended March 31, 2023 and 2022, respectively.

14. Supplemental Cash Flow Information

(Details of assets and liabilities of the company which became a newly consolidated subsidiary of the Company due to share acquisition)
Details of assets and liabilities at the time of consolidation commencement as well as the relationship between share acquisition cost of Meiko EP and expenditures (net) for acquisition as a result of making Meiko EP as a consolidated subsidiary by acquiring its shares are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current assets	¥ **8,567**	¥ -	$ **64,151**
Non-current assets	**1,838**	-	**13,767**
Goodwill	**6,358**	-	**47,610**
Current liabilities	**(3,983)**	-	**(29,827)**
Long-term liabilities	**(1,780)**	-	**(13,328)**
Share acquisition cost	**11,000**	-	**82,373**
Cash and cash equivalents	**(1,688)**	-	**(12,639)**
Expenditures (net) for acquisition	¥ **9,312**	¥ -	$ **69,734**

15. Net Gain and Net Loss on Sales and Disposal of Property, Plant and Equipment

Significant components of net gain and net loss on sales and disposal of property, plant and equipment for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Gain:			
Machinery and vehicles	**¥ 1**	¥ 0	**$ 8**
Others	**-**	3	**-**
Total gain	**¥ 1**	¥ 3	**$ 8**
Loss:			
Buildings and structures	**¥ (11)**	¥ (223)	**$ (85)**
Machinery and vehicles	**(137)**	(272)	**(1,029)**
Construction in progress	**(1)**	-	**(5)**
Others	**(8)**	(29)	**(57)**
Intangible assets	**(61)**	-	**(457)**
Total loss	**¥ (218)**	¥ (524)	**$ (1,633)**
Net loss	**¥ (217)**	¥ (521)	**$ (1,625)**

16. Income Taxes

Income taxes applicable to the Company consist of corporate tax, inhabitant tax and enterprise tax, which in the aggregate resulted in the normal statutory tax rates of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred Tax Assets:			
Elimination of unrealized profits	**¥ 148**	¥ 164	**$ 1,109**
Accrued bonuses	**356**	308	**2,667**
Net defined benefit liability	**1,295**	845	**9,699**
Provision for directors' retirement benefits	**66**	66	**494**
Provision for share awards	**53**	35	**396**
Provision for share awards for directors	**11**	8	**83**
Accrued enterprise tax	**78**	67	**587**
Allowance for doubtful accounts	**52**	48	**388**
Valuation loss of inventories	**197**	202	**1,473**
Difference on depreciation period	**285**	292	**2,131**
Impairment loss	**720**	811	**5,390**
Loss on valuation of investment securities	**23**	5	**172**
Loss on revaluation of golf club memberships	**10**	15	**75**
Tax loss carryforwards (*2)	**2,032**	2,126	**15,214**
Deferred gains on hedges	**6**	44	**42**
Deduction of foreign corporation tax carried forward	**−**	245	**−**
Other	**191**	173	**1,440**
Gross deferred tax assets	**5,523**	5,454	**41,360**
Valuation allowance for tax loss carryforwards (*2)	**(1,299)**	(1,385)	**(9,724)**
Valuation allowance for deductible temporary differences	**(1,980)**	(2,006)	**(14,829)**
Less: Valuation allowance (*1)	**(3,279)**	(3,391)	**(24,553)**
Total	**¥ 2,244**	¥ 2,063	**$ 16,807**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred Tax Liabilities:			
Retained earnings of foreign subsidiaries	**¥ (600)**	¥ (519)	**$ (4,493)**
Fair value adjustments on consolidated subsidiaries	**(80)**	-	**(600)**
Unrealized gains on available-for-sale securities	**(6)**	(2)	**(44)**
Deferred gains on hedges	**(30)**	(26)	**(224)**
Other	**(12)**	-	**(94)**
Total	**¥ (728)**	¥ (547)	**$ (5,455)**
Deferred Tax Assets, Net:	**¥ 1,516**	¥ 1,516	**$ 11,352**

(*1) The valuation allowance decreased by ¥112 million ($841 thousand), mainly due to the decrease of ¥87 million ($650 thousand) in valuation allowance for tax loss carryforwards at the consolidated subsidiaries for the year ended March 31, 2023.
The valuation allowance decreased by ¥1,114 million, mainly due to the decrease of ¥597 million in valuation allowance for tax loss carryforwards and the decrease of ¥199 million in valuation allowance for deferred foreign tax credits at the Company for the year ended March 31, 2022.

(*2) Gross deferred tax assets, valuation allowances and total deferred tax assets recognized for tax loss carryforwards, broken down by expiration dates are as follows:

	Millions of yen						
March 31, 2023	**Within one year**	**One to two years**	**Over two to three years**	**Over three to four years**	**Over four to five years**	**Over five years**	**Total**
Gross deferred tax assets for tax loss carryforwards (*a)	**¥ 18**	**¥ 14**	**¥ 423**	**¥ 187**	**¥ 243**	**¥ 1,147**	**¥ 2,032**
Valuation allowance	**(18)**	**(14)**	**-**	**(41)**	**(122)**	**(1,104)**	**(1,299)**
Total deferred tax assets recognized	**-**	**-**	**423**	**146**	**121**	**43**	**(*b) 733**

	Millions of yen						
March 31, 2022	Within one year	One to two years	Over two to three years	Over three to four years	Over four to five years	Over five years	Total
Gross deferred tax assets for tax loss carryforwards (*a)	¥ -	¥ 18	¥ 13	¥ 609	¥ 185	¥ 1,301	¥ 2,126
Valuation allowance	-	(18)	(13)	(9)	(44)	(1,301)	(1,385)
Total deferred tax assets recognized	-	-	-	600	141	-	(*b) 741

	Thousands of U.S. dollars						
March 31, 2023	**Within one year**	**One to two years**	**Over two to three years**	**Over three to four years**	**Over four to five years**	**Over five years**	**Total**
Gross deferred tax assets for tax loss carryforwards (*a)	**$ 133**	**$ 106**	**$ 3,171**	**$ 1,398**	**$ 1,820**	**$ 8,586**	**$ 15,214**
Valuation allowance	**(133)**	**(106)**	**-**	**(307)**	**(916)**	**(8,262)**	**(9,724)**
Total deferred tax assets recognized	**-**	**-**	**3,171**	**1,091**	**904**	**324**	**(*b) 5,490**

