

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

For the second quarter and six months ended September 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 second quarter and six months ended September 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 November 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 second quarter (July 1, 2023 – September 30, 2023), and those for the six months ended September 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 U.S. dollars	
	March 31, 2023	September 30, 2023	September 30, 2023	September 30, 2023
Assets				
Current assets				
Cash and deposits	¥ 17,584	¥ 22,427	\$	149,932
Notes and accounts receivable-trade	35,989	*2 37,109	*2	248,085
Electronically recorded monetary claims - operating	2,920	*2 5,941	*2	39,717
Merchandise and finished goods	9,929	9,592		64,123
Work in process	7,044	7,920		52,948
Raw materials and supplies	15,658	17,203		115,007
Other	2,952	5,207		34,822
Allowance for doubtful accounts	(171)	(28)		(188)
Total current assets	91,905	105,371		704,446
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	26,456	27,767		185,633
Machinery, equipment and vehicles, net	44,752	47,843		319,848
Land	2,553	2,548		17,034
Construction in progress	18,315	28,434		190,093
Other, net	3,462	3,713		24,821
Total property, plant and equipment	95,538	110,305		737,429
Intangible assets				
Goodwill	6,304	5,966		39,882
Other	696	718		4,806
Total intangible assets	7,000	6,684		44,688
Investments and other assets	*1 7,952	*1 8,354	*1	55,850
Total non-current assets	110,490	125,343		837,967
Total assets	¥ 202,395	¥ 230,714	\$	1,542,413

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2023	September 30, 2023	September 30, 2023	September 30, 2023
Liabilities				
Current liabilities				
Notes and accounts payable-trade	¥ 22,794	*2 ¥ 29,619	*2 \$ 198,016	
Short-term borrowings	*4 29,663	*4 35,080	*4 234,525	
Current portion of long-term borrowings	*4 7,200	*4 8,575	*4 57,327	
Income taxes payable	1,020	1,383	9,246	
Provision for bonuses	1,201	1,057	7,065	
Provision for bonuses for directors	55	2	12	
Other	11,740	12,295	82,193	
Total current liabilities	<u>73,673</u>	<u>88,011</u>	<u>588,384</u>	
Non-current liabilities				
Long-term borrowings	*4 38,467	*4 39,250	*4 262,401	
Provision for retirement benefits for directors	216	216	1,443	
Provision for share awards	173	235	1,569	
Provision for share awards for directors	36	46	311	
Retirement benefit liability	4,126	3,697	24,717	
Other	1,229	1,265	8,459	
Total non-current liabilities	<u>44,247</u>	<u>44,709</u>	<u>298,900</u>	
Total liabilities	<u>117,920</u>	<u>132,720</u>	<u>887,284</u>	
Net assets				
Shareholders' equity				
Share capital	12,889	12,889	86,164	
Capital surplus	13,700	13,700	91,594	
Retained earnings	35,568	39,914	266,838	
Treasury shares	(2,176)	(2,173)	(14,527)	
Total shareholders' equity	<u>59,981</u>	<u>64,330</u>	<u>430,069</u>	
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	13	59	393	
Deferred gains or losses on hedges	55	(68)	(453)	
Foreign currency translation adjustment	17,426	26,529	177,361	
Remeasurements of defined benefit plans	(154)	(47)	(316)	
Total accumulated other comprehensive income	<u>17,340</u>	<u>26,473</u>	<u>176,985</u>	
Non-controlling interests	<u>7,154</u>	<u>7,191</u>	<u>48,075</u>	
Total net assets	<u>84,475</u>	<u>97,994</u>	<u>655,129</u>	
Total liabilities and net assets	¥ <u>202,395</u>	¥ <u>230,714</u>	\$ <u>1,542,413</u>	

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

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	¥ 81,710	¥ 86,217	\$ 576,394	
Cost of sales	69,189	72,328	483,539	
Gross profit	12,521	13,889	92,855	
Selling, general and administrative expenses	*1 7,880	*1 9,691	*1 64,792	
Operating profit	4,641	4,198	28,063	
Non-operating income				
Interest income	50	253	1,694	
Dividend income	4	4	30	
Foreign exchange gains	4,237	2,792	18,666	
Other	304	159	1,056	
Total non-operating income	4,595	3,208	21,446	
Non-operating expenses				
Interest expenses	430	551	3,685	
Other	65	95	631	
Total non-operating expenses	495	646	4,316	
Ordinary profit	8,741	6,760	45,193	
Extraordinary income				
Gain on sale of non-current assets	0	35	237	
Gain on termination of retirement benefit plan	—	6	38	
Total extraordinary income	0	41	275	
Extraordinary losses				
Loss on sale and retirement of non-current assets	137	56	374	
Loss on disaster	60	—	—	
Business restructuring expenses	16	—	—	
Total extraordinary losses	213	56	374	
Profit before income taxes	8,528	6,745	45,094	
Income taxes	2,157	1,498	10,013	
Profit	6,371	5,247	35,081	
Profit (loss) attributable to non-controlling interests	(49)	24	161	
Profit attributable to owners of parent	¥ 6,420	¥ 5,223	\$ 34,920	

