

# MEIKO REPORT

# 5G

## 45th Interim

(From April 1, 2019 to September 30, 2019)

Securities code: 6787

MEIKO ELECTRONICS CO., LTD.

### Financial highlights

Net sales

**59,122** million yen

Operating income

**3,410** million yen

Net income attributable to owners of parent

**2,366** million yen

#### Consolidated balance sheet

(in million yen)

	End of FY2018 (As of March 31, 2019)	At the end of the second quarter for the fiscal year under review (As of September 30, 2019)
<b>Assets</b>		
Current assets	56,021	60,563
Noncurrent assets	64,634	66,065
Property, plant and equipment	58,553	61,178
Intangible assets	269	314
Investments and other assets	5,811	4,573
<b>Total assets</b>	<b>120,655</b>	<b>126,629</b>
<b>Liabilities</b>		
Current liabilities	47,932	50,287
Noncurrent liabilities	39,135	44,300
<b>Total liabilities</b>	<b>87,068</b>	<b>94,588</b>
<b>Net assets</b>		
Shareholders' equity	30,446	32,288
Capital	12,888	12,888
Capital surplus	6,464	6,464
Retained earnings	11,489	13,332
Treasury stocks	△396	△396
Cumulative other comprehensive income	3,141	△248
Valuation difference on available-for-sale securities	△65	11
Deferred gains or losses on hedges	183	92
Foreign currency translation adjustment	3,322	△76
Remeasurements of defined benefit plans	△298	△276
<b>Total net assets</b>	<b>33,587</b>	<b>32,040</b>
<b>Total liabilities and net assets</b>	<b>120,655</b>	<b>126,629</b>

#### Consolidated statement of income

(in million yen)

	First half of the 44th term (year to date) (April 1, 2018 to September 30, 2018)	First half of the 45th term (year to date) (April 1, 2019 to September 30, 2019)
Net sales	61,758	59,122
Cost of sales	50,339	49,961
Gross profit	11,418	9,160
Selling, general and administrative expenses	5,744	5,749
Operating income	5,674	3,410
Non-operating income	1,641	266
Non-operating expenses	970	654
Ordinary income	6,345	3,022
Extraordinary income	1	3
Extraordinary losses	129	182
Net income before income taxes	6,217	2,842
Income taxes	886	476
Net income	5,331	2,366
Net income attributable to owners of parent	5,331	2,366

#### Consolidated statement of cash flows

(in million yen)

	First half of the 44th term (year to date) (April 1, 2018 to September 30, 2018)	First half of the 45th term (year to date) (April 1, 2019 to September 30, 2019)
Net cash generated from operating activities	6,900	4,480
Net cash expended in investment activities	△9,153	△8,899
Net cash generated from (expended in) financing activities	△774	5,828
The effect of changes in the exchange rate on cash and cash equivalents	153	△382
Net increase (decrease) in cash and cash equivalents	△2,873	1,027
Cash and cash equivalents at the beginning of the period	15,190	11,419
Cash and cash equivalents at the end of the period	12,316	12,446

### Key points of the financial results

#### ●Consolidated statement of income

In the automotive PCB field, sales increased by 700 million yen year-on-year thanks to the favorable outcome from increasingly higher multi-layering including the flow of electrification and the switch to HDI PCBs. However, in the smartphone PCB field, our production output decreased and sales shrank by 4.6 billion yen year-on-year. Meanwhile, we received favorable orders for PCBs for IoT modules and AI appliances and HDI PCBs for amusement industry in other fields. As a result, sales increased 2.1 billion yen year-on-year.

As a result, we posted net sales of 59,122 million yen (-4.3%) year on year, down 2,636 million yen compared with the same quarter of the previous year. Concerning profits and losses, operating income was 3,410 million yen (-39.9%) year on year, ordinary income 3,022 million yen (-52.4%) year on year and net income attributable to owners of parent 2,366 million yen (-55.6%) year on year.

#### ●Consolidated balance sheet

Total assets stood at 153,241 million yen, a decrease of 5,376 million yen from the end of the previous consolidated fiscal year. This decrease is mainly due to a decrease of credits for sales despite the increase in advance payments due to an increase in unfinished work.

Liabilities stood at 83,939 million yen, a decrease of 6,147 million yen from the end of the previous consolidated fiscal year. This decrease is mainly due to a decrease of payables for sales despite the increase in advance payments due to an increase in unfinished work.