(*a) Gross deferred tax assets for tax loss carryforwards are calculated using the enacted statutory tax rates.
(*b) Deferred tax assets of ¥733 million ($5,490 thousand) are recognized for tax loss carryforwards of ¥2,032 million ($15,214 thousand) (calculated using the enacted statutory tax rates), which the Company's consolidated subsidiaries recognized for tax loss carryforwards of ¥1,052 million ($7,880 thousand) for the year ended March 31, 2023. These tax loss carryforwards are expected to be recoverable judging from the estimated taxable income in the future. Accordingly, the Company does not recognize the valuation allowance for this for the year ended March 31, 2023.
Deferred tax assets of ¥741 million are recognized for tax loss carryforwards of ¥2,126 million (calculated using the enacted statutory tax rates), which the Company's consolidated subsidiaries recognized for tax loss carryforwards of ¥741 million for the year ended March 31, 2022.
These tax loss carryforwards resulted from loss before income taxes for the years ended March 31, 2021 and 2022, which are expected to be recoverable judging from the estimated taxable income in the future. Accordingly, the Company does not recognize the valuation allowance for this for the year ended March 31, 2022.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Statutory tax rate	**30.6%**	30.6%
Expenses not deductible for tax purposes	**0.1%**	0.1%
Per capita inhabitant tax	**0.2%**	0.1%
Directors' bonuses	**0.2%**	0.1%
Tax deduction	**(5.0)%**	(3.1)%
Tax rate difference in foreign subsidiaries	**(1.3)%**	(11.0)%
Retained earnings of foreign subsidiaries	**0.8%**	0.8%
Foreign tax credit	**(1.0)%**	(0.0)%
Valuation allowance	**(4.4)%**	(6.9)%
Other, net	**(2.5)%**	(1.4)%
Actual effective tax rate	**17.7%**	9.3%

17. Financial Instruments

(a) Qualitative information on financial instruments
(1) Policies for using financial instruments
The Group finances necessary funds mainly through bank loans according to the capital investment plan for the production and sales of PCB.
Temporary and excessive funds are operated by highly stable financial instruments and the Group finances short-term operating capital by bank loans.
Derivative transactions are only utilized to hedge the risks mentioned in (2) below.

(2) Details of financial instruments used and exposures to risk and how they arise
Operating receivables such as trade notes, accounts receivable and electronically recorded monetary claims are exposed to the credit risk. Some operating receivables, which are denominated in foreign currencies due to global operations, are exposed to foreign currency fluctuation risk. The Group might utilize foreign exchange forward contracts, if necessary, except for those within the range of the operating payables denominated in the same foreign currency. Investment securities mainly consist of securities of companies in which a business relationship has been established and they are exposed to market fluctuation risk.

Operating payables such as trade notes and accounts payable are due within one year.
Some of the operating payables relating to imports of raw materials are denominated in foreign currencies and exposed to foreign currency fluctuation risk.
The Group might utilize foreign exchange forward contracts, if necessary, except for those within the range of the operating receivables denominated in the same foreign currency. Loans and lease obligations for finance lease transactions are mainly used for the purpose of financing capital investments.
Some of them are variable interest loans and exposed to interest and foreign currency fluctuation risk.
The Group utilizes interest rate swaps and currency swaps to hedge the risk. Regarding derivative transactions, the Group utilizes foreign exchange forward contracts to hedge the foreign currency fluctuation risk of receivables and payables denominated in foreign currencies. The Group utilizes interest rate swaps and currency swaps to hedge interest fluctuation risk. The Group utilizes commodity forward contracts to hedge copper price fluctuation risk.

(3) Policies and processes for managing the risk
(i) Credit risk management (risk of default by the counterparties)
The sales management department in the Company follows sales management rules, monitors the customers' credit conditions periodically and manages the due date and balance per customer. The Company keeps track of the adverse financial conditions of its customers in the early stages to mitigate the uncollectible risk.
The Company enters into derivative transactions only with the credit-worthy financial institutions to mitigate the credit risk.

(ii) Market risk management (risk of foreign currency fluctuations and interests)
Regarding the trade receivables and trade payables denominated in foreign currencies, the Company utilizes foreign exchange forward contracts, if necessary, to hedge the foreign currency fluctuation risk, which is controlled by each currency and on a monthly basis. For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjusts its portfolio on an ongoing basis considering the business relationship with counterparties. Derivative transactions are based on the internal rules and executed after getting the approval from the approver and managed by the finance department. Details of the derivative transactions are reported to the Board of Directors' meeting periodically.

(iii) Liquidity risk management (risk of default at due dates)
The Company prepares and updates the cash management plan based on the reports from each department to manage liquidity risk on a timely basis.

(4) Supplemental information on fair values
As the calculation of fair values of financial instruments adopts certain assumptions, those values may vary in case different assumptions are applied.
Also, for the contract amount regarding derivative transactions described in Note 18, the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair values of financial instruments
Book values of the financial instruments included in the consolidated balance sheets and their fair values as at March 31, 2023 and 2022 are as follows:

	2023											
	Millions of yen						Thousands of U.S. dollars					
		Book Value		**Fair Value**		**Difference**		**Book Value**		**Fair Value**		**Difference**
Investment securities												
Available-for-sale securities	¥	**228**	¥	**228**	¥	**0**	$	**1,707**	$	**1,707**	$	**-**
Total assets	¥	**228**	¥	**228**	¥	**0**	$	**1,707**	$	**1,707**	$	**-**
Long-term borrowings (*4)	¥	**45,667**	¥	**45,673**	¥	**(6)**	$	**341,969**	$	**342,017**	$	**(48)**
Lease obligations (*4)		**464**		**467**		**(3)**		**3,478**		**3,495**		**(17)**
Total Liabilities	¥	**46,131**	¥	**46,140**	¥	**(9)**	$	**345,447**	$	**345,512**	$	**(65)**
Derivative financial instruments (*5)	¥	**79**	¥	**79**	¥	**-**	$	**593**	$	**593**	$	**-**