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

	Millions of yen		Thousands of
	Six months ended September 30, 2022	Six months ended September 30, 2023	U.S. dollars Six months ended September 30, 2023
Profit	¥ 6,371	¥ 5,247	\$ 35,081
Other comprehensive income			
Valuation difference on available-for-sale securities	4	45	303
Deferred gains or losses on hedges	(65)	(123)	(820)
Foreign currency translation adjustment	10,287	9,118	60,948
Remeasurements of defined benefit plans, net of tax	11	107	716
Total other comprehensive income	10,237	9,147	61,147
Comprehensive income	16,608	14,394	96,228
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 16,623	¥ 14,357	\$ 95,982
Comprehensive income attributable to non-controlling interests	(15)	37	246

(3) Consolidated Statements of Cash Flows
For the Six Months Ended September 30, 2023
Meiko Electronics Co., Ltd. and its consolidated subsidiaries

	Millions of yen		Thousands of
	Six months ended September 30, 2022	Six months ended September 30, 2023	U.S. dollars Six months ended September 30, 2023
Cash flows from operating activities			
Profit before income taxes	¥ 8,528	¥ 6,745	\$ 45,094
Depreciation	4,632	5,367	35,884
Amortization of goodwill	20	338	2,261
Increase (decrease) in allowance for doubtful accounts	(17)	622	4,155
Increase (decrease) in provision for bonuses	(138)	(157)	(1,048)
Increase (decrease) in provision for bonuses for directors	(59)	(53)	(352)
Increase (decrease) in provision for share awards	30	62	414
Increase (decrease) in provision for share awards for directors	4	10	69
Increase (decrease) in retirement benefit liability	57	(318)	(2,129)
Interest and dividend income	(54)	(258)	(1,724)
Interest expenses	430	551	3,685
Insurance claim income	(23)	—	—
Foreign exchange losses (gains)	(2,721)	(1,960)	(13,101)
Loss (gain) on sale and retirement of property, plant and equipment	137	21	138
Loss on disaster	60	—	—
Business restructuring expenses	16	—	—
Decrease (increase) in trade receivables	(1,620)	(3,236)	(21,633)
Decrease (increase) in inventories	(370)	363	2,425
Increase (decrease) in trade payables	(4,419)	4,944	33,052
Decrease (increase) in other assets	(347)	(1,572)	(10,508)
Increase (decrease) in other liabilities	(324)	388	2,594
Other, net	(16)	30	196
Subtotal	3,806	11,887	79,472
Interest and dividends received	49	267	1,784
Interest paid	(422)	(548)	(3,664)
Proceeds from insurance income	23	—	—
Payments for business restructuring expenses	(16)	—	—
Income taxes refund (paid)	(1,113)	(1,074)	(7,184)
Net cash provided by (used in) operating activities	2,327	10,532	70,408
Cash flows from investing activities			
Purchase of property, plant and equipment	(10,525)	(12,257)	(81,940)
Proceeds from sale of property, plant and equipment	0	46	305
Purchase of intangible assets	(66)	(69)	(459)
Purchase of investment securities	—	(572)	(3,825)
Proceeds from sale of investment securities	—	221	1,478
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,312)	—	—
Net decrease (increase) in short-term loans receivable	(551)	26	172
Long-term loan advances	(1,109)	(534)	(3,571)
Proceeds from collection of long-term loans receivable	165	399	2,667
Other, net	(85)	29	194
Net cash provided by (used in) investing activities	¥ (21,483)	¥ (12,711)	\$ (84,979)

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	¥ 25,500	¥ 4,520	\$ 30,221	
Proceeds from long-term borrowings	5,000	6,000	40,112	
Repayments of long-term borrowings	(3,315)	(3,841)	(25,683)	
Repayments of lease obligations	(141)	(122)	(814)	
Purchase of treasury shares	(0)	—	—	
Proceeds from disposal of treasury shares	2	—	—	
Dividends paid	(645)	(878)	(5,867)	
Net cash provided by (used in) financing activities	26,401	5,679	37,969	
Effect of exchange rate change on cash and cash equivalents	1,081	1,343	8,979	
Net increase (decrease) in cash and cash equivalents	8,326	4,843	32,377	
Cash and cash equivalents at beginning of period	10,451	17,335	115,890	
Cash and cash equivalents at end of period	*1 ¥ 18,777	*1 ¥ 22,178	*1 \$ 148,267	

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 ¥149.58 to \$1, the approximate rate of exchange at September 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 U.S. dollars	
	March 31, 2023	September 30, 2023	September 30, 2023	
Investments and other assets	¥ 31	¥ 817	\$	5,465

*2 Accounting treatment for notes, etc., maturing on September 30, 2023

Notes, etc., maturing on the final day of a quarterly reporting period are accounted for as if they had been settled on the final day of the period.

