
Financial Results Briefing for Q1 FYE 12/2024

May 10, 2024



Securities code: 4971

<https://www.mec-co.com/en/>

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Notice of Revision of Earnings Forecast

Revision to the 1H consolidated earnings forecast	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previously announced Forecast(A)	7,850	1,300	1,350	950	50.73
Forecast revised this time(B)	8,350	1,800	1,900	1,300	69.43
Difference(B-A)	500	500	550	350	
Percentage change (%)	6.4	38.5	40.7	36.8	
(Reference) 1H FYE12/2023	6,198	838	1,003	1,076	56.79
Revision to the full-year consolidated earnings forecast	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previously announced Forecast(A)	16,300	3,000	3,100	2,150	114.82
Forecast revised this time(B)	17,000	3,650	3,800	2,650	141.52
Difference(B-A)	700	650	700	500	
Percentage change (%)	4.3	21.7	22.6	23.3	
(Reference) Full-year FYE12/2023	14,020	2,492	2,683	2,304	122.29

Q1 FYE12/2024 Key factors

1

Sales: 4,354 million yen(YOY change: UP 57.5%)
Operating income: 1,053 million yen(YOY change: UP 523.7%)

2

Exchange rate impact (YOY change)
Sales: Up 176 million yen,
Operating income: Up 100 million yen.

3

Chemicals
Sales: 3,924 million yen (YOY change: UP 44.7%)
Shipments: 9,850 t (YOY change: UP 31.4%)

4

Major products sales (YOY change)
CZ: UP 58.0% EXE: UP 37.0% SF: UP 8.3% V-Bond: UP 7.2%

Exchange rates

	Initial forecast	24Q1	23Q1	23Q4
NTD	4.48	4.71	4.37	4.52
RMB	19.66	20.55	19.33	19.81
HKD	17.73	18.90	17.02	17.96
THB	4.01	4.16	3.90	4.04
EUR	150.22	160.89	143.34	152.27
USD	138.87	147.86	133.26	140.55

The exchange rates for Revision to Earnings Forecast in May 10, 2024 is the average rate during 2024Q1.

- Overseas subsidiaries are basically transactions denominated in local currency, and are affected by the yen / local currency rate when converting to yen in consolidated accounting.
- Our major foreign currencies are the Taiwan dollar (NTD) and the Chinese yuan (RMB). Both use the average rate during the period.

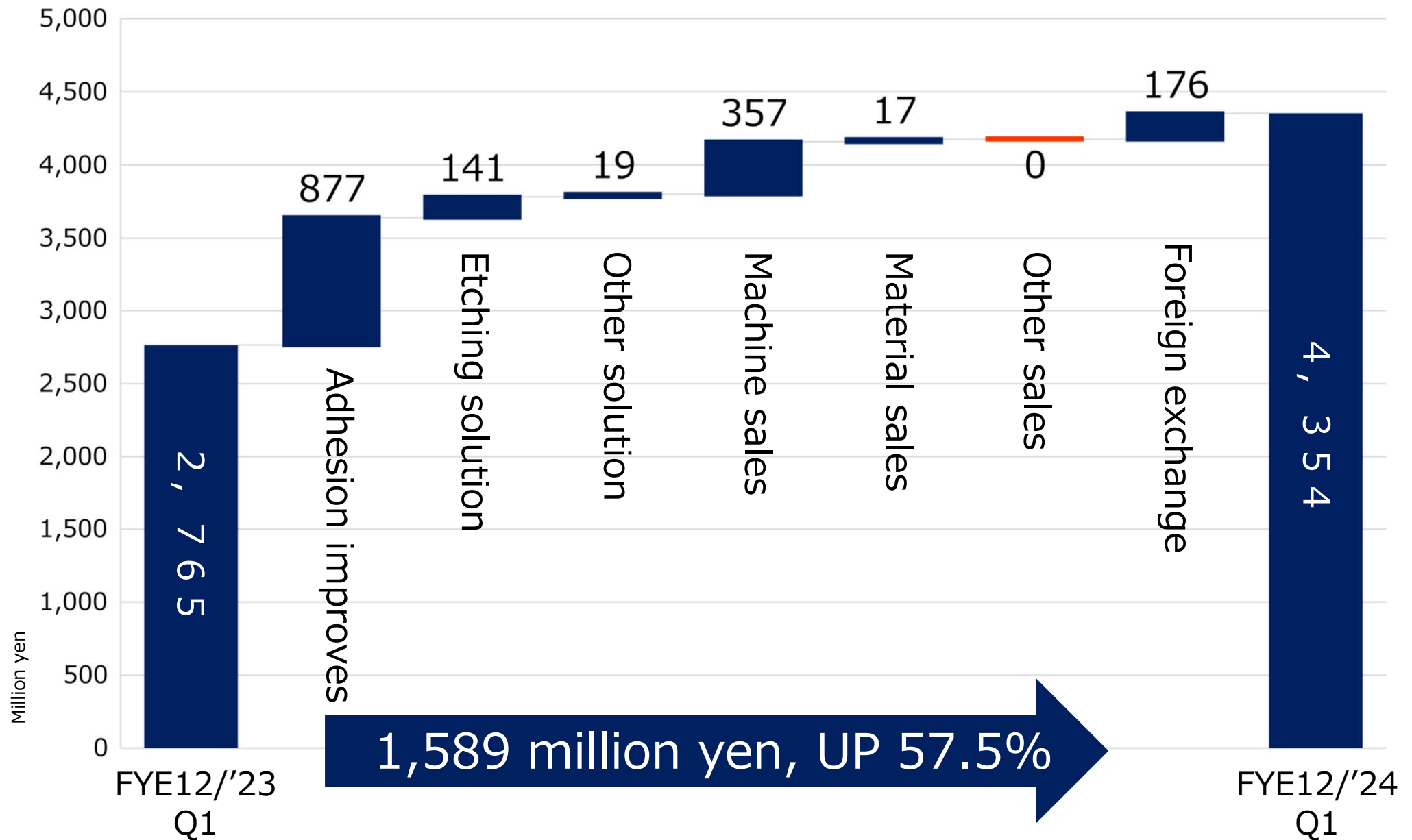
Exchange sensitivity (3 months conversion)(million yen) : NTD: (Sale) 16 (Operating income) 12
RMB: (Sale) 6 (Operating income) 3