Net assets stood at 69,302 million yen, an increase of 770 million yen from the end of the previous consolidated fiscal year. This increase is mainly due to an increase of net income attributable to owners of parent while retained earnings decreased after the payment of dividends and valuation difference on available-for-sale securities decreased.



## To our shareholders

I would like to express my sincere gratitude to all shareholders and investors for the outstanding support.

The following is a report summarizing the operating results for the first half of the term ending March 2020.

**Yuichiro Naya, President & CEO**

### Consolidated results for the first half of FY2019 (in 100 million yen)

	First half of FY2018	First half of FY2019	Year on year	
			Increase/decrease	Increase/decrease rate
Net sales	618	591	-27	-4.3%
Operating income	57	34	-23	-39.9%
	9.2%	5.8%		
Ordinary income	63	30	-33	-52.4%
	10.2%	5.1%		
Net income attributable to owners of parent	53	24	-29	-55.6%
	8.6%	4.0%		
Exchange rate	USD/YEN	110.64	108.66	

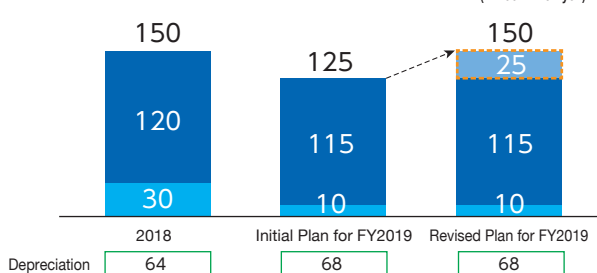
### Revenue from each product in the first half of FY2019 (in 100 million yen)

	First half of FY2018		First half of FY2019		Increase/decrease	
	Sales	Operating income (Operating margin)	Sales	Operating income (Operating margin)	Sales (growth rate)	Operating income (growth rate)
Automobiles	267	19 7.1%	274	15 5.5%	7 2.6%	-4 -21.1%
Smartphones	193	29 14.5%	147	14 9.5%	-46 -23.8%	-15 -51.7%
Others	158	9 5.9%	170	5 2.9%	12 7.6%	-4 -44.4%
Total	618	57 9.2%	591	34 5.8%	-27 -4.3%	-23 -39.9%

### Consolidated earnings forecast for FY2019 (in 100 million yen)

	Forecast for FY2019	Results for the first half of FY2019	Forecast for the second half of FY2019	
Net sales	1,200	591	609	
Operating income (operating margin)	75 6.3%	34 5.8%	41 6.7%	
Ordinary income (ordinary income rate)	63 5.3%	30 5.1%	33 5.4%	
Net income attributable to owners of parent (net margin)	53 4.4%	24 4.0%	29 4.7%	
Exchange rate	USD/YEN	111.00	108.66	108.00

### Investment Plan (in 100 million yen)



## Regarding the operating results in the first half

The electronic parts field was weak in the current second quarter. This was due to the impact of a global economic slowdown and customer inventory adjustments. Against this backdrop, we expect the launch of 5G and the beginning of base station demand to have an effect on the smartphone and automatic driving fields. Therefore, it is expected that there will be a gradual improvement in the order environment.

Under such circumstances, our corporate group is seeing an increasing number of projects involving next-generation automobiles, smartphones and IoT/AI consumer electronics toward the arrival of the 5G era. Nevertheless, we were impacted by the sluggishness of the smartphone market in the current second quarter. As for automotive PCBs, sales increased by 700 million yen year-on-year thanks to the favorable outcome from increasingly higher multi-layering including the flow of electrification and the switch to HDI PCBs. However, in the smartphone PCB field, our production output decreased and sales shrank by 4.6 billion yen year-on-year. We received favorable orders for PCBs for IoT modules and AI appliances and HDI PCBs for amusement industry in other fields. As a result, sales increased 1.2 billion yen year-on-year.