	2022					
	Millions of yen					
		Book Value		Fair Value		Difference
Investment securities						
Available-for-sale securities	¥	222	¥	222	¥	-
Total assets	¥	222	¥	222	¥	-
Long-term borrowings (*4)	¥	38,229	¥	38,123	¥	106
Lease obligations (*4)		606		609		(3)
Total Liabilities	¥	38,835	¥	38,732	¥	103
Derivative financial instruments (*5)	¥	(60)	¥	(60)	¥	-

(*1) Disclosure of cash and cash equivalents, trade notes and accounts receivable and electronically recorded monetary claims, trade notes and accounts payable and short-term borrowings is omitted since their book value approximate their fair value because of their short maturities.
(*2) Investments in partnership and similar instruments for which net interest amounts are recorded on the consolidated balance sheet are not included in the above table as of March 31, 2022. The book value of these financial instruments as of March 31, 2022 was ¥273 million.
(*3) Among investment securities, unlisted securities of ¥2,553 million ($19,121 thousand) and contribution to investment partnership of ¥257 million ($1,923 thousand) as of March 31, 2023 are not included in the above table because these are recorded as net interest amounts on the consolidated balance sheet and omitted in accordance with the transitional treatment in paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. (ASBJ Guidance No. 31, June 17, 2021). Unlisted securities of ¥2,060 million as of March 31, 2022 are not included in the above table because the securities do not have fair market values and it is extremely difficult to estimate fair values.
(*4) Current portion is included.
(*5) Derivative financial instruments are stated in net of assets and liabilities. The figures in parenthesis indicate net liabilities.

(c) The redemption schedule for financial instruments as of March 31, 2023 and 2022 is as follows:

	2023			
	Millions of yen			
	Due in one year or less	**Due after one year through five years**	**Due after five years through ten years**	**Due after ten years**
Cash and cash equivalents	¥ **17,335**	¥ **-**	¥ **-**	¥ **-**
Time deposits	**249**	**-**	**-**	**-**
Trade notes	**1,482**	**-**	**-**	**-**
Accounts receivable	**34,508**	**-**	**-**	**-**
Electronically recorded monetary claims	**2,920**	**-**	**-**	**-**

	2023			
	Thousands of U.S. dollars			
	Due in one year or less	**Due after one year through five years**	**Due after five years through ten years**	**Due after ten years**
Cash and cash equivalents	$ **129,810**	$ **-**	$ **-**	$ **-**
Time deposits	**1,864**	**-**	**-**	**-**
Trade notes	**11,095**	**-**	**-**	**-**
Accounts receivable	**258,407**	**-**	**-**	**-**
Electronically recorded monetary claims	**21,865**	**-**	**-**	**-**

	2022			
	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 10,451	¥ -	¥ -	¥ -
Time deposits	249	-	-	-
Trade notes	1,102	-	-	-
Accounts receivable	33,656	-	-	-
Electronically recorded monetary claims	991	-	-	-

(d) Fair value information of financial instruments by level of inputs
Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 fair value: the fair value measured using observable inputs other than Level 1.
Level 3 fair value: the fair value measured using unobservable inputs.

When multiple inputs of different categories are used in measuring the fair value, the Company and its subsidiaries classify fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheets as of March 31, 2023 and 2022 are as follows:

	2023							
	Millions of yen				Thousands of U.S. dollars			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities								
Available-for-sale securities								
Equity securities	¥ 228	¥ -	¥ -	¥ 228	$ 1,707	$ -	$ -	$ 1,707
Derivative financial instruments								
Interest rate related................................	-	-	-	-	-	-	-	-
Commodity related	-	98	-	98	-	731	-	731
Total Assets..	¥ 228	¥ 98	¥ -	¥ 326	$ 1,707	$ 731	$ -	$ 2,438
Derivative financial instruments								
Interest rate related................................	¥ -	¥ 19	¥ -	¥ 19	$ -	$ 139	$ -	$ 139
Total Liabilities...	¥ -	¥ 19	¥ -	¥ 19	$ -	$ 139	$ -	$ 139

	2022			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 222	¥ -	¥ -	¥ 222
Derivative financial instruments				
Interest rate related................................	-	2	-	2
Commodity related	-	84	-	84
Total Assets..	¥ 222	¥ 86	¥ -	¥ 308
Derivative financial instruments				
Interest rate related................................	¥ -	¥ 146	¥ -	¥ 146
Total Liabilities...	¥ -	¥ 146	¥ -	¥ 146

(2) Financial instruments other than those measured at fair values in the consolidated balance sheets as of March 31, 2023 and 2022 are as follows:

	2023							
	Millions of yen				Thousands of U.S. dollars			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term borrowings..............................	¥ -	¥ 45,673	¥ -	¥ 45,673	$ -	$ 342,017	$ -	$ 342,017
Lease obligations	-	467	-	467	-	3,495	-	3,495
Total Liabilities...	¥ -	¥ 46,140	¥ -	¥ 46,140	$ -	$ 345,512	$ -	$ 345,512

	2022			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Long-term borrowings..............................	¥ -	¥ 38,123	¥ -	¥ 38,123
Lease obligations	-	609	-	609
Total Liabilities...	¥ -	¥ 38,732	¥ -	¥ 38,732

Valuation techniques and inputs used in measuring fair values

Investment securities
Listed equity securities are measured using quoted prices. Fair values of listed equity securities are classified as Level 1, because they are exchanged in active markets. Please refer to Note 3 regarding the information of the fair value for the investment securities by classification.

Derivative transactions
The fair value of interest rate swap, currency swap and copper swap are determined by the discounted present value method using observable inputs such as interest rates and exchange rates and categorized in Level 2. Please refer to Note 18.

Long-term borrowings and lease obligations
The fair value of long-term borrowings and lease obligations are determined by discounted present value method using sum of principal and interest, and interest rates which are determined with consideration of credit risk and remaining periods, and categorized in Level 2.
If the variable interest rate loans meet certain criteria for the short-cut method for interest rate swaps (if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not remeasured at market price and the amount to be received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed) and for the allocation method for currency swaps, the sum of principal and the interest processed as interest rate swaps and currency swaps are discounted by using the reasonably estimated loan interest rate applied to the same kind of loans.

