

**Quarterly Consolidated Financial Statements
Included in the Quarterly Report
Meiko Electronics Co., Ltd.
and its consolidated subsidiaries**

For the first quarter and three months ended June 30, 2023

(ENGLISH TRANSLATION)

NOTE:

This document is an excerpt translation of the Quarterly Report (“Shihanki Houkokusho”) of Meiko Electronics Co., Ltd. (the “Company”), for the first quarter and three months ended June 30, 2023, filed with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan pursuant to the Financial Instruments and Exchange Act of Japan on August 10, 2023.

Please note that the quarterly consolidated financial statements in this document are a translation of the reviewed quarterly consolidated financial statements presented in Japanese. The translation of the quarterly consolidated financial statements and notes has NOT been audited by KPMG AZSA LLC, who reviewed the original Japanese figures.

The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. The final decision and responsibility for investments rests solely with the reader of this document.

Financial Information

1 Basis of preparation of the quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2 Review reports

The quarterly consolidated financial statements of the Company for the first quarter (April 1, 2023 – June 30, 2023), and those for the three months ended June 30, 2023, were reviewed by KPMG AZSA LLC, pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

1 Consolidated Financial Statements

(1) Consolidated Balance Sheets

Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	March 31, 2023	June 30, 2023	U.S. dollars
			June 30, 2023
Assets			
Current assets			
Cash and deposits	¥ 17,584	¥ 22,309	\$ 153,864
Notes and accounts receivable-trade	35,989	33,340	229,949
Electronically recorded monetary claims - operating	2,920	7,772	53,603
Merchandise and finished goods	9,929	9,713	66,993
Work in process	7,044	6,929	47,787
Raw materials and supplies	15,658	16,148	111,373
Other	2,952	4,614	31,827
Allowance for doubtful accounts	(171)	(176)	(1,217)
Total current assets	<u>91,905</u>	<u>100,649</u>	<u>694,179</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	26,456	27,509	189,732
Machinery, equipment and vehicles, net	44,752	47,192	325,487
Land	2,553	2,553	17,610
Construction in progress	18,315	24,170	166,698
Other, net	3,462	3,556	24,523
Total property, plant and equipment	<u>95,538</u>	<u>104,980</u>	<u>724,050</u>
Intangible assets			
Goodwill	6,304	6,135	42,311
Other	696	714	4,925
Total intangible assets	<u>7,000</u>	<u>6,849</u>	<u>47,236</u>
Investments and other assets	*1 7,952	*1 8,538	*1 58,889
Total non-current assets	<u>110,490</u>	<u>120,367</u>	<u>830,175</u>
Total assets	¥ <u>202,395</u>	¥ <u>221,016</u>	\$ <u>1,524,354</u>

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2023	June 30, 2023	March 31, 2023	June 30, 2023
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 22,794	¥ 26,282	\$ 181,267	
Short-term borrowings	*3 29,663	*3 33,756	*3 232,818	
Current portion of long-term borrowings	*3 7,200	*3 7,567	*3 52,187	
Income taxes payable	1,020	646	4,456	
Provision for bonuses	1,201	529	3,649	
Provision for bonuses for directors	55	1	8	
Other	11,740	15,402	106,225	
Total current liabilities	<u>73,673</u>	<u>84,183</u>	<u>580,610</u>	
Non-current liabilities				
Long-term borrowings	*3 38,467	*3 39,550	*3 272,777	
Provision for retirement benefits for directors	216	216	1,489	
Provision for share awards	173	238	1,640	
Provision for share awards for directors	36	41	285	
Retirement benefit liability	4,126	4,124	28,442	
Other	1,229	1,275	8,798	
Total non-current liabilities	<u>44,247</u>	<u>45,444</u>	<u>313,431</u>	
Total liabilities	<u>117,920</u>	<u>129,627</u>	<u>894,041</u>	
Net assets				
Shareholders' equity				
Share capital	12,889	12,889	88,892	
Capital surplus	13,700	13,700	94,493	
Retained earnings	35,568	36,952	254,862	
Treasury shares	(2,176)	(2,175)	(15,003)	
Total shareholders' equity	<u>59,981</u>	<u>61,366</u>	<u>423,244</u>	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	13	47	324	
Deferred gains or losses on hedges	55	(125)	(865)	
Foreign currency translation adjustment	17,426	23,065	159,085	
Remeasurements of defined benefit plans	(154)	(148)	(1,021)	
Total accumulated other comprehensive income	<u>17,340</u>	<u>22,839</u>	<u>157,523</u>	
Non-controlling interests	<u>7,154</u>	<u>7,184</u>	<u>49,546</u>	
Total net assets	<u>84,475</u>	<u>91,389</u>	<u>630,313</u>	
Total liabilities and net assets	¥ <u>202,395</u>	¥ <u>221,016</u>	\$ <u>1,524,354</u>	