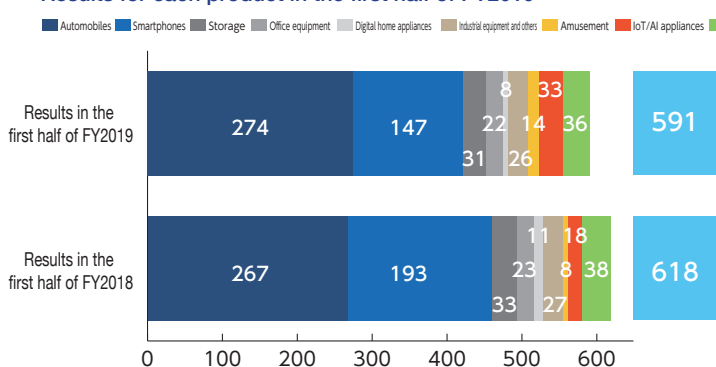
## Regarding the forecast for the second half

In the second half, it is estimated that sales of automotive PCBs would be on par with those in the first half of the year due to the advancement of electrification and motorization. We also expect sales of smartphone PCBs to be about the same as those in the first half of the year. This is because 5G smartphone projects will gradually increase from the latter part of the second half of the year. PCBs for IoT modules and AI appliances will continue to perform strongly in other fields. As for EMS business, we will implement enhancement measures such as turning Meiko Towada Vietnam into a subsidiary as a way of increasing our production capacity. With this, we expect an increase in sales.

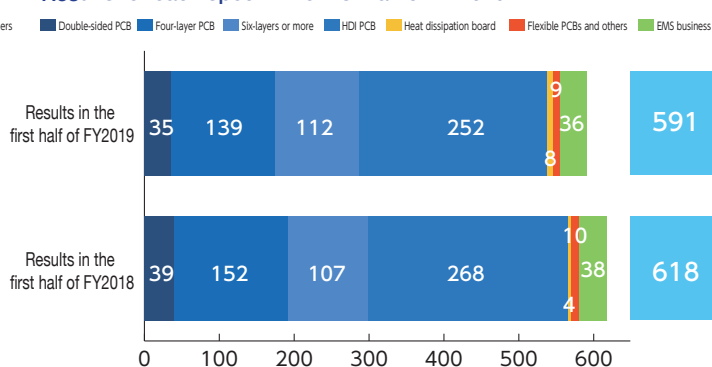
## Regarding the investment

We have decided to increase the amount we plan to invest in this fiscal year by 2.5 billion yen from 12.5 billion yen to 15 billion yen. The breakdown of this includes investment in joint-ventures in the EMS field and reinforcing facilities in anticipation of an increase in orders received. In addition to this, we will reinforce our production facilities with the expectation that 5G projects will increase.

### Results for each product in the first half of FY2019 (in 100 million yen)



### Results for each spec in the first half of FY2019 (in 100 million yen)



## Regarding the strategy for factories in Vietnam

The first factory is a flexible substrate/EMS factory. However, it is involved in the final product assembly business as a joint venture with a Chinese ODM manufacturer called Shanghai Longcheer Technology Co., Ltd. in part of its space. In addition, it is continuing to strengthen proposals in the EMS business for companies without fabrication facilities. It is working to expand sales channels (e.g., those for automotive, smartphone and amusement applications) for its flexible PCBs. Through these efforts, the factory is promoting measures to expand its production scale.

The second factory underwent refurbishment as a factory dedicated to automotive PCBs. It is looking to increase productivity by specializing in the production of through-hole PCBs and HDI PCBs for automobiles.

The third factory has introduced a production line for HDI PCBs following a MSAP method. It is promoting measures to expand production of high-end smartphones and 5G compatible smartphones on this line. In addition to this, the factory will undergo development to become a factory that produces PCBs necessary for next-generation automobiles. These include PCBs for milli-wave radar for ADAS applications, PCBs for power device for electric vehicle applications, and ultra-thick copper board and copper pin substrates for heat dissipation applications.


The Thang Long factory produces smartphone PCBs. However, we will develop it as a factory to support high-frequency module production for which the market is expected to expand in the future.

We will develop Meiko Towada Vietnam as a factory that will be responsible for expanding the EMS business (e.g., high-frequency module mounting).

## Regarding the innovation realized by 5G

The advantages brought about by 5G communications include the increase in speed of communications, the ability to connect many devices simultaneously and the low level of network delays. It is anticipated that progress will be made in fields close to daily life such as speeding up smartphones, automatic driving and communications between cars, applications in the IoT field, remote monitoring and telemedicine as areas that will utilize these advantages. This progress is then expected to bring about changes in the living environment. Highly sophisticated specifications are required for PCBs to respond to this. For example, the line and space (L/S) is 40 to 50  $\mu$  in current smartphones, but 25  $\mu$  in 5G communication modules. Accordingly, high sophistication is expected. We have completed the introduction of a MSAP line necessary to cope with this. In addition to this, we are also working on handling milli-wave radars necessary for automatic driving, communication modules used in connected cars, etc., in automotive PCBs. Moreover, demand relating to 5G will increase together with the increase in the amount of PCBs used. This is also creating business opportunities in the EMS business that is the post-process of PCBs. We are planning to continue actively implementing new business measures and improving business results by capturing projects in the area of EMS based on PCBs negotiations.