Q1 FYE12/2024 Results

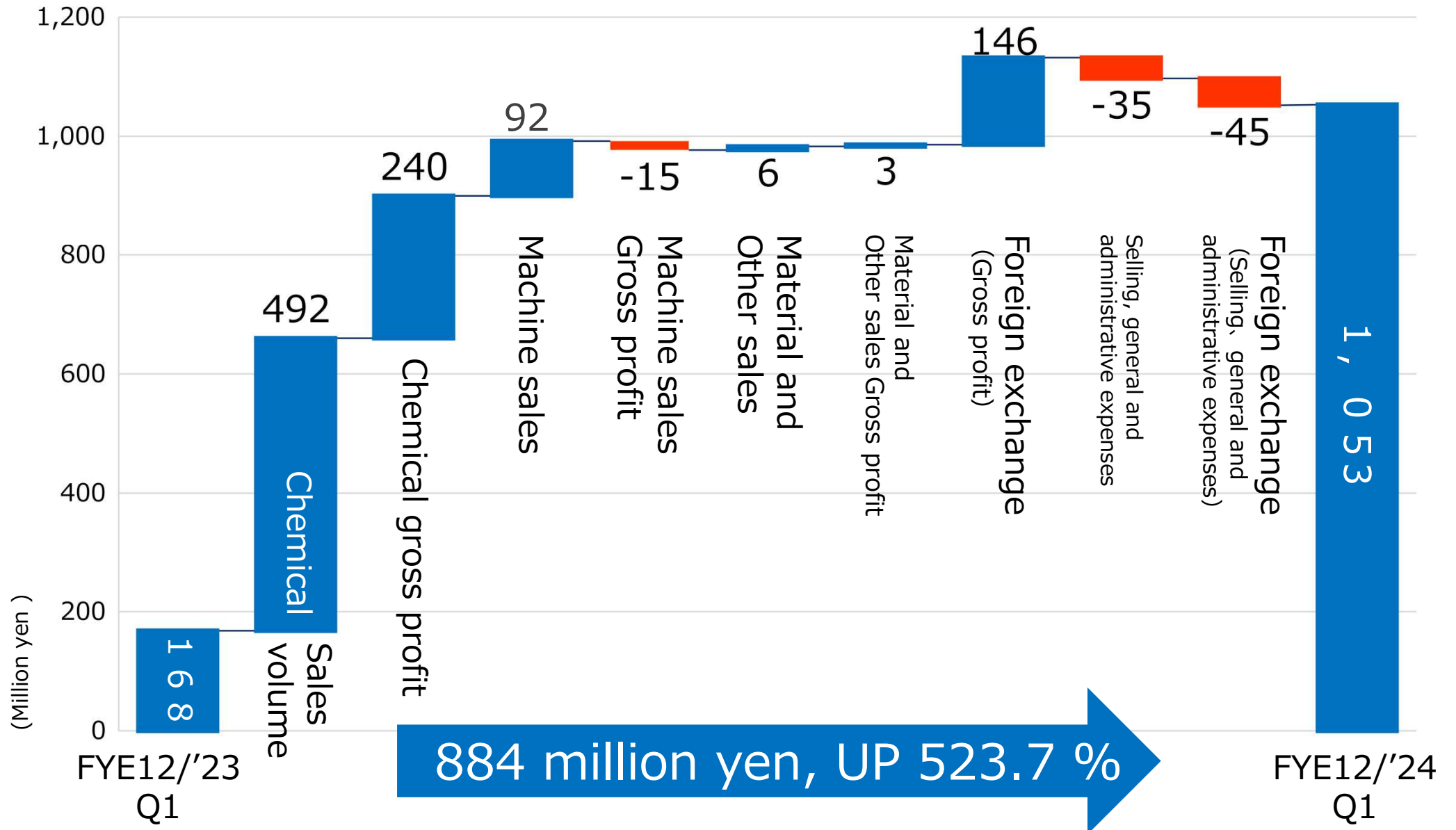
Unit : million yen

	Q1						Full-year		
	FYE12.2023		FYE12.2024				FYE12.2023	FYE12.2024	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)		Results	(Forecast)	YOY (%)
Net sales	2,765	19.7%	4,354	25.6%	1,589	57.5%	14,020	17,000	21.3%
Chemical sales	2,712	-	3,924	-	1,211	44.7%	13,764	-	-
Gross profit	1,583	-	2,549	-	965	61.0%	8,316	-	-
Gross profit margin	57.3%	-	58.5%	-	-	-	59.3%	-	-
SGA	1,414	-	1,496	-	81	5.7%	5,824	-	-
Sales ratio	51.2%	-	34.4%	-	-	-	41.5%	-	-
Operating income	168	6.8%	1,053	28.9%	884	523.7%	2,492	3,650	46.4%
Operating profit margin	6.1%	-	24.2%	-	-	-	17.8%	-	-
Ordinary income	223	8.3%	1,132	29.8%	909	406.4%	2,683	3,800	41.6%
Ordinary profit margin	8.1%	-	26.0%	-	-	-	19.1%	-	-
Profit before tax	219	-	1,128	-	908	414.8%	3,219	-	-
Net income	82	3.6%	779	29.4%	697	848.2%	2,304	2,650	15.0%
EBITDA	403	-	1,320	-	917	327.5%	3,993	-	-
EPS	4.32	-	41.62	-	-	-	122.29	141.52	-
ROE	0.4%	-	3.1%	-	-	-	9.6%	10.9%	-