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income
For the Three Months Ended June 30, 2023
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2022	Three months ended June 30, 2023	U.S. dollars Three months ended June 30, 2023
Net sales	¥ 40,012	¥ 41,589	\$ 286,840
Cost of sales	33,151	35,409	244,218
Gross profit	6,861	6,180	42,622
Selling, general and administrative expenses	4,056	5,273	36,365
Operating profit	2,805	907	6,257
Non-operating income			
Interest income	18	109	751
Dividend income	4	4	31
Foreign exchange gains	2,490	2,157	14,874
Other	89	65	446
Total non-operating income	2,601	2,335	16,102
Non-operating expenses			
Interest expenses	194	283	1,950
Other	25	35	245
Total non-operating expenses	219	318	2,195
Ordinary profit	5,187	2,924	20,164
Extraordinary income			
Gain on sale of non-current assets	—	2	14
Total extraordinary income	—	2	14
Extraordinary losses			
Loss on sale and retirement of non-current assets	61	5	32
Loss on disaster	4	—	—
Business restructuring expenses	15	—	—
Total extraordinary losses	80	5	32
Profit before income taxes	5,107	2,921	20,146
Income taxes	1,177	640	4,413
Profit	3,930	2,281	15,733
Profit (loss) attributable to non-controlling interests	(23)	19	131
Profit attributable to owners of parent	¥ 3,953	¥ 2,262	\$ 15,602

Consolidated Statements of Comprehensive Income
For the Three Months Ended June 30, 2023
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Three months ended June 30, 2022	Three months ended June 30, 2023	U.S. dollars Three months ended June 30, 2023
Profit	¥ 3,930	¥ 2,281	\$ 15,733
Other comprehensive income			
Valuation difference on available-for-sale securities	0	34	231
Deferred gains or losses on hedges	(87)	(180)	(1,244)
Foreign currency translation adjustment	7,318	5,650	38,971
Remeasurements of defined benefit plans, net of tax	6	6	44
Total other comprehensive income	7,237	5,510	38,002
Comprehensive income	11,167	7,791	53,735
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 11,168	¥ 7,762	\$ 53,532
Comprehensive income attributable to non-controlling interests	(1)	29	203

Notes to the Consolidated Financial Statements

Matters concerning Going Concern Assumption

Not applicable

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 Act 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 application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥144.99 to \$1, the approximate rate of exchange at June 30, 2023. 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.

Specific Accounting Treatments Adopted in Preparing the Quarterly Consolidated Financial Statements

(Computation of Tax Expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after the adoption of tax-effect accounting that is applicable to profit before income taxes for the fiscal year ending March 31, 2024, and multiplying profit before income taxes for the period under review by this estimated effective tax rate.

Consolidated Balance Sheets

*1 Amount of allowance for doubtful accounts directly deducted from the amount of assets

	Millions of yen		Thousands of
	March 31, 2023	June 30, 2023	U.S. dollars
Investments and other assets	¥ 31	¥ 817	\$ 5,638

2 Discounted electronically recorded monetary claims - operating are summarized below:

	Millions of yen		Thousands of
	March 31, 2023	June 30, 2023	U.S. dollars
Discounted electronically recorded monetary claims - operating	¥ 15	¥ 15	\$ 104

*3 Financial covenants

Consolidated fiscal year ended March 31, 2023

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥56,600 million have financial covenants attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (when there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) ¥20,589 million; or (ii) 75% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.
- (4) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year divided by the amount of total net assets less the amount of foreign currency translation adjustment shall be maintained at 2.1 or less for the fiscal year ended March 31, 2023, 1.9 or less for the fiscal year ending March 31, 2024, 1.7 or less for the fiscal year ending March 31, 2025, 1.6 or less for the fiscal year ending March 31, 2026, and 1.5 or less for the fiscal year ending March 31, 2027.
- (5) The adjusted-interest-bearing-debt-to-EBITDA ratio, which is calculated by the following formula, shall be maintained at 5 or less as of the last days of the fiscal year ending March 2025 and onward.
Formula: Total adjusted interest-bearing debt for the fiscal year in question (the fiscal year ending March 2025 for the first examination) ÷ (average EBITDA of the last three periods)
“EBITDA” refers to operating income or loss recorded in the consolidated statement of income plus depreciation.

Three months ended June 30, 2023

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥60,200 million have financial covenants attached under which the breaching of any of the following will require the accelerated repayment of the obligation in the corresponding funding agreement (when there is more than one covenant, the one with stricter conditions is stated).