18. Derivatives

There are no derivative transactions for which hedge accounting has not been applied for the years ended March 31, 2023 and 2022.

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2023 and 2022 are as follows:

		2023					
		Millions of yen			Thousands of U.S. dollars		
	Hedged item	**Contract amount**	**Contract amount due after one year**	**Fair value**	**Contract amount**	**Contract amount due after one year**	**Fair value**
Interest rate related:							
Benchmark Method							
Currency swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 25,800**	**¥ 22,360**	**¥ (19)**	**$ 193,201**	**$ 167,440**	**$ (139)**
Special Method*							
Interest rate swap contracts							
Payable fixed/ Receive floating	**Long-term borrowings**	**¥ 200**	**¥ -**	**¥ (0)**	**$ 1,498**	**$ -**	**$ (2)**
Commodity related:							
Benchmark Method							
Copper swap contracts	**Raw materials**	**¥ 400**	**¥ -**	**¥ 98**	**$ 2,994**	**$ -**	**$ 731**

		2022		
		Millions of yen		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate related:				
Benchmark Method				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 24	¥ -	¥ (0)
Currency swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 29,607	¥ 25,800	¥ (144)
Special Method*				
Interest rate swap contracts				
Payable fixed/ Receive floating	Long-term borrowings	¥ 600	¥ 200	¥ (2)
Currency related:				
Allocation Method				
Foreign currency forward contracts				
Currency swap contracts	Long-term borrowings	¥ 367	¥ -	¥ 34
Payable in yen/ Receive in U.S. dollars				
Commodity related:				
Benchmark Method				
Copper swap contracts	Raw materials	¥ 1,443	¥ -	¥ 84

Fair value is principally based on the quoted price obtained from financial institutions signing the contract.

* Special Method
The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at the market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

19. Comprehensive Income

Reclassifications and income tax effects attributable to other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2023		2022		**2023**
Unrealized gains (losses) on available-for-sale securities:					
Gains (losses) arising during the year	¥ **12**	¥	(40)	$	**93**
Reclassifications and adjustments	**-**		(10)		**-**
Before income tax effects	**12**		(50)		**93**
Income tax effects	**(3)**		15		**(28)**
Total	¥ **9**	¥	(35)	$	**65**
Deferred gains (losses) on hedges:					
Gains (losses) arising during the year	¥ **(11)**	¥	77	$	**(80)**
Reclassifications and adjustments	**150**		(498)		**1,124**
Before income tax effects	**139**		(421)		**1,044**
Income tax effects	**(42)**		129		**(319)**
Total	¥ **97**	¥	(292)	$	**725**
Foreign currency translation adjustments:					
Adjustments arising during the year	¥ **4,270**	¥	9,066	$	**31,986**
Reclassifications and adjustments	**-**		-		**-**
Total	¥ **4,270**	¥	9,066	$	**31,986**
Remeasurements of defined benefit plans:					
Adjustments arising during the year	¥ **(46)**	¥	42	$	**(346)**
Reclassifications and adjustments	**32**		52		**242**
Before income tax effects	**(14)**		94		**(104)**
Income tax effects	**(28)**		49		**(212)**
Total	¥ **(42)**	¥	143	$	**(316)**
Total other comprehensive income	¥ **4,334**	¥	8,882	$	**32,460**

20. Revenue Recognition

Breakdown of revenue arising from contracts with customers by geographical areas for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen				Thousands of U.S. dollars
	2023		2022		**2023**
Japan	¥ **63,186**	¥	50,314	$	**473,166**
China	**36,727**		36,790		**275,028**
Vietnam	**20,034**		20,101		**150,021**
Asia	**24,442**		24,637		**183,028**
North America	**18,147**		14,639		**135,890**
Europe	**4,739**		4,776		**35,484**
Other	**2**		18		**16**
Revenue arising from contracts with customers	**167,277**		151,275		**1,252,633**
Other revenues	**-**		-		**-**
Sales to external customers	¥ **167,277**	¥	151,275	$	**1,252,633**

Basic information to understand the revenue arising from contracts with customers are disclosed in Note 2 (n).

Receivables from contracts with customers and contract liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen				Thousands of U.S. dollars
	2023		2022		**2023**
Receivables from contracts with customers (balance at the beginning of the year)	¥ **35,749**	¥	29,504	$	**267,702**
Receivables from contracts with customers (balance at the end of the year)	**38,910**		35,749		**291,367**
Contract liabilities (balance at the beginning of the year)	**30**		97		**224**
Contract liabilities (balance at the end of the year)	**182**		30		**1,363**

Contract liabilities are advance received from customers before delivery of products and included in “Other” in “Current Liabilities” in the consolidated balance sheet.
Contract liabilities will be reversed as related revenues are recognized.
The amount of contract liabilities as of March 31, 2022 for which revenue is recognized during the year ended March 31, 2023 was ¥30 million ($224 thousand).
The amount of contract liabilities as of March 31, 2021 for which revenue is recognized during the year ended March 31, 2022 was ¥97 million.
Revenue recognized for the years ended March 31, 2023 and 2022 for which contract liabilities were satisfied during previous periods are immaterial.

Disclosures about total amount allocated to the remaining performance obligations and the period in which related revenue recognition is expected are omitted, as there are no material contracts for which the initially scheduled contract period exceeds one year.

21. Segment Information

Information about reported segment sales, segment profit, segment assets and other items under the new accounting standards is not disclosed as the Group's reportable segment is mainly printed circuit boards ("PCB") and the related business, and other business is immaterial.

(Supplementary information)
(1) Information about products and services
Information about products and services is not disclosed since the sales amount of a single unit of product or service to external customers accounted for more than 90% of consolidated net sales.