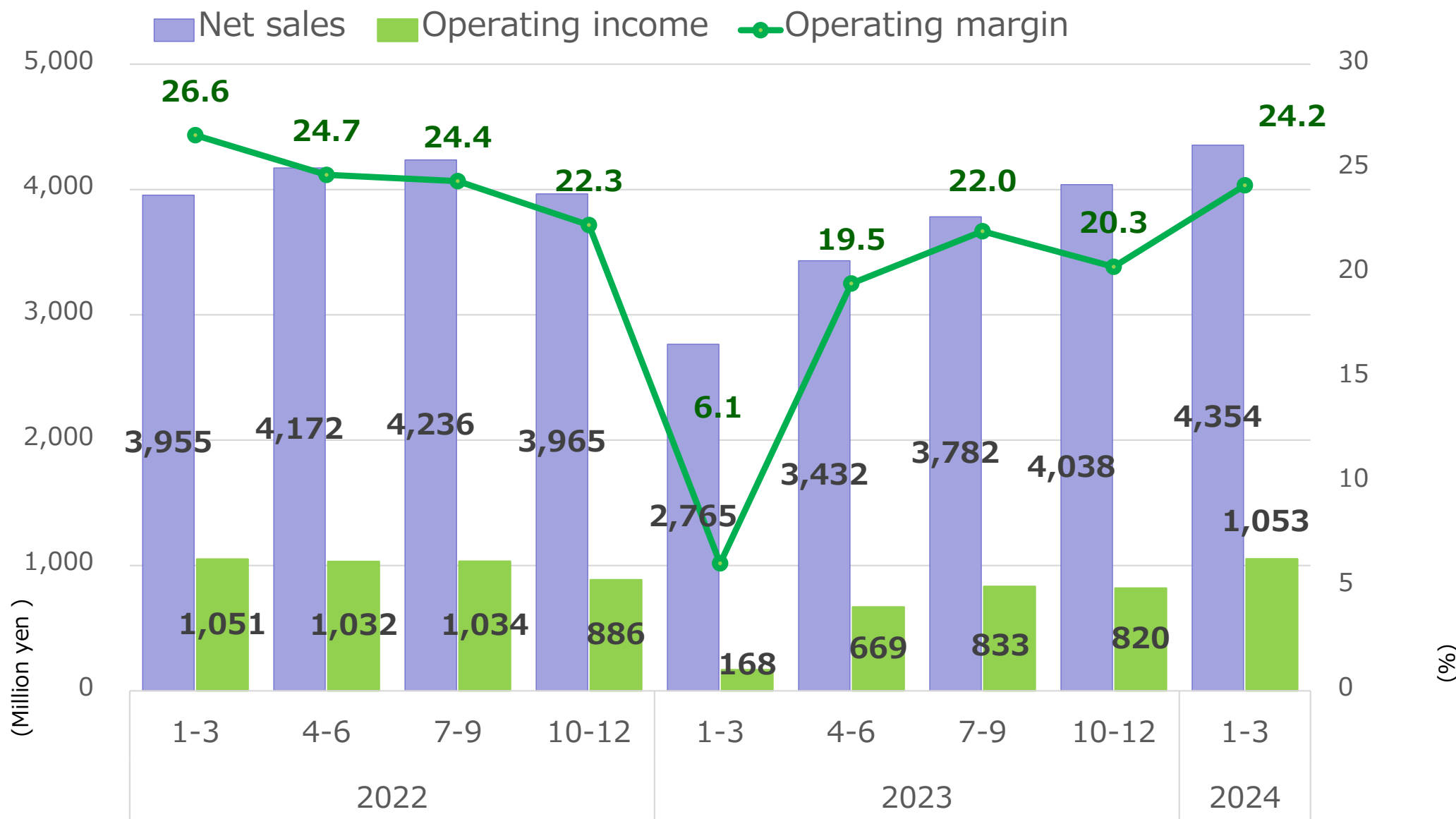
Net sales YOY



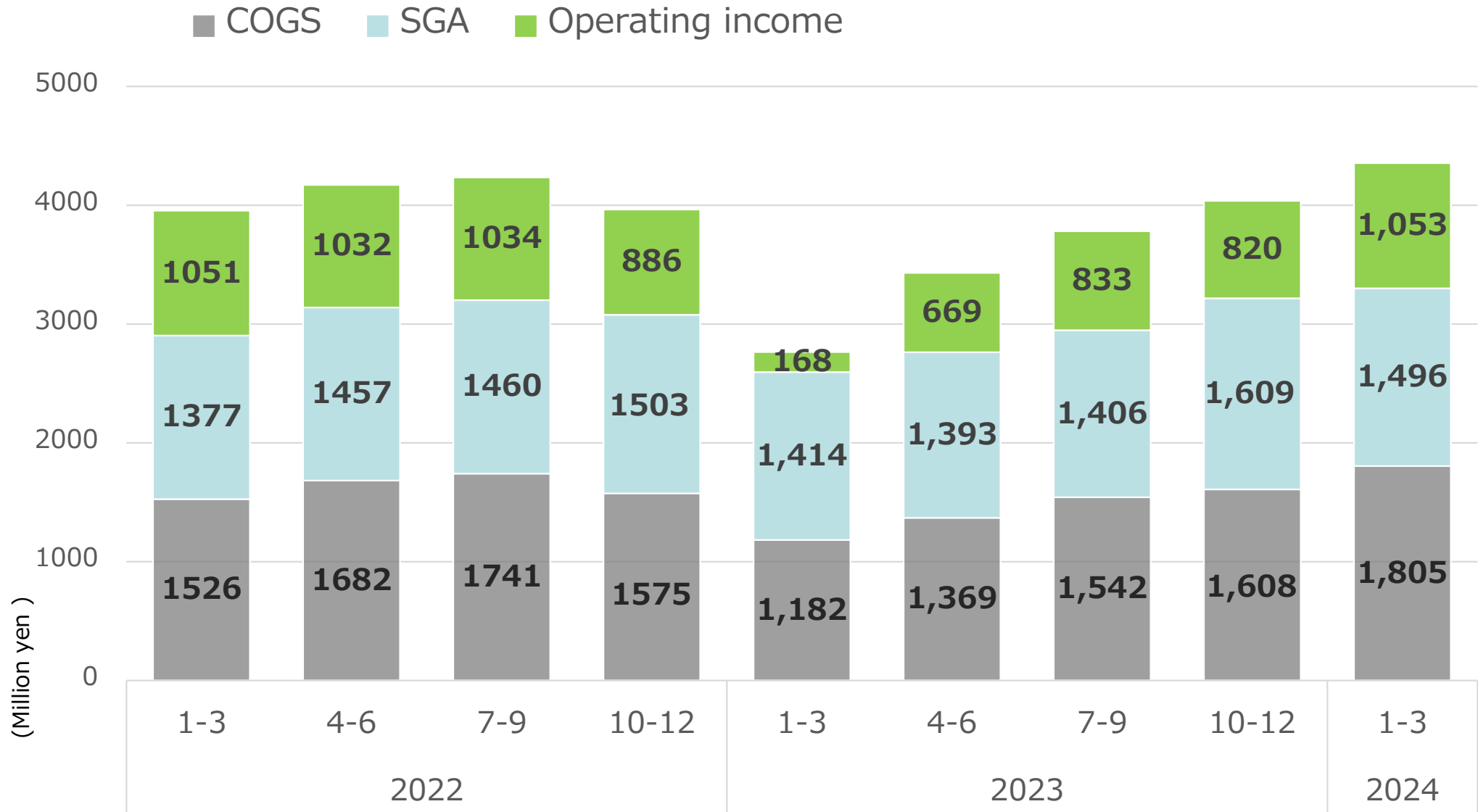
Operating income YOY



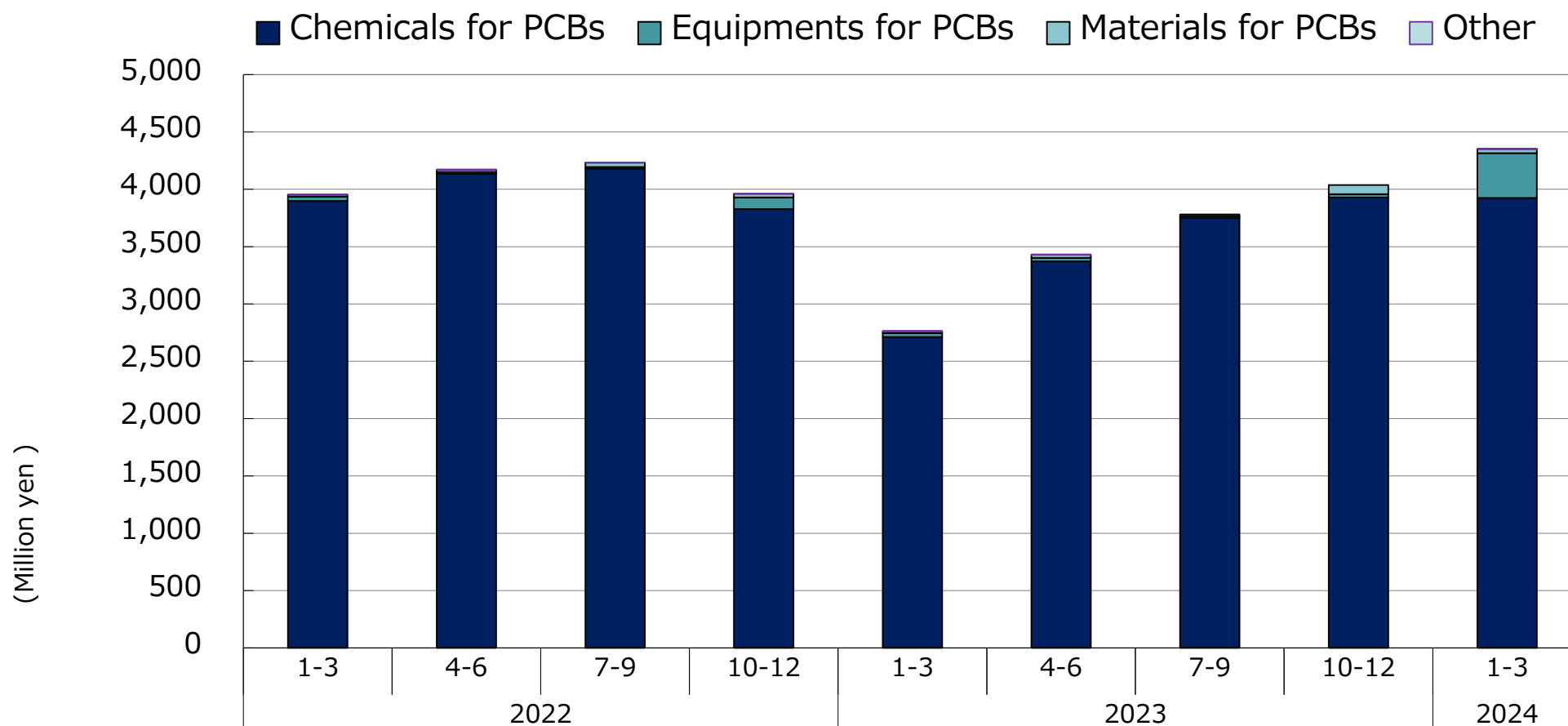
Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



Quarterly composition: Operating income, SG&A, COGS (Consolidated)

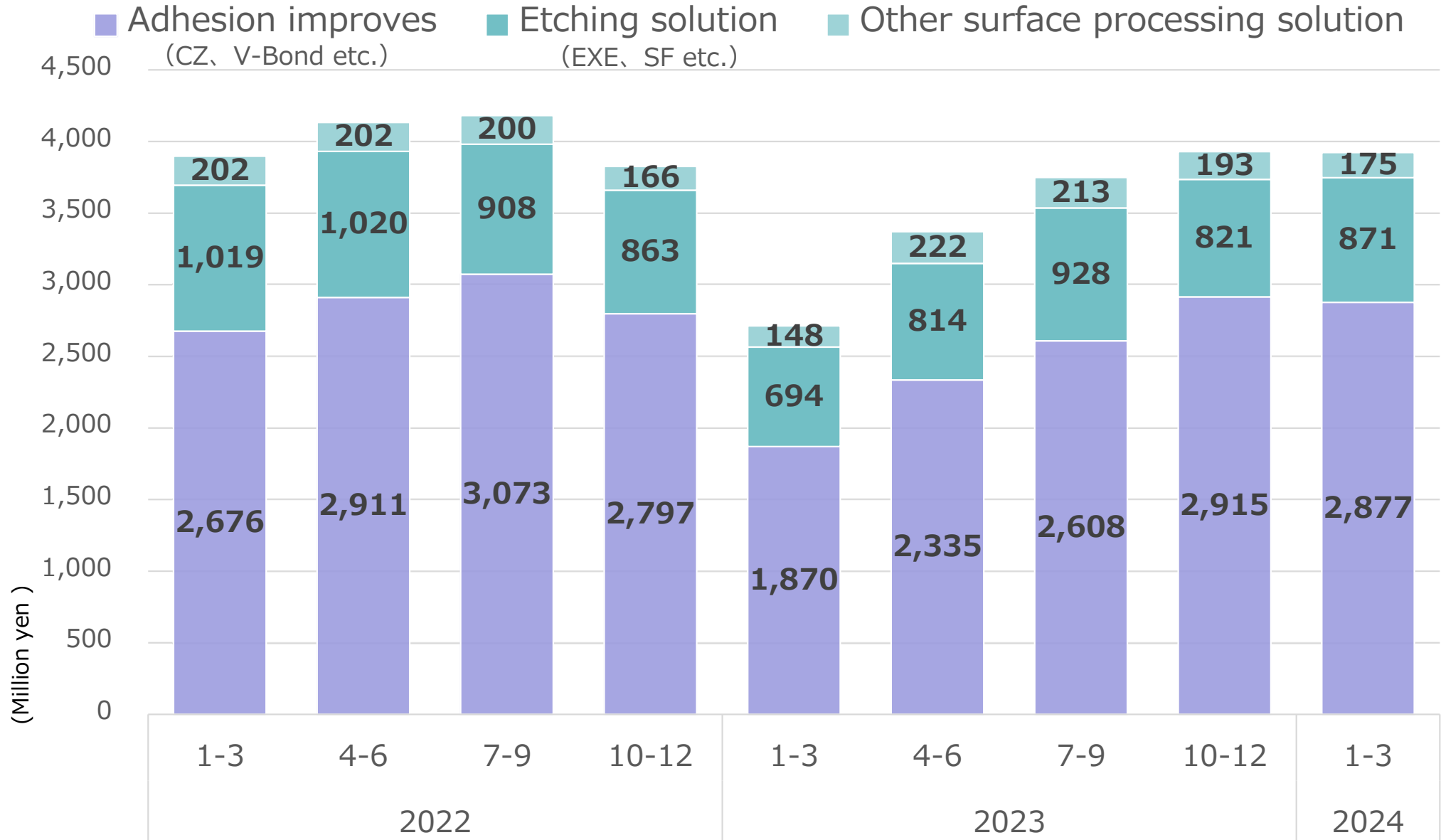


Quarterly performance : Product-specific sales (Consolidated)