As the final day of the second quarter was a bank holiday, the following notes, etc., that matured on that day were accounted for as though they had been settled on the maturity date, September 30, 2023.

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2023	September 30, 2023	September 30, 2023	
Notes receivable-trade	¥ —	¥ 105	\$	699
Electronically recorded monetary claims - operating	—	1,453		9,713
Notes payable-trade	—	2		16
Electronically recorded obligations - operating	—	50		331

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

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2023	September 30, 2023	September 30, 2023	
Discounted electronically recorded monetary claims - operating	¥ 15	¥ 19	\$	128

*4 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.

Six months ended September 30, 2023

Of short-term borrowings and long-term borrowings (including borrowings scheduled for repayment within one year), ¥61,100 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 75% or higher 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 Income

*1 Main items and corresponding amounts recorded as selling, general and administrative expenses are shown below:

	Millions of yen		Thousands of
	Six months ended September 30, 2022	Six months ended September 30, 2023	U.S. dollars
Salaries and allowances	¥ 1,285	¥ 1,454	\$ 9,722
Provision for bonuses	255	304	2,030
Provision of allowance for doubtful accounts	3	784	5,239
Provision for share awards	30	66	442
Provision for share awards for directors	9	10	69
Retirement benefit expenses	57	63	419
Research and development expenses	1,777	2,261	15,119

Consolidated Statements of Cash Flows

*1 The relationship between cash and cash equivalents as of September 30, 2023, and the amounts shown on the Consolidated Balance Sheets are shown below:

	Millions of yen		Thousands of
	Six months ended September 30, 2022	Six months ended September 30, 2023	U.S. dollars
Cash and deposits	¥ 19,026	¥ 22,427	\$ 149,932
Time deposits with tenors exceeding 3 months	(249)	(249)	(1,665)
Cash and cash equivalents	¥ 18,777	¥ 22,178	\$ 148,267

Total Shareholders' Equity

Six months ended September 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 six months ended September 30, 2022, those dividends whose effective date fell after the last day of the second quarter

Resolution

Board meeting on November 4, 2022

Type of shares	Common shares
Total dividends (Millions of yen)	696
Dividend per share (Yen).....	27.00
Record date.....	September 30, 2022
Effective date.....	November 30, 2022
Dividend resource.....	Retained earnings

Note: Total dividends by a resolution of the Board of Directors on November 4, 2022, 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).

Six months ended September 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 six months ended September 30, 2023, those dividends whose effective date will fall after the last day of the second quarter

Resolution	
Board meeting on November 6, 2023	
Type of shares	Common shares
Total dividends (Millions of yen)	696
Dividend per share (Yen).....	27.00
Record date.....	September 30, 2023
Effective date.....	November 30, 2023
Dividend resource.....	Retained earnings

Resolution	
Board meeting on November 6, 2023	
Type of shares	Series 1 Non-convertible preferred stock
Total dividends (Millions of yen)	158
Dividend per share (Yen).....	2,256,164.40
Record date.....	September 30, 2023
Effective date.....	November 30, 2023
Dividend resource.....	Retained earnings

Note: Total dividends on common shares by a resolution of the Board of Directors on November 6, 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).

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	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Japan	27,916	37,218
China	20,418	16,459
Vietnam	10,326	10,672
Asia	11,468	10,156
North America	9,274	9,816
Europe	2,306	1,895
Other	2	1
Revenue generated from contracts with customers	81,710	86,217
Other revenue	—	—
Sales to external customers	81,710	86,217

Per Share Information

The basis for calculating profit per share is shown below:

Item	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit per share (Yen)	250.37	197.52
Basis for calculation		
Profit attributable to owners of parent (Millions of yen)	6,420	5,223
Amounts not attributable to common shareholders (Millions of yen)	—	158
[Of which, preferred dividend (Millions of yen)]	[—]	[158]
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	6,420	5,065
Average number of common shares outstanding for the period (Shares)	25,641,302	25,644,682

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 used to calculate profit per share was 138,908 shares for the six months ended September 30, 2022, and 135,387 shares for the six months ended September 30, 2023.

Significant Subsequent Events

Not applicable

2 Other

Dividends of surplus

With regard to interim dividends for the fiscal year ending March 31, 2024, the Board of Directors passed a resolution at its meeting on November 6, 2023 to pay interim dividends to shareholders who are recorded in the shareholder registry as of September 30, 2023 as follows:

1) Total dividends	
Common shares	696 million yen
Series 1 Non-convertible preferred stock	158 million yen
2) Dividend per share	
Common shares	27.00 yen
Series 1 Non-convertible preferred stock	2,256,164.40 yen
3) Effective date of claim for payment and payment commencement date	
November 30, 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).