(2) Information about geographical areas
(a) Net sales

	2023							
	Millions of yen							
	Japan	China	Vietnam	Asia	North America	Europe	Other	Total
Net sales	**¥ 63,186**	**¥ 36,727**	**¥ 20,034**	**¥ 24,442**	**¥ 18,147**	**¥ 4,739**	**¥ 2**	**¥ 167,277**

	2023							
	Thousands of U.S. dollars							
	Japan	China	Vietnam	Asia	North America	Europe	Other	Total
Net sales	**$ 473,166**	**$ 275,028**	**$ 150,021**	**$ 183,028**	**$ 135,890**	**$ 35,484**	**$ 16**	**$ 1,252,633**

	2022							
	Millions of yen							
	Japan	China	Vietnam	Asia	North America	Europe	Other	Total
Net sales	¥ 50,314	¥ 36,790	¥ 20,101	¥ 24,637	¥ 14,639	¥ 4,776	¥ 18	¥ 151,275

Net sales by destination were recognized based on the location of customers and classified by country or region.

(b) Property, plant and equipment

	2023				
	Millions of yen				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**¥ 23,570**	**¥ 28,753**	**¥ 43,211**	**¥ 4**	**¥ 95,538**

	2023				
	Thousands of U.S. dollars				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	**$ 176,498**	**$ 215,314**	**$ 323,584**	**$ 28**	**$ 715,424**

	2022				
	Millions of yen				
	Japan	China	Vietnam	Other	Total
Property, plant and equipment	¥ 11,494	¥ 30,088	¥ 40,978	¥ 2	¥ 82,562

(3) Information about major customers

	Sales	
	2023	
Name of the major customer	Millions of yen	Thousands of U.S. dollars
KURODA ELECTRIC CO., LTD.	**¥ 17,034**	**$ 127,560**

	Sales
	2022
Name of the major customer	Millions of yen
Samsung Electronics Co., Ltd.	¥ 15,564

The above sales amount includes the sales from the major customer and its business group.
Information about reportable segments is not disclosed as the Group has one segment.

(4) Information about impairment loss
Information about impairment loss by reportable segment for the year ended March 31, 2023 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business, and other business is immaterial.
Information about impairment loss by reportable segment for the year ended March 31, 2022 is not disclosed as the Group's reportable segment is solely printed circuit boards ("PCB") and the related business, and other business is immaterial.

22. Related-party Transactions

For the year ended March 31, 2023
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2023.

(2) Directors and major individual shareholders

Name	Location	Capital	Details of the business	Percentage for possession of voting rights	Relationship	Details of the transaction ※3	Transaction amount	Balance as at March 31, 2023
M.D. Systems Co., Ltd. ※1	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥202 million ($1,512 thousand)	¥22 million ($165 thousand) in accounts payable
						Sales of products	¥20 million ($147 thousand)	¥3 million ($20 thousand) in accounts receivable
Dapara Tech Co., Ltd. ※2	Seoul City, South Korea	₩50 million	Sales of boards and related facilities	Directly own (%) -	Business relationship/ Concurrent positions of the director	Purchase of equipment	¥61 million ($456 thousand)	-

Notes: ※1 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 50.7% (including indirect ownership)of voting rights in M. D. Systems Co., Ltd.
※2 Yoon Ho Shin, director of the Company, directly owns 70.0% of voting rights in Dapara Tech Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.
The terms and conditions of the transactions for purchase of equipment are determined through negotiations considering the market price.

Transactions between consolidated subsidiaries and related parties
Directors and major individual shareholders

Name	Location	Capital	Details of the business	Percentage for possession of voting rights	Relationship	Details of the transaction ※3	Transaction amount	Balance as at March 31, 2023
M.D. Systems Co., Ltd. ※1	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥6 million ($46 thousand)	¥0 million ($4 thousand) in accounts payable
						Sales of products	¥1 million ($9 thousand)	¥0 million ($1 thousand) in accounts receivable
Dapara Tech Co., Ltd. ※2	Seoul City, South Korea	₩50 million	Sales of boards and related facilities	Directly own (%) -	Business relationship/ Concurrent positions of the director	Sales commission	¥529 million ($3,959 thousand)	¥84 million ($630 thousand) in other payable
						Purchase of products	¥27 million ($205 thousand)	¥2 million ($13 thousand) in accounts payable
						Sales of products	¥61 million ($456 thousand)	¥5 million ($41 thousand) in accounts receivable

Notes: ※1 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 50.7% (including indirect ownership) of voting rights in M. D. Systems Co., Ltd.
※2 Yoon Ho Shin, director of the Company, directly owns 70.0% of voting rights in Dapara Tech Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.
The terms and conditions of the sales commission are determined through negotiations considering those with other companies.

For the year ended March 31, 2022
Transactions with related parties
(1) Unconsolidated subsidiary

There were no applicable matters for the year ended March 31, 2022.

(2) Directors and major individual shareholders

Name	Location	Capital	Details of the business	Percentage for possession of voting rights	Relationship	Details of the transaction ※2	Transaction amount	Balance as at March 31, 2022
M.D. Systems Co., Ltd. ※1	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥179 million	¥18 million in accounts payable
						Sales of products	¥19 million	¥2 million in accounts receivable

Notes: ※1 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights in M. D. Systems Co., Ltd.
※2 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.

Transactions between consolidated subsidiaries and related parties
Directors and major individual shareholders

Name	Location	Capital	Details of the business	Percentage for possession of voting rights	Relationship	Details of the transaction ※3	Transaction amount	Balance as at March 31, 2022
M.D. Systems Co., Ltd. ※1	Atsugi City, Kanagawa	¥15 million	Board design	Directly own (%) 14.7	Business relationship	Purchase of products	¥2 million	-
						Sales of products	¥2 million	-
Dapara Tech Co., Ltd. ※2	Seoul City, South Korea	₩50 million	Sales of boards and related facilities	Directly own (%) -	Business relationship/ Concurrent positions of the director	Sales commission	¥483 million	¥97 million in other payable
						Purchase of products	¥78 million	¥4 million in accounts payable
						Sales of products	¥69 million	¥4 million in accounts receivable

Notes: ※1 Seiichi Naya, a close relative of Yuichiro Naya, representative director and executive officer of the Company, directly owns 81.3% of voting rights in M. D. Systems Co., Ltd.
※2 Yoon Ho Shin, director of the Company, directly owns 60.0% of voting rights in Dapara Tech Co., Ltd.
※3 The terms and conditions of the transactions for sales and purchase of products are determined through negotiations considering the market price, total costs and others.
The terms and conditions of the sales commission are determined through negotiations considering those with other companies.