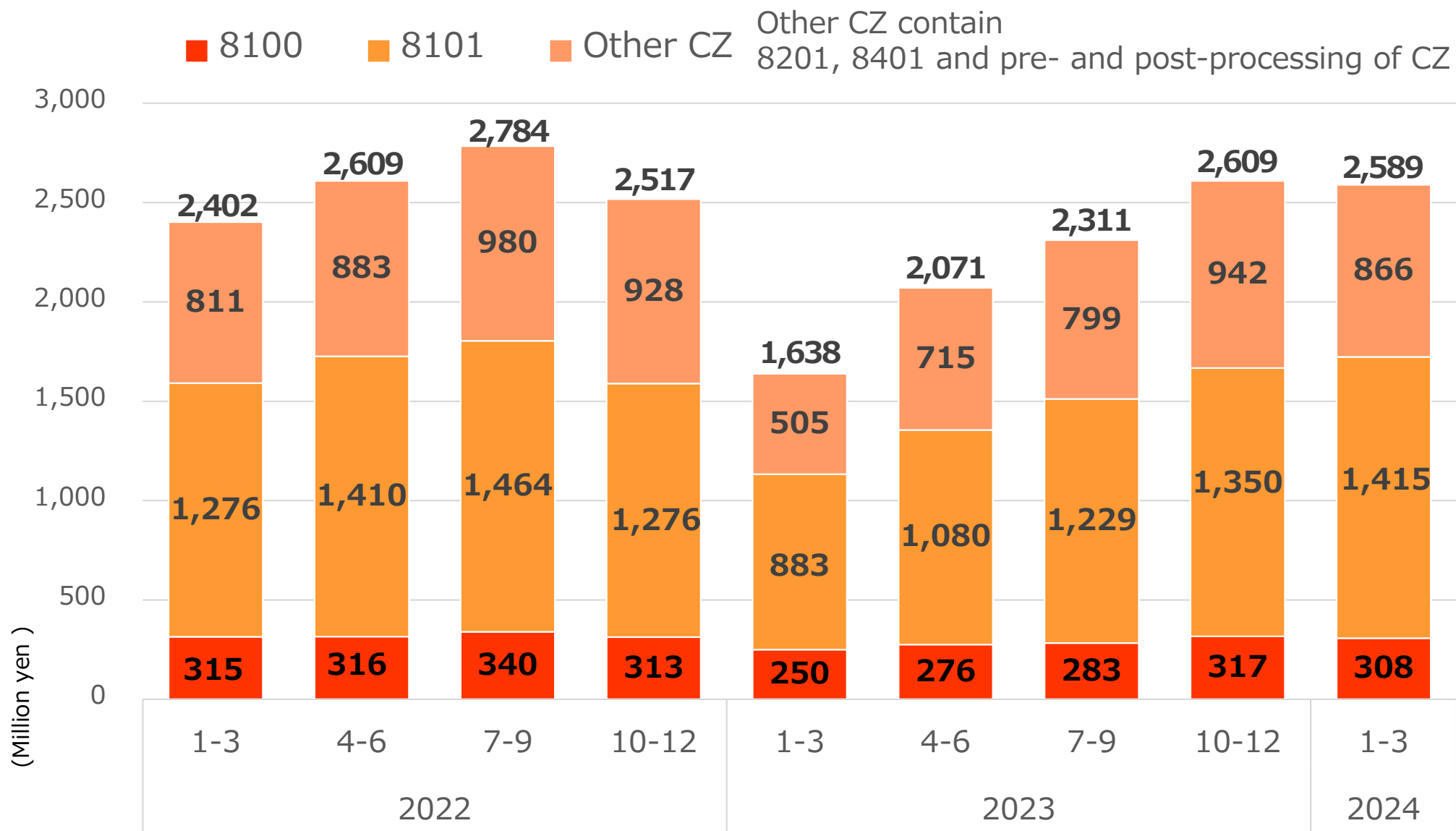


Other	1	1	1	3	1	1	0	0	1
Materials for PCBs	18	19	38	31	16	27	15	80	37
Equipments for PCBs	36	17	13	102	34	31	17	28	391
Chemicals for PCBs	3,898	4,134	4,181	3,827	2,712	3,372	3,749	3,929	3,924

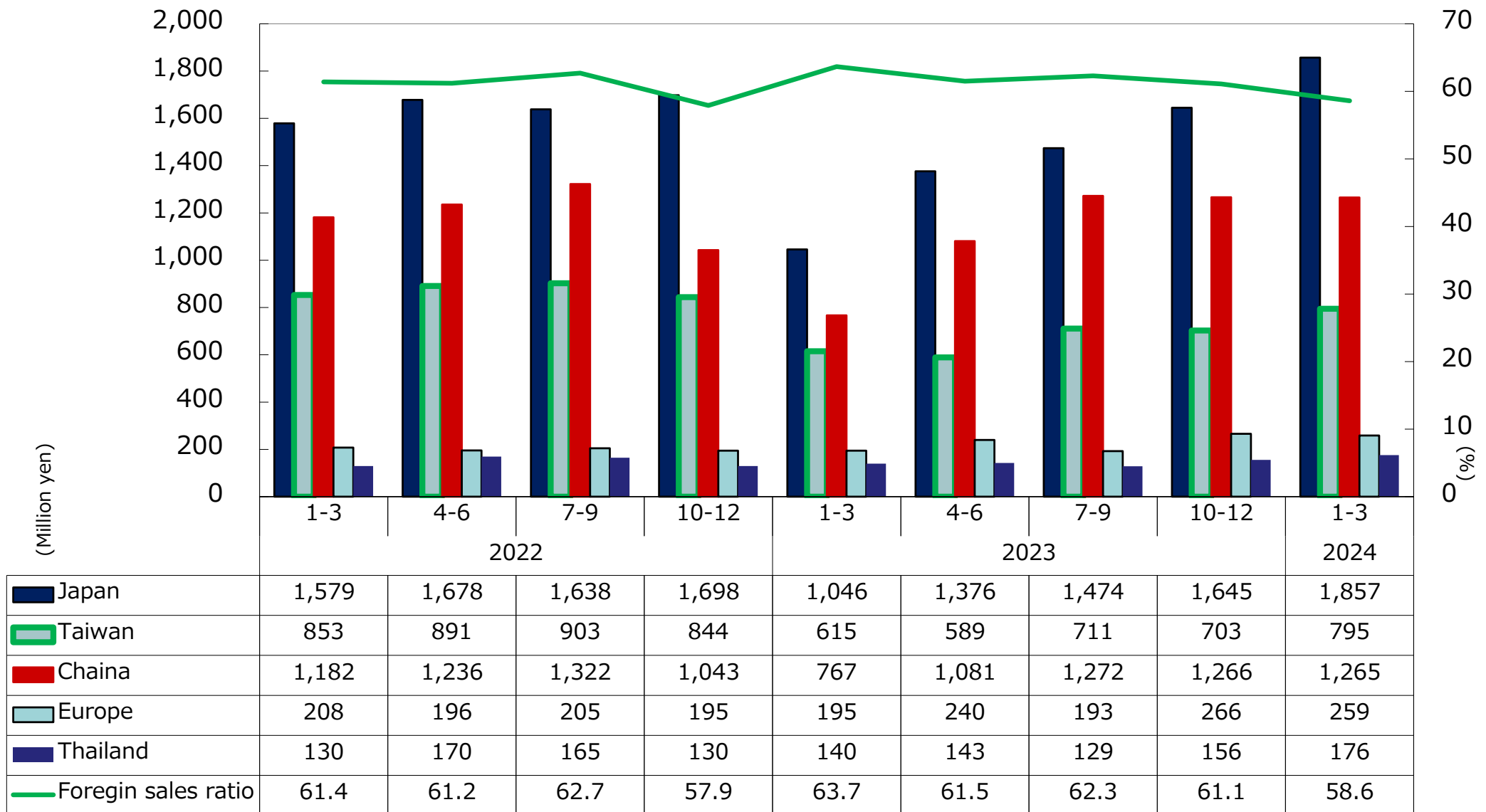
Quarterly performance : Chemical sales (Consolidated)



Quarterly performance : CZ series sales



Quarterly performance : Region-specific sales and overseas sales ratio

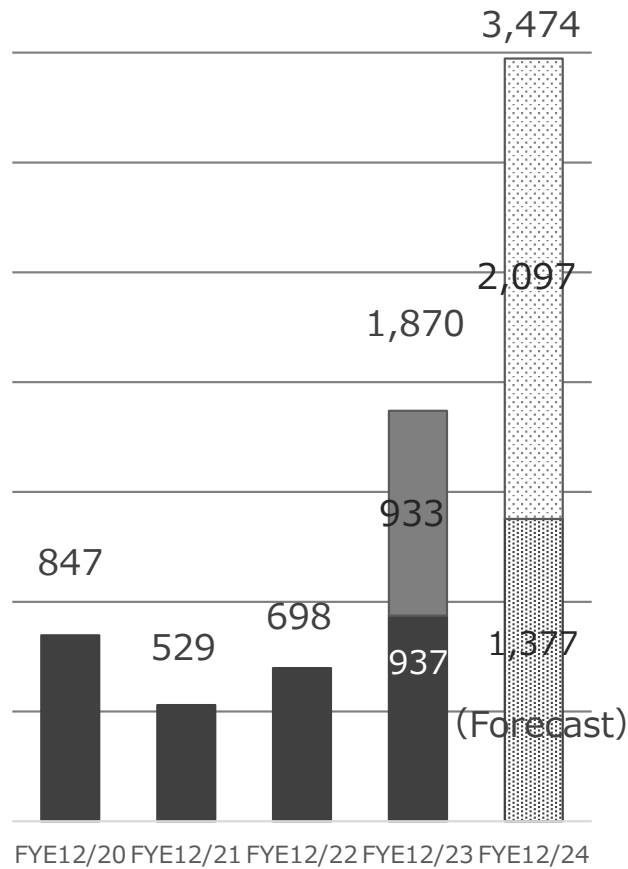


Overseas sales ratio is 73.1%(same period of the previous year: 72.5%) including sales to overseas customers through agents in Japan.

Capital investment, Depreciation expenses and R&D expenses

Capital investment

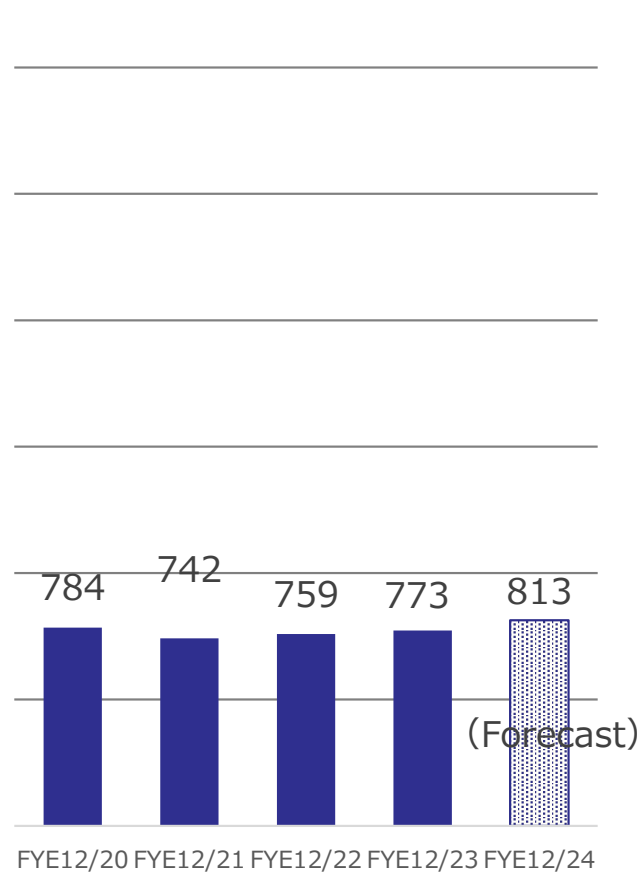
(million yen)