In order to live up to the support and expectations from stakeholders, including shareholders, we will implement new measures and improvement measures with utmost effort, to improve our performance and corporate value. We would appreciate your continued support and encouragement.



**Flexible PCBs**

**JV with Shanghai Longcheer Technology**

**IoT modules and AI appliances**

### First Factory

**Flexible PCBs/EMS**




**In-vehicle through-hole PCBs**

**HDI PCBs for automobiles**

### Second Factory

**Factory specializing in automotive PCBs**



**Smartphone**

**5G smartphone**

**Developed in-vehicle products**

### Third Factory

**MSAP/Developed in-vehicle products**



**Smartphone**

**High-frequency module**

### Thang Long Factory

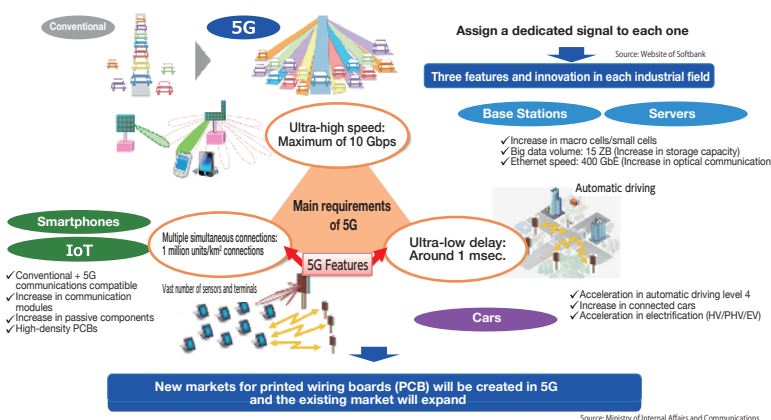
**High-frequency module**



**High-frequency module**

### Meiko Towada Vietnam

**EMS**



	700MHz	3.6GHz	6GHz	28GHz	Milli-wave
Communications system	Conventional Communications	5G Communications			
Base stations servers	Macro cell/Small cell/High-frequency module (Multilayer high-frequency board) (High-frequency board)				
Smartphone IoT	Server SSD (10 layers)	Data center SSD (16-layer high-frequency board)			
	Main board (L/S=50/50um)	Main board (MSAP L/S=30/30um→25/25um)			
Automatic driving Electrification Connected cars	Communication module (L/S=35/35um)	Communication module (MSAP L/S=25/25um)			
	Milli-wave radar (MSAP high-frequency board)	TCU/V2X communication module (12-layer any-layer)			
Automatic driving	Power device (Copper inlay thick copper board)	IVI (Infotainment) (3-stage build-up)	Vehicle computer (3-stage build-up)		
	Level 2	Level 3		Level 4	
	2019	2020	2025		



Toyohiko Tsuyuki,  
Audit & Supervisory  
Board Member (Standing)

I was elected at the general meeting of shareholders held in June 2019 and I will carry out my duties as a standing audit & supervisory board member.

The role of auditors is viewed as being extremely important in recent years. I will strive to be able to contribute to the development of this company as far as possible. I will do this by establishing even greater internal controls and conducting audits close to sites. I will also give frank opinions and advice from my standpoint as an auditor to executive officers.

We have built our Third Factory in Vietnam and are promoting high quality and mass-production through smart technology. We have also launched an innovative productivity improvement project across indirect departments to promote company-wide reform.

I would like to continue contributing to the enhancement of our corporate value to meet the needs of all our shareholders and other stakeholders through audits in the future. Therefore, I ask for your continued support.