23. Business Combination

(Business Combination by Acquisition)

(a) Outline of the business combination

(1) Name and description of business of the company acquired:

Name	NEC Embedded Products, Ltd. (hereinafter "NECEP")
Description of business	Development, design, manufacture of electronic application equipment, machinery and instruments, all kinds of equipment, machinery, instruments and systems related to electricity, equipment, machinery, instruments and system, and entrusted work, sale and maintenance thereof.

(2) Major reasons for the business combination

The Company has embraced "Providing the best products and services to customers, and happiness for employees and society through manufacturing" as its management philosophy. To that end, we are taking on the challenge in the field of advanced electronics in terms of electronic PCBs, expanding and strengthening our EMS business, thereby aiming to contribute to our customers. In its medium-term management plan released on May 19, 2022, the Company has set forth a strategy to position and strengthen electronic PCBs and semiconductor package boards for automotive and smartphone applications, and the EMS business as new pillars in its business domain.

NECEP is capable to handle orders for a wide variety of electrical and electronic equipment utilizing its embedded product development capabilities and cutting-edge technologies. It has a unique competitive advantage in consistent entrusted operations from development and design to mass production, as well as in high-quality and high-reliability manufacturing capabilities. We believe that NECEP is the best strategic partner for our businesses, based on the fact that the addition of NECEP to the Group will enable it to establish an ODM-type EMS business structure with development and design functions, and to realize a proposal-based business structure targeting electronic PCBs to high-value-added electronic products.

In order to expand the EMS business, going forward, the Company will promote collaboration between the electronic PCBs business and the EMS plants in Vietnam conducting development, design and mass production. Furthermore, the Company will work on building a system that can respond promptly to all needs, including for mass production and small- to medium-lot orders, by managing EMS factories in Japan and implementing inhouse evaluation and prototype development. We strive to provide our customers with the maximum level of services to further enhance the corporate value of the Group.

(3) Date of the business combination

September 30, 2022

(4) Legal form of the business combination

Acquisition of shares in consideration for cash

(5) Name of company after the business combination

Meiko Embedded Products, Ltd.

(6) Ratio of voting rights to be acquired

100%

(7) Basis for determining the acquiree

It is based on the fact that the Company acquires shares in consideration for cash.

(b) Period for which the business results of the acquired company are included in the Company's consolidated financial statements

October 1, 2022 to March 31, 2023

(c) Acquisition cost of the acquired company and details of each class of consideration

Consideration paid for acquisition	Cash	¥11,000 million ($82,372 thousand)
Acquisition cost		¥11,000 million ($82,372 thousand)

(d) Details and amount of major acquisition-related expenses

Advisory fees ¥199 million ($1,487 thousand)

(e) Amount, reasons, amortization method and amortization period of goodwill recognized

(1) Amount of goodwill

¥6,358 million ($47,610 thousand)

The amount of goodwill was a tentative estimate as of the end of the second quarter of the fiscal year ended March 31, 2023.
The allocation of the acquisition cost has been completed and the amount of goodwill was determined as of March 31, 2023.

(2) Reason for the goodwill incurred

The future excess earning power expected as a result of business development going forward

(3) Method and period of amortization

Straight-line method over 10 years

(f) Amount and details of assets acquired and liabilities assumed at the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,567	$ 64,151
Non-current assets	1,838	13,767
Total assets	¥ 10,405	$ 77,918
Current liabilities	¥ 3,983	$ 29,828
Long-term liabilities	1,780	13,328
Total liabilities	¥ 5,763	$ 43,156

(g) Estimated impact and its calculation method on the consolidated statements of operations for the year ended March 31, 2023, assuming the business combination was completed at the beginning of the current fiscal year

The information is not disclosed because it is difficult to determine the estimated impact for the year ended March 31, 2023.

Independent auditor's report

To the Board of Directors of Meiko Electronics Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Meiko Electronics Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2(w) to the consolidated financial statement which describes that, the Company and its domestic consolidated subsidiaries changed the method of depreciation of property, plant and equipment (excluding leased assets) from the declining-balance method used in the past to the straight-line method for the current consolidated fiscal year. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the amount of goodwill recognized in connection with the acquisition of shares of Meiko Embedded Products, Ltd.

The key audit matter	How the matter was addressed in our audit

As described in Note 23 "Business Combination" to the consolidated financial statements, Meiko Electronics Co., Ltd. acquired shares of Meiko Embedded Products, Ltd. (hereinafter "Meiko EP"). The acquisition cost of the shares of Meiko EP was ¥11,000 million and the amount of goodwill generated at the time of acquisition was ¥6,358 million. Goodwill accounted for approximately 3% of total assets in the consolidated financial statements. Goodwill is calculated as the difference between the acquisition cost and net assets based on the market value of the acquired entity at the date of the business combination. As described in Note 2(u) "Significant Accounting Estimates" the acquisition cost was determined based on the share value calculated using the discounted future cash flows with the consideration of the business plan developed by Meiko EP. Management's judgment had a significant effect on the acquisition cost of the shares of Meiko EP for the following reasons. ● The estimation of the future cash flows used to calculate the value of shares was based on the business plan developed with the forecast and the consideration of the potential of the market. There was uncertainty in the estimate because key assumptions underlying the business plan involved management's judgment regarding the sales growth rate. ● Selecting appropriate models and input data for estimating the discount rate used to measure the discounted future cash flows requires a high degree of expertise in valuation. We, therefore, determined that the reasonableness of the amount of goodwill recognized in connection with the acquisition of shares of Meiko EP was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the reasonableness of the amount of goodwill recognized in connection with the acquisition of the shares of Meiko EP included the following. (1) Internal control testing Test of the design and operating effectiveness of internal controls relevant to share acquisition, with a greater focus on controls relevant to approval of the board of directors. (2) Assessment of the reasonableness of the amount of goodwill recognized and the acquisition cost Assessment of the appropriateness of key assumptions in the business plan of Meiko EP which formed the basis for estimating future cash flows by performing the following procedures in addition to inquiring with management. ● Assessment of the appropriateness of assumptions regarding the sales growth rate by obtaining external research reports on the forecast and the consideration of the potential of the market to which the Meiko EP business belongs ● Comparison of financial figures in the business plan with actual results in the past to examine the reasonableness of the estimate of future cash flows We involved valuation specialists within our domestic network firms to assess the reasonableness of the discount rate and valuation model, which were the main assumptions for calculating corporate value.