Capital investment for new production base
 ■ FY2023 933 million yen
 ▨ FY2024 2,097 million yen (Forecast)

Depreciation expenses

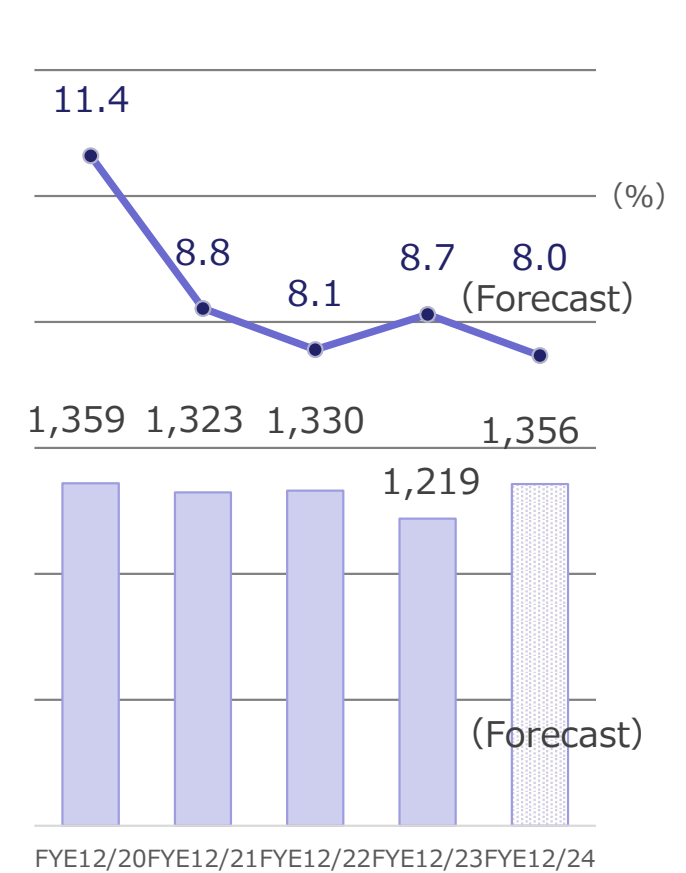
(million yen)



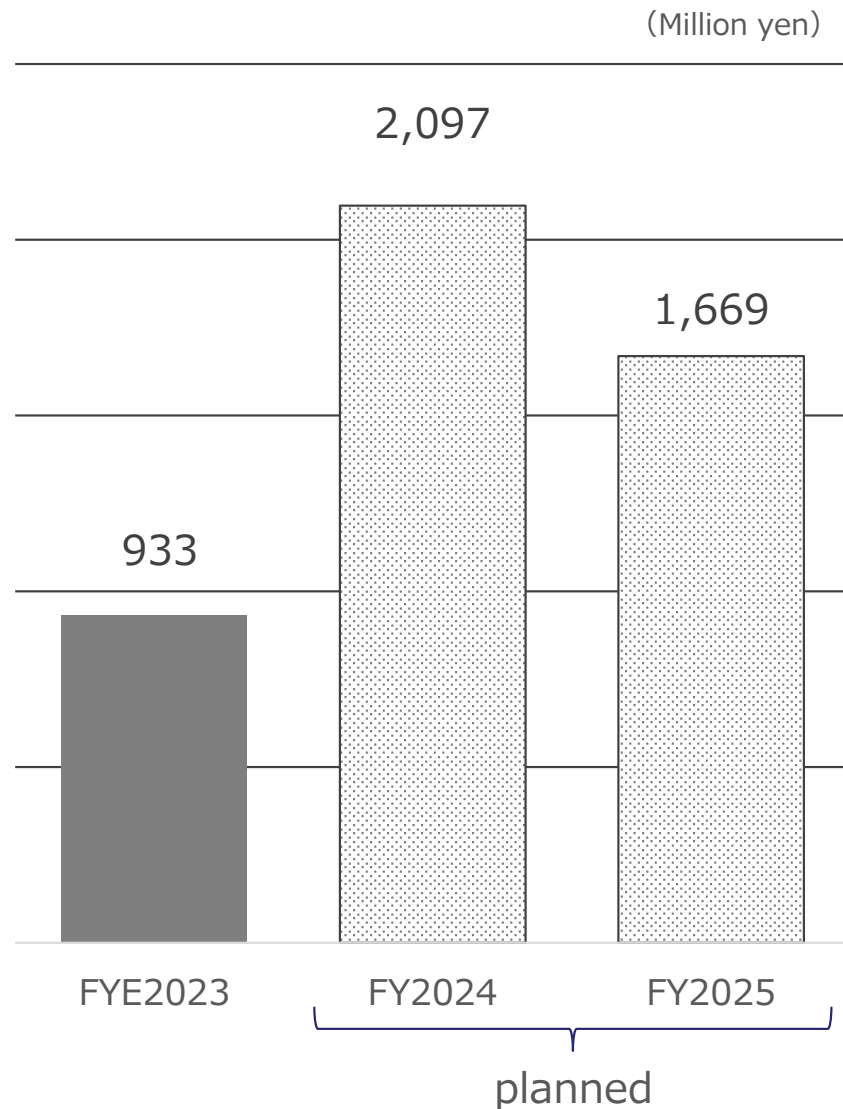
Depreciation expenses for new production base
 200-250 million/year

R&D expenses and Ratio of consolidated sales

(million yen)



Capital investment new production base Kitakyushu Plant (tentative name)



Depreciation expenses for new production base
200-250 million/year

Kitakyushu Plant (tentative name)



Location

Wakamatsu-ku, Kitakyushu City,
Fukuoka Prefecture

Site area

29,889 m²

Production capacity Approx.

30,000 t/year (planned)

Total investment Approx.

4.7 billion yen (including land acquisition costs)

Start of construction

August 2024 (planned)

Commencement of operations

October 2025 (planned)

**MEC's technology
&
Our future plans**

Examples of major chemical applications and final products

Major chemical	Characteristic	Final products
Super-roughening type adhesive enhancement CZ series	A copper surface treatment agent that enhances adhesion between copper and resin. It is mainly an adhesion improver for PKG substrates, and is also used for high-density PCBs.	Infrastructure (5G/6G-related, data centers, etc.) and high-function devices (PCs, smartphones, tablet PCs, etc.)
Adhesion improvers for multilayer substrates V-Bond series	A copper surface treatment agent that enhances adhesion between copper and resin. Adhesion improver mainly for multilayer substrates. Not used for PKG substrates.	Smartphones, cars, etc.
Anisotropic etchant EXE series	Fine wiring can be formed through subtraction. Etching agent for COF substrates.	TV and PC monitors, etc.
Selective etchant SF series	Etching agent with selectivity to copper.	Tablet PCs, etc.

Our future plans

Business environment

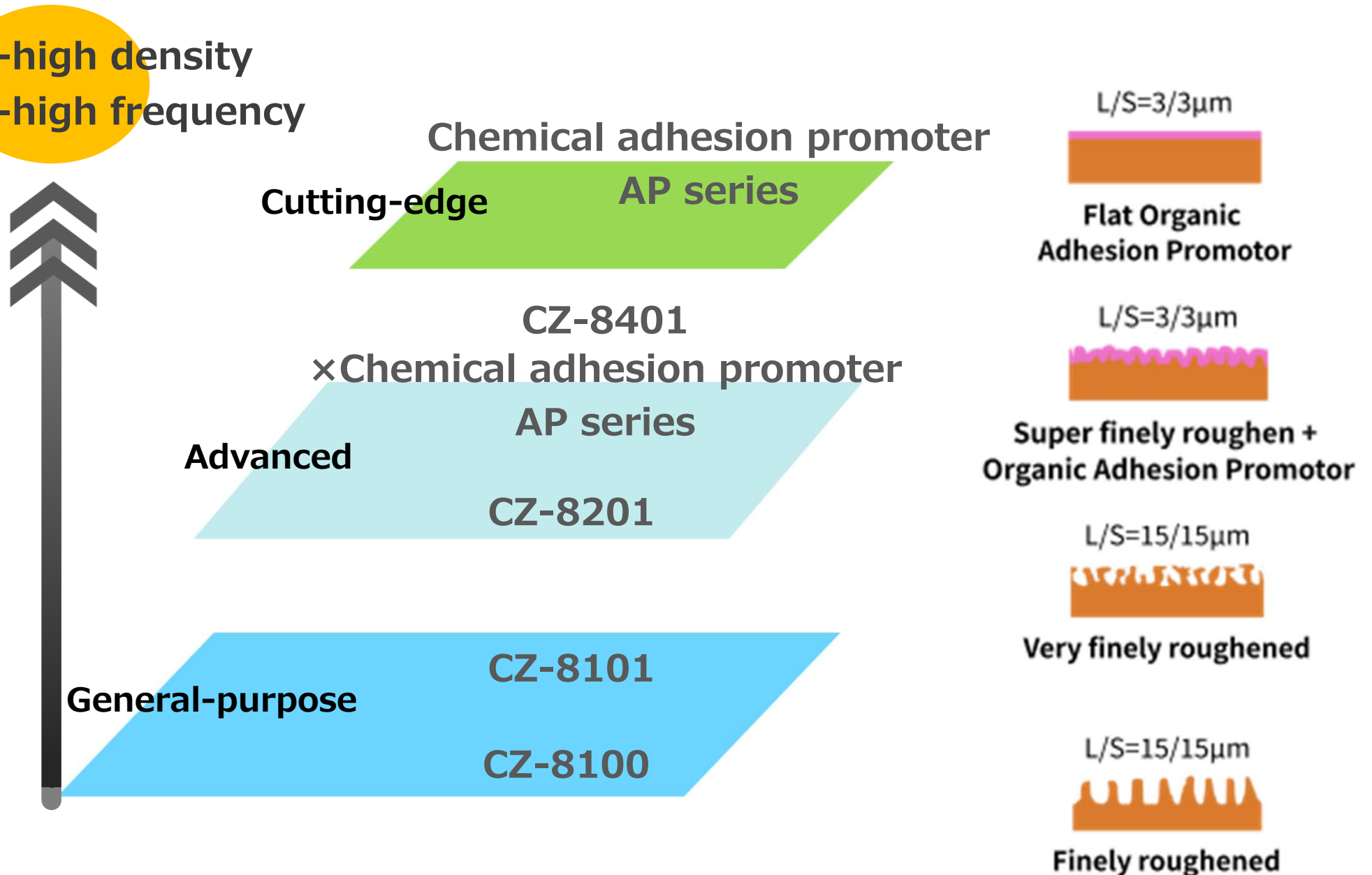
- In the short term, it will be affected by the semiconductor market, which is in a recovery phase, and personal consumption.
- In the medium to long term, technological innovation will advance against the backdrop of the spread of technologies such as IoT, AI, 5G, electrification of vehicles, and the promotion of DX and GX, and markets related to our company will continue expanding.
- Demand for the related CZ Series and Chemical adhesion promoter is expected to grow thanks to Ultra-high density, Ultra-high frequency and higher performance and increase in PKG substrates due to growing demand for semiconductors.