## Corporate data (As of September 30, 2019)

### Corporate Profile

<b>Name</b>	MEIKO ELECTRONICS CO., LTD.
<b>Established</b>	November 25, 1975
<b>Capital</b>	12,888 million yen
<b>No. of Employees</b>	11,843 (consolidated) (Japan: 856) (Overseas: 10,987)
<b>Outline of Business</b>	Design and manufacturing and sales of PCBs and auxiliary electronics business

### Executives

<b>President &amp; CEO</b>	Yuichiro Naya
<b>Director and Senior Managing Executive Officer</b>	Takahide Hirayama
<b>Director and Senior Managing Executive Officer</b>	Masakuni Shinozaki
<b>Director and Managing Executive Officer</b>	Takahiro Matsuda
<b>Director and Managing Executive Officer</b>	Junya Wada
<b>Director</b>	Yoon Ho, Shin
<b>Director</b>	Nao Tsuchiya
<b>Director</b>	Yosuke Nishiyama
<b>Audit &amp; Supervisory Board Member (Standing)</b>	Toyohiko Tsuyuki
<b>Audit &amp; Supervisory Board Member</b>	Takashi Harada
<b>Audit &amp; Supervisory Board Member</b>	Takayuki Sato

### Affiliated Companies

Yamagata Meiko Electronics Co., Ltd.	Auxiliary electronics business
Meiko Tech Co., Ltd.	Auxiliary electronics business
Meiko Techno Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Guangzhou Nansha) Co., Ltd.	Auxiliary electronics business
Meiko Electronics (Wuhan) Co., Ltd.	Auxiliary electronics business
Meiko Elec. Hong Kong Co., Ltd.	Auxiliary electronics business
Meiko Electronics Vietnam Co., Ltd.	Auxiliary electronics business
Meiko Electronics Thang Long Co., Ltd.	Auxiliary electronics business
Meiko Electronics America, Inc.	Auxiliary electronics business
Meiko Electronics Europe GmbH	Auxiliary electronics business

### Stock Information

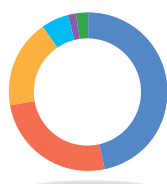
<b>Number of Shares Authorized</b>	70,000,000 shares
<b>Number of Shares Issued</b>	26,173,893 shares (excluding treasury stock of 629,427 shares)
<b>Number of Shareholders</b>	Number of shares held

### Principal Shareholders

Name of shareholder	Number of shares held (thousands of shares)	% of shares held
Yuichiro Naya	4,703	17.97
Japan Trustee Services Bank, Ltd. (Trust Account)	2,383	9.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,297	4.96
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC /FIW/LUXEMBOURG FUNDS/UCITS ASSETS	950	3.63
Meiko Kosan Co., Ltd.	608	2.32
Yuhu, Ltd.	521	1.99
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	481	1.84
Seiichi Naya	435	1.66
JP MORGAN CHASE BANK 385632	427	1.63
STATE STREET BANK AND TRUST COMPANY 505019	404	1.55

\*The Company owns treasury stock of 629,427 shares and is excluded from the above principal shareholders. The percentages for the total number of issued shares have been calculated after excluding treasury stock.

### Shareholding Structure (Common Stock)



Individuals and others	46.86%
Financial institutions	25.61%
Foreign institutions and others	17.80%
Other institutions	5.79%
Financial instruments business operators	1.58%
Treasury stock	2.35%

### Shareholders' Information

<b>Fiscal year</b>	April 1 to March 31 of the following year
<b>Annual shareholders' meeting</b>	June
<b>Record date</b>	Year-end dividends: March 31 Interim dividends: September 30
<b>Transfer agent</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
<b>Transfer office</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, 100-8233 Japan
<b>Address for sending mails</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 Japan
<b>Contact</b>	Tel: 0120-782-031
<b>Stock exchange</b>	JASDAQ (Standard), Tokyo Stock Exchange
<b>Method of public notice</b>	Electronic public notice in our official page Official Page: <a href="https://www.meiko-elec.com/ir/pa.shtml">https://www.meiko-elec.com/ir/pa.shtml</a> In the event of an accident or other unforeseen events that prevent publication of the electronic public notice, it will be published in The Nikkei.

### Enquiries concerning shareholdings

- Shareholders who need to update information on shareholdings, including change of address and method of receiving dividends, are advised to contact the securities companies where securities accounts are held.
- Shareholders who do not have accounts with securities companies and need to process payments of dividends are advised to contact Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Dept. as stated above.

### Notes on Forecasts

The information in this report contains future forecasts, such as the plans and business results of the Company. These forecasts are based on information available at the time when these forecasts were made and certain preconditions that the Company believes to be reasonable. Please note that actual business results may differ from the forecasts herein due to a variety of factors.