Other Information

The other information comprises the information included in the Annual Report issued by the Company, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kazunari Ochi

Designated Engagement Partner

Certified Public Accountant

Daio Aida

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Yokohama Office, Japan

September 22, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Principal Subsidiaries and Affiliates

Name or Trade Name	Address	Paid-in Capital (Millions of yen)	Principal Business	Investment Ratio (%)
Meiko Tech Co., Ltd.	Ayase City, Kanagawa Prefecture	95	PCBs for electronics	100.0
Yamagata Meiko Electronics Co., Ltd.	Kahoku-cho, Nishimurayama-gun, Yamagata Prefecture	75	PCBs for electronics	100.0
Meiko Techno Co., Ltd.	Yamato City, Kanagawa Prefecture	100	PCBs for electronics	100.0
Meiko Embedded Products, Ltd.	Yonezawa City, Yamagata Prefecture	400	PCBs for electronics	100.0
Meiko Embedded Technology, Ltd.	Nanyo City, Yamagata Prefecture	20	PCBs for electronics	100.0 (100.0)
Meiko Elec. Hong Kong. Co., Ltd.	Hong Kong	US$391,179 thousand	PCBs for electronics	100.0
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$120,800 thousand	PCBs for electronics	100.0 (66.3)
Meiko Electronics (Wuhan) Co., Ltd.	Wuhan, Hubei Province, P.R.C.	US$173,800 thousand	PCBs for electronics	100.0 (40.7)
Guangzhou Speed Trading Co., Ltd.	Guangzhou, Guangdong Province, P.R.C.	US$785 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics America, Inc.	CA, U.S.A.	US$1,500 thousand	PCBs for electronics	100.0
Meiko Electronics Vietnam Co., Ltd.	Hanoi, Vietnam	US$90,000 thousand	PCBs for electronics	100.0 (100.0)
Meiko Electronics Thang Long Co., Ltd.	Hanoi, Vietnam	US$15,000 thousand	PCBs for electronics	100.0
Meiko Towada Vietnam Co., Ltd.	Hai Duong Province, Vietnam	US$21,000 thousand	PCBs for electronics	60.0

Principal Shareholders

Name of Shareholder	Number of Shares Held (Thousands of shares)	Percentage of Total Number of Shares Issued (excluding treasury stock) (%)
Yuichiro Naya	4,704	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 (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	1,216	4.72
CLEARSTREAM BANKING S.A. (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	1,012	3.93
BNP PARIBAS LUXEMBOURG/2S/JASDEC/ FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing Agent: Custody Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	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
Total	15,698	60.89

Corporate History

November 1975	Established Meiko Denshi Kogyo Co., Ltd. to manufacture and sell PCBs. Started selling double-sided PCBs.
April 1978	Established the System Development Department (currently Meiko Techno Co., Ltd./ Meiko Tech Co., Ltd.) to develop electronics application products.
October 1978	Developed in-house use PCB Testers for the PCB final inspection process.
September 1980	Constructed a new headquarters and factory, establishing an integrated production system for the entire process from design to finished product.
December 1980	Introduced a multi-layer press machine and started manufacturing multi-layer PCBs.
December 1981	Developed the world's first multi-video processor.
March 1982	Established Multitech Co., Ltd. (currently Meiko Tech Co., Ltd.) to manufacture single-sided PCBs (currently a consolidated subsidiary of the Company).
September 1982	Established Yamagata Meiko Electronics Co., Ltd. (currently a consolidated subsidiary of the Company) to manufacture PCBs.
August 1984	Completed construction to expand the headquarters/factory in Ayase, Kanagawa Prefecture, and started operations.
June 1990	Constructed the Fukushima Factory.
April 1991	Changed company name to Meiko Electronics Co., Ltd.
November 1997	Constructed a new manufacturing building on the premises of the Yamagata Factory (currently, Kahoku Factory) (Yamagata Meiko Electronics Co., Ltd.) to manufacture PCBs using the new PCB Build-Up technology.
August 1998	Established Meiko Elec. Hong Kong. Co., Ltd. in Hong Kong, China (currently a consolidated subsidiary of the Company), mainly to expand transactions with overseas manufacturers and purchase materials locally.
December 1998	Established Meiko Electronics (Panyu Nansha) Co., Ltd. in Guangzhou, Guangdong, China [currently Meiko Electronics (Guangzhou Nansha) Co., Ltd., a consolidated subsidiary of the Company], to manufacture PCBs.
June 1999	Changed the name of the PCB manufacturing department of headquarters to Kanagawa Factory (currently, Advanced PCB Center).
December 2000	Stock listed on the Japan Securities Dealers Association.
January 2001	Started operations at the Guangzhou Plant [Meiko Electronics (Guangzhou Nansha) Co., Ltd.].
December 2004	Stock listed on JASDAQ Securities Exchange, Inc.
July 2005	Established Meiko Electronics (Wuhan) Co., Ltd. in Wuhan, Hubei, China (currently a consolidated subsidiary of the Company) to manufacture PCBs.
November 2005	Constructed a new factory building at Miyagi Factory (currently the Ishinomaki Factory).
April 2006	Established Meiko Electronics America, Inc. in the United States (currently a consolidated subsidiary of the Company) to sell PCBs.
July 2006	Started operations at the WUHAN Plant [Meiko Electronics (Wuhan) Co., Ltd.].
January 2007	Established Meiko Electronics Vietnam Co., Ltd. (currently a consolidated subsidiary of the Company) in Hanoi, Vietnam, to manufacture PCBs.