Major chemical

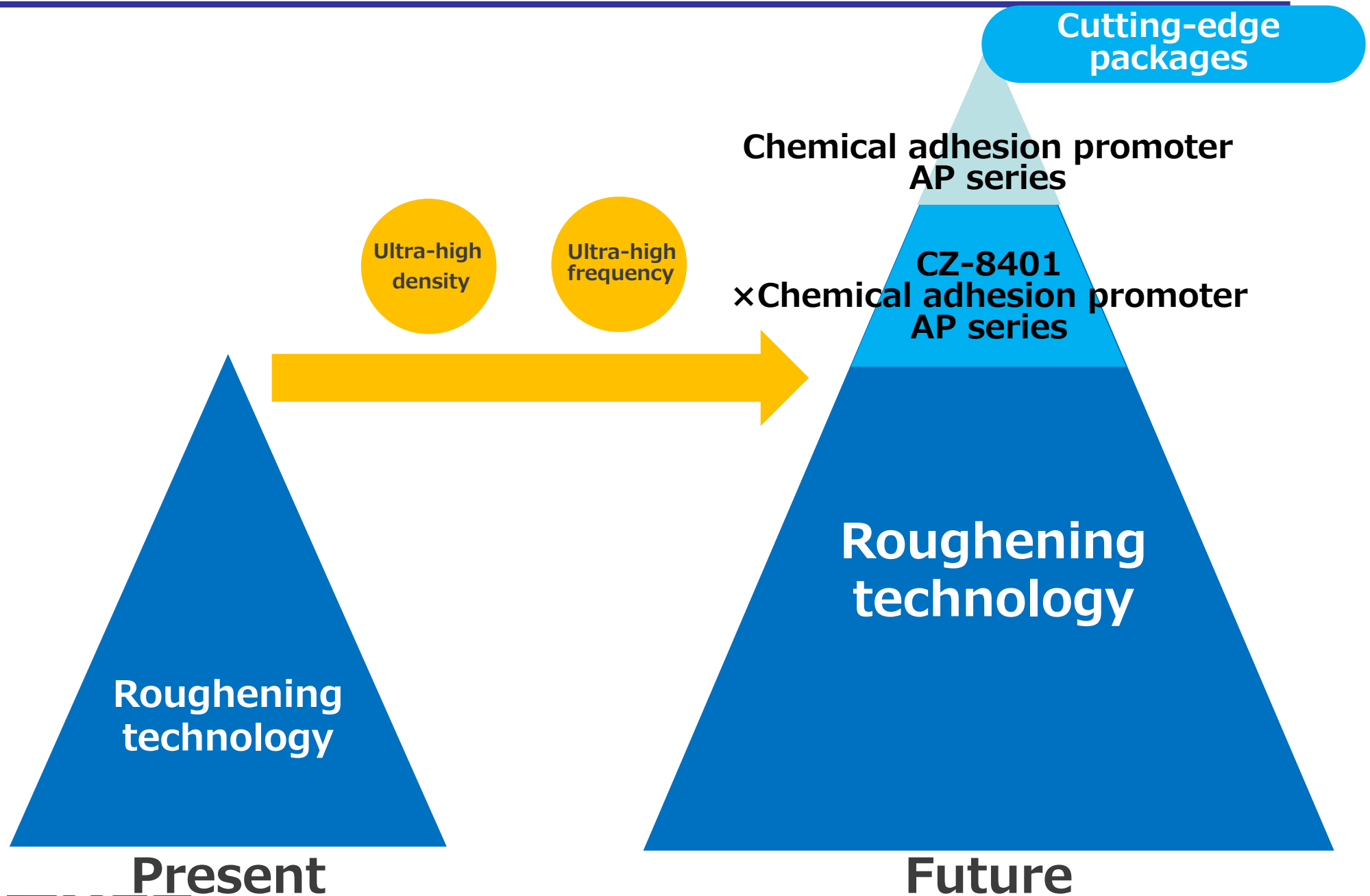
- CZ : In the short term, demand will be affected by the semiconductor market is a recovery phase. In the medium to long term, demand is expected to increase due to an increase in PKG substrates and an increase in size and multilayer structure.
- V-Bond : In the short term, the automobile market and smartphone market will recover.
- EXE : In the short term, display inventory adjustments are progressing and there is a recovery trend. Continuity is unclear.
- SF : Demand for smartphones is expected to decline due to technological changes, while demand for tablet PCs is expected to continue.

Our products & PKG Substrate trend

Ultra-high density
Ultra-high frequency



Market trend



New production base



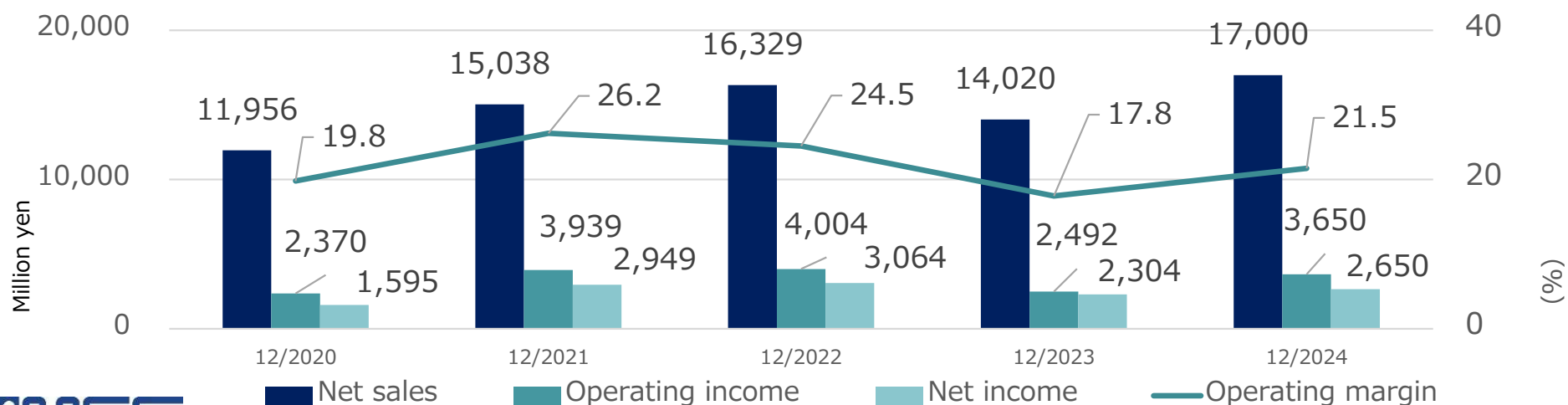
Conceptualized image of completed facility