- (1) Two consecutive ordinary losses shall not be recorded in the consolidated statements of income for each fiscal year.
- (2) The total amount of net assets recorded in the consolidated balance sheet as of the close of each fiscal year shall be at least the higher of: (i) ¥20,589 million; or (ii) 75% of the total amount of net assets recorded in the consolidated balance sheet as of the close of the immediately preceding fiscal year.
- (3) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year shall be no more than the amount of net sales recorded in the consolidated statement of income for the same fiscal year, divided by 12 and multiplied by 8.
- (4) The total amount of interest-bearing debt recorded in the consolidated balance sheet as of the close of each fiscal year divided by the amount of total net assets less the amount of foreign currency translation adjustment shall be maintained at 2.1 or less for the fiscal year ended March 31, 2023, 1.9 or less for the fiscal year ending March 31, 2024, 1.7 or less for the fiscal year ending March 31, 2025, 1.6 or less for the fiscal year ending March 31, 2026, and 1.5 or less for the fiscal year ending March 31, 2027.
- (5) The adjusted-interest-bearing-debt-to-EBITDA ratio, which is calculated by the following formula, shall be maintained at 5 or less as of the last days of the fiscal year ending March 2025 and onward.
Formula: Total adjusted interest-bearing debt for the fiscal year in question (the fiscal year ending March 2025 for the first examination) ÷ (average EBITDA of the last three periods)
“EBITDA” refers to operating income or loss recorded in the consolidated statement of income plus depreciation.

Consolidated Statements of Cash Flows

No consolidated statements of cash flows were prepared for the three months ended June 30, 2023. Depreciation (including amortization related to intangible assets, excluding goodwill) and amortization of goodwill for the three months ended June 30, 2023, are shown below:

	Millions of yen		Thousands of
	Three months ended June 30, 2022	Three months ended June 30, 2023	U.S. dollars
Depreciation.....	¥ 2,285	¥ 2,628	\$ 18,127
Amortization of goodwill.....	10	169	1,166

Total Shareholders' Equity

Three months ended June 30, 2022

1 Cash dividends paid

Resolution

Board meeting on May 23, 2022

Type of shares	Common shares
Total dividends (Millions of yen)	645
Dividend per share (Yen).....	25.00
Record date.....	March 31, 2022
Effective date.....	June 10, 2022
Dividend resource.....	Retained earnings

Note: Total dividends by a resolution of the Board of Directors on May 23, 2022, include ¥3 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).

2 Of the dividends whose record date falls during the three months ended June 30, 2022, those dividends whose effective date fell after the last day of the first quarter

Not applicable

Three months ended June 30, 2023

1 Cash dividends paid

Resolution

Board meeting on May 29, 2023

Type of shares	Common shares
Total dividends (Millions of yen)	722
Dividend per share (Yen).....	28.00
Record date.....	March 31, 2023
Effective date.....	June 13, 2023
Dividend resource.....	Retained earnings

Resolution

Board meeting on May 29, 2023

Type of shares	Series 1 Non-convertible preferred stock
Total dividends (Millions of yen)	156
Dividend per share (Yen).....	2,233,660.00
Record date.....	March 31, 2023
Effective date.....	June 13, 2023
Dividend resource.....	Retained earnings

Note: Total dividends on common shares by a resolution of the Board of Directors on May 29, 2023, include ¥4 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).

2 Of the dividends whose record date falls during the three months ended June 30, 2023, those dividends whose effective date will fall after the last day of the first quarter

Not applicable

Segment Information

As the Group's businesses are primarily in PCB design, manufacturing, sales, and ancillary operations, the description of other businesses is omitted as they are of little significance.

Revenue Recognition

The regional breakdown of revenue generated from contracts with customers is as follows:

	Millions of yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Japan	13,899	19,615
China	9,633	7,549
Vietnam	5,120	4,034
Asia	5,717	5,069
North America	4,446	4,402
Europe	1,195	920
Other	2	0
Revenue generated from contracts with customers	40,012	41,589
Other revenue	—	—
Sales to external customers	40,012	41,589

Per Share Information

The basis for calculating profit per share is shown below:

Item	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit per share (Yen)	154.16	85.15
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	3,953	2,262
Amounts not attributable to common shareholders (Millions of yen)	—	78
[Of which, preferred dividend (Millions of yen)]	[—]	[78]
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	3,953	2,184
Average number of common shares outstanding for the period (Shares)	25,640,677	25,644,432

Notes: 1. Diluted profit per share is not disclosed, as there were no diluted shares.

2. The Company shares remaining in the trust which are booked as treasury shares in shareholders' equity, includes treasury shares deducted when calculating the average number of shares for the period that were used to calculate profit per share. The average number of treasury shares for the period that were deducted to calculate profit per share was 139,573 shares for the three months ended June 30, 2022, and 135,637 shares for the three months ended June 30, 2023.

Significant Subsequent Events

Not applicable

2 Other

Dividends of surplus

The Board of Directors passed a resolution at its meeting on May 29, 2023 to pay year-end dividends to shareholders who are recorded in the shareholder registry as of March 31, 2023 as follows:

1) Total dividends	
Common shares	722 million yen
Series 1 Non-convertible preferred stock	156 million yen
2) Dividend per share	
Common shares	28.00 yen
Series 1 Non-convertible preferred stock	2,233,660.00 yen
3) Effective date of claim for payment and payment commencement date	
June 13, 2023	

Note: Total dividends on common shares include ¥4 million in dividends on Company shares held as trust assets of the Board Benefit Trust and the Employee Stock Ownership Plan (J-ESOP).