November 2007	Constructed a new headquarters building on the premises of the Kanagawa Factory (currently, Advanced PCB Center).
March 2008	Purchased the Circuit Business from Victor Company of Japan, Limited.
April 2009	Started operation of the EMS Plant in Vietnam.
May 2009	Established the Meiko R&D Center.
July 2009	Started operation of second plant in WUHAN.
April 2010	Upon the merger of JASDAQ Securities Exchange, Inc. and Osaka Securities Exchange Co., Ltd., the Company’s stock is listed on the Osaka Securities Exchange, JASDAQ market.
October 2010	Subsequent to the integration of the Hercules, JASDAQ and NEO markets of the Osaka Securities Exchange, Meiko Electronics Co., Ltd. had its stock listed on the JASDAQ Standard market of the exchange.
July 2011	Transferred the imaging equipment and industrial equipment businesses to Multitech Co., Ltd., and changed the trade name to Meiko Tech Co., Ltd.
November 2011	Started operation of the PCB Plant in Vietnam.
May 2013	Started operation of the Ishinomaki Factory.
July 2013	Subsequent to the integration of cash equity markets of the Osaka Securities Exchange Co., Ltd. and Tokyo Stock Exchange Group, Inc., Meiko Electronics Co., Ltd. had its stock listed on the JASDAQ Standard market of the Tokyo Stock Exchange.
August 2014	Established Meiko Electronics Thang Long Co., Ltd. (currently a consolidated subsidiary of the Company) in Hanoi, Vietnam, to manufacture and sell PCBs.
June 2015	Established Meiko Solar Park Fukushima, a solar power generation plant on the premises of the Fukushima Factory.
August 2015	Established Meiko Techno Co., Ltd. (currently a consolidated subsidiary of the Company) in Yamato, Kanagawa Prefecture, to mount PCBs and manufacture and sell imaging equipment and industrial equipment.
November 2019	Acquired equity interests in EMS (Electronic Manufacturing Services) in Vietnam and turned it into a subsidiary (currently consolidated subsidiary), Meiko Towada Vietnam Co., Ltd.
June 2021	Transferred the stock market from the JASDAQ (Standard) to the First Section of the Tokyo Stock Exchange.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market due to the restructuring of the stock market.
September 2022	Acquired shares of NEC Embedded Products, Ltd., making it a subsidiary as Meiko Embedded Products, Ltd. and its subsidiary Meiko Embedded Technology, Ltd. (currently consolidated subsidiaries).

Corporate Data (As of March 31, 2023)

Corporate Name:
Meiko Electronics Co., Ltd.

Date of Establishment:
November 25, 1975

Paid-in Capital:
¥12,888 million

Fiscal Year:
April 1 to March 31

Number of Shares Authorized:
70,000,000

Number of Shares Issued:
26,803,390

Number of Shareholders:
5,332

Securities Code:
6787

Stock Exchange Listing:
Tokyo Stock Exchange, Prime Market

Number of Employees:
11,889 (Consolidated)

Number of Subsidiaries and Affiliates:
24

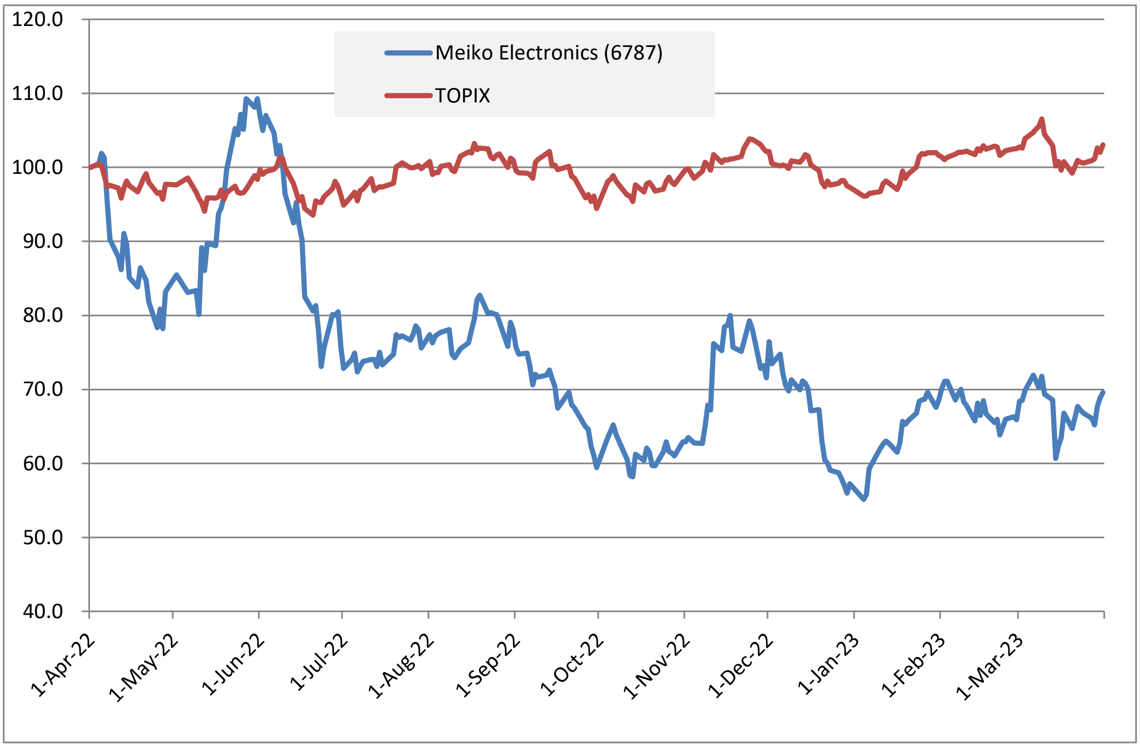
Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited

Accounting Auditor:
KPMG AZSA LLC

Headquarters:
5-14-15, Ogami, Ayase, Kanagawa Prefecture, Japan 252-1104

Investor Relations Contact:
- Tel: +81-(0)467-76-6001
- E-mail: Meiko_Eng@meiko-elec.com
- URL: https://www.meiko-elec.com/

Meiko Share Performance in FY2023 Compared with Indices



Fiscal year ended March 31, 2023

Index

In %