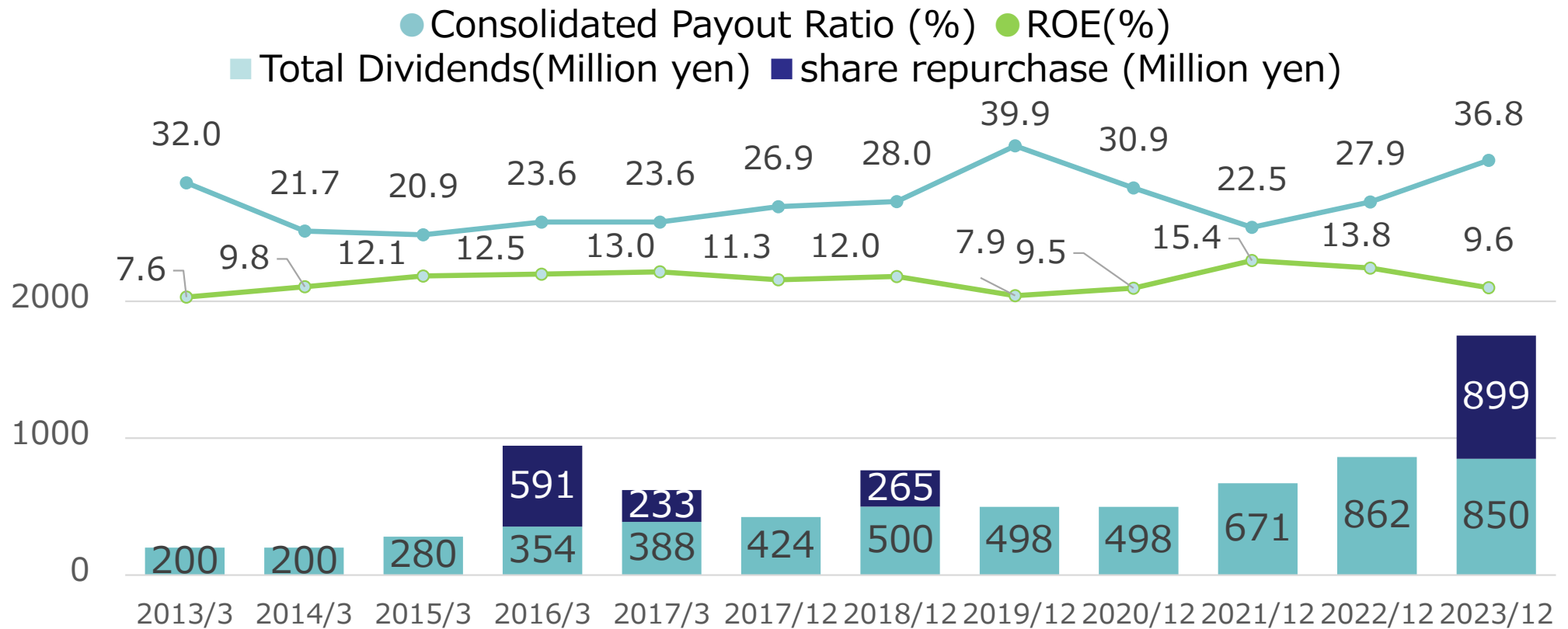
Location	10 Koyomachi, Wakamatsu-ku, Kitakyushu City, Fukuoka Prefecture
Site area	29,889 m ²
Start of construction	August 2024 (planned)
Total investment	Approx. 4.7 billion yen (including land acquisition costs)
Investment plan	Own funds and debt financing (planned)
Production capacity	Approx. 30,000 t/year (planned)
Number of newly hired employees	10 to 20 (planned)
Commencement of operations	October 2025 (planned)

FYE12/2024 full-year forecast

	FYE12/2023 (55th term)		FYE12/2024 (56th term)					
	Full-year		May 10, 2024					
			1H			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	14,020	-	8,350	-	34.7%	17,000	-	21.3%
Operating income	2,492	17.8	1,800	21.6	114.7%	3,650	21.5	46.4%
Ordinary income	2,683	19.1	1,900	22.8	89.4%	3,800	22.4	41.6%
Net income	2,304	16.4	1,300	15.6	20.8%	2,650	15.6	15.0%
Net income per share(yen)	122.29	-	69.43	-	-	141.52	-	-



Trends in Total Dividends, Consolidated Dividend Payout Ratio, and ROE



+ Consolidated Dividend Payout Ratio

Medium-term goal(consolidated payout ratio)
30%

+ ROE

2024 quantitative targets
At least 10%

+ FYE12/2023 Annual dividends per share(Forecast)

45.0円 (2Q-end 20.0yen, Fiscal year-end 25.0yen,
consolidated payout ratio:31.8%)

ESG effort

Environment

- Development of products that reduce environmental impact.
- Appropriate chemical substance management.
- Measures to address climate change.

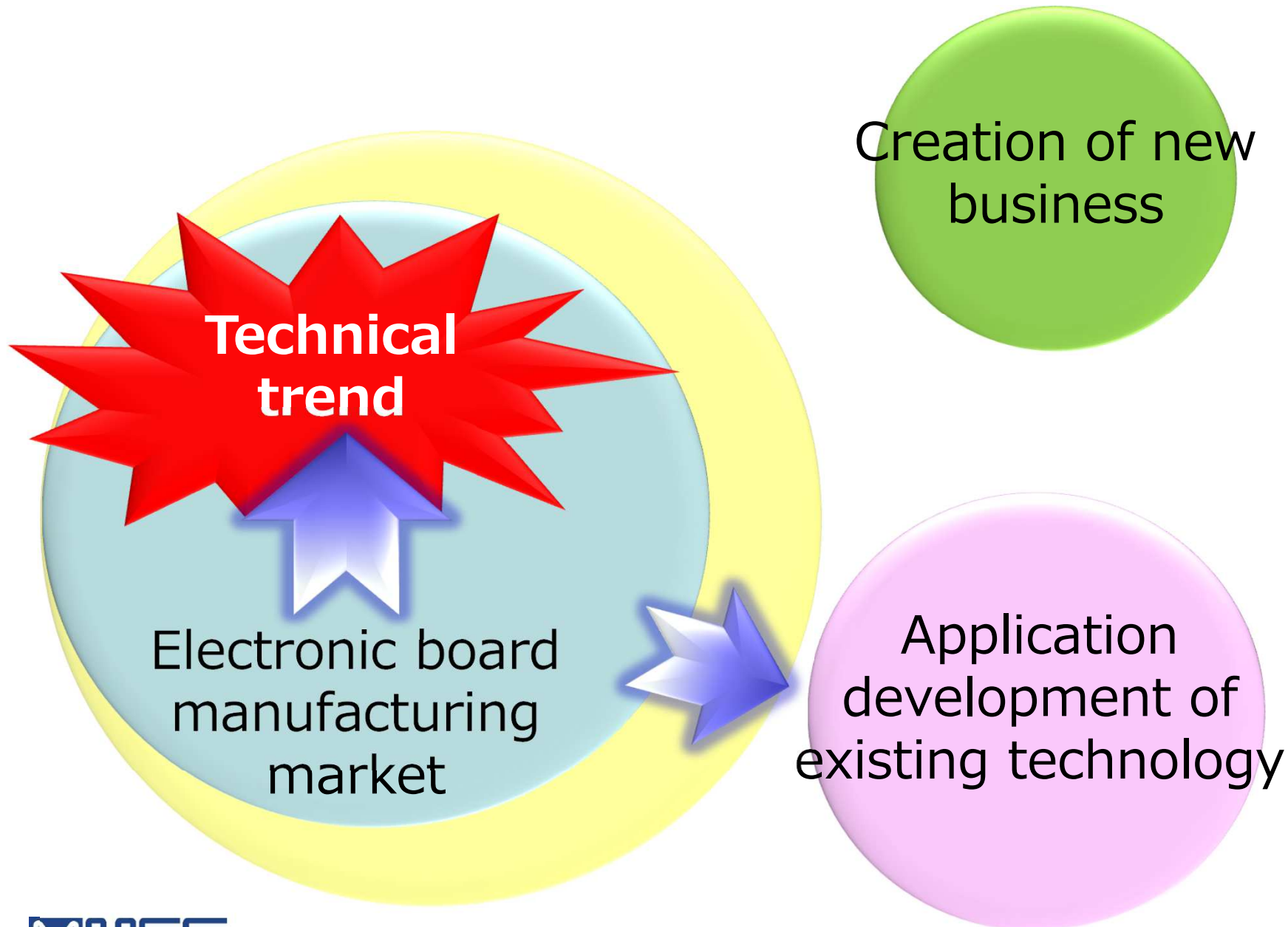
Social

- Human Capital Strategy.
- Utilization of diverse human resources (empowerment of women, WLB, promotion of men taking childcare leave, etc.).
- Contribution to social development (5G, autonomous driving).

Governance

- Reinforcement of management foundations (CG system, various committees, risk management, etc.).

Aiming to expand the business domain



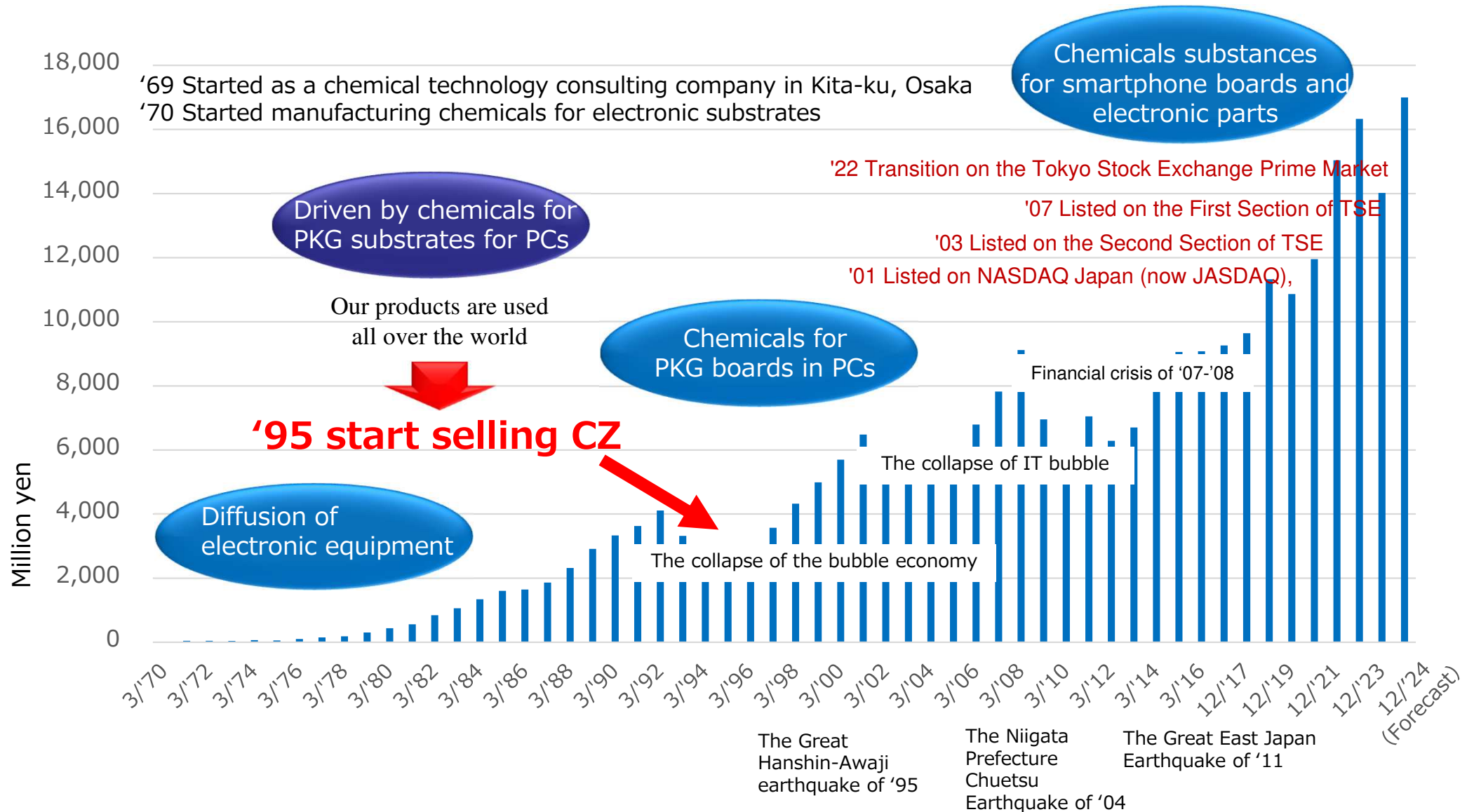
Appendix

Corporate profile

(As of December 31, 2023)

Company name	MEC COMPANY LTD.
Head quarters location	3-4-1, Kuise Minamishimmachi, Amagasaki, Hyogo 660-0822, JAPAN
Date of establishment	May 1, 1969
Business activities	R&D, production and sales of chemicals, equipment and related materials used in the production of PCBs and electronic components.
Presentative	President and CEO Kazuo Maeda
Capital	594,142,400 JPY
Net sales	14,020 million JPY (Consolidated)
Stock listing	Tokyo Stock Exchange Prime Market Securities code: 4971
Number of employees	454 persons (Consolidated) 263 persons (Non-consolidated)

MEC sales trend since foundation



Process of commercialization



From R&D
To Factory

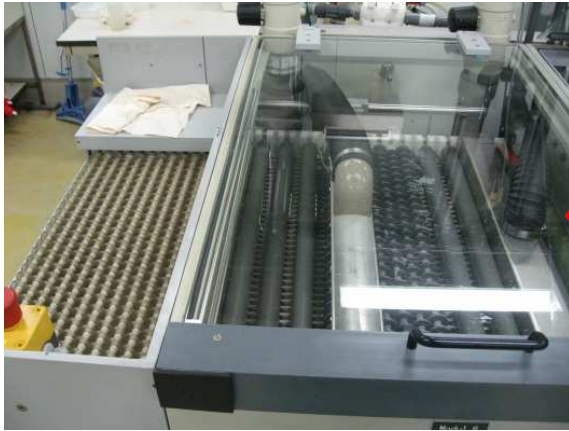
Beaker experiment ⇒ Scale-up experiment ⇒ Production line verification



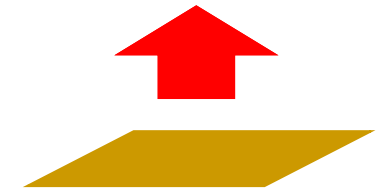
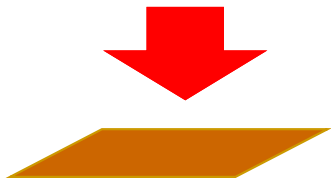
Manufacturing ⇒ Quality inspection ⇒ Filling

Example of product usage process

«Drying»



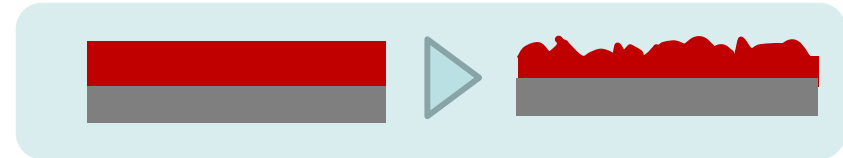
«Water Rinse» «Chemical Treatment»



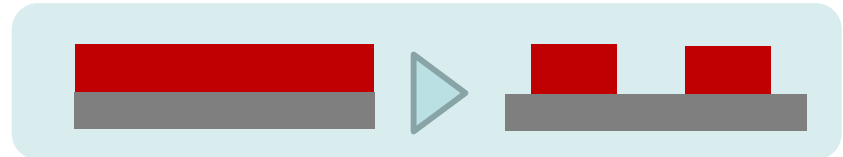
MEC's core technologies

Creating and Fostering Value at Various Interfaces

- **Roughen** the surface, and **physically improve** **adhesion** CZ,V-Bond



- **Pattern formation** EXE



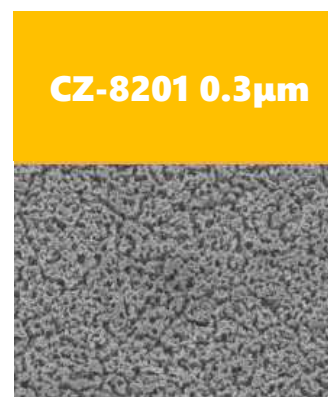
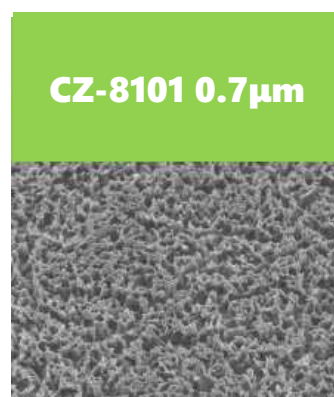
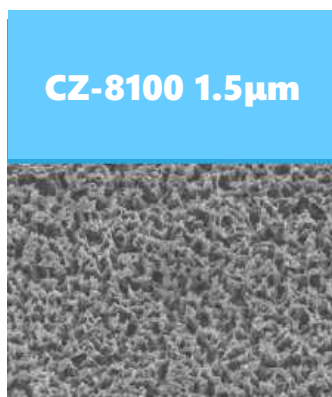
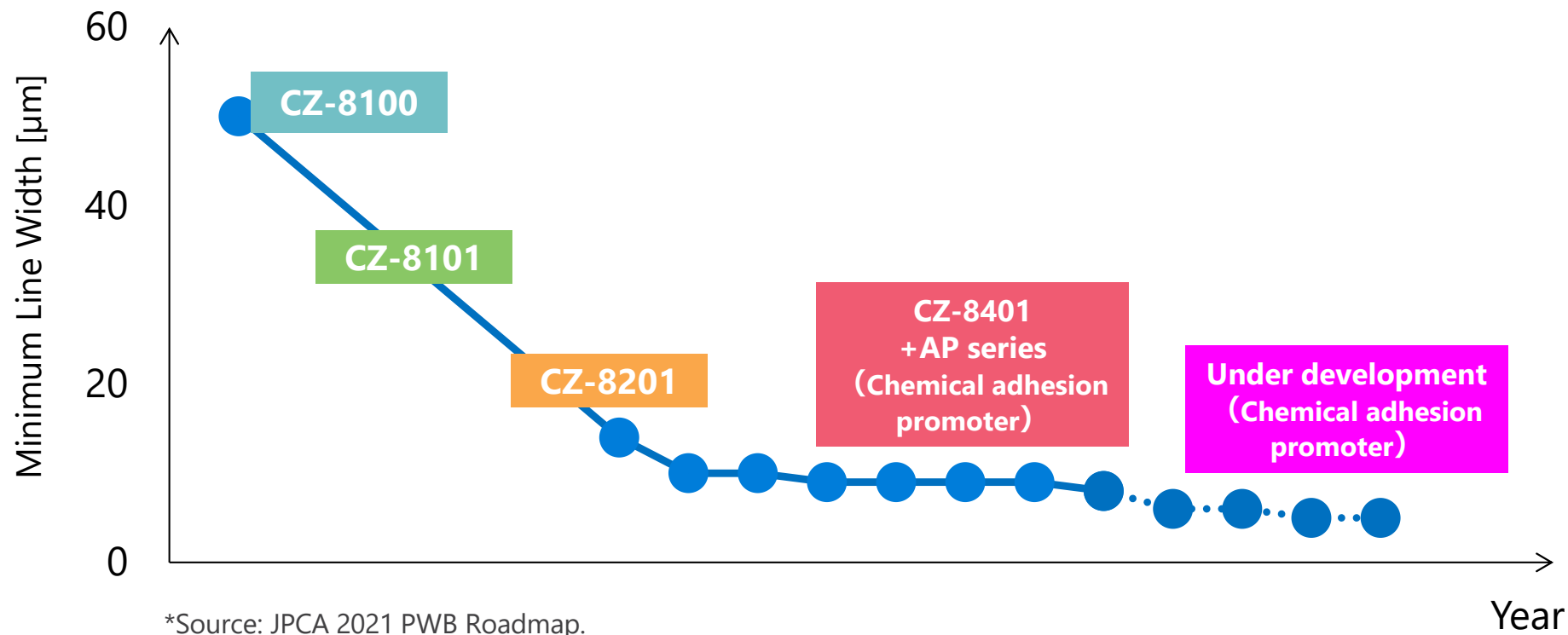
- **Selective etching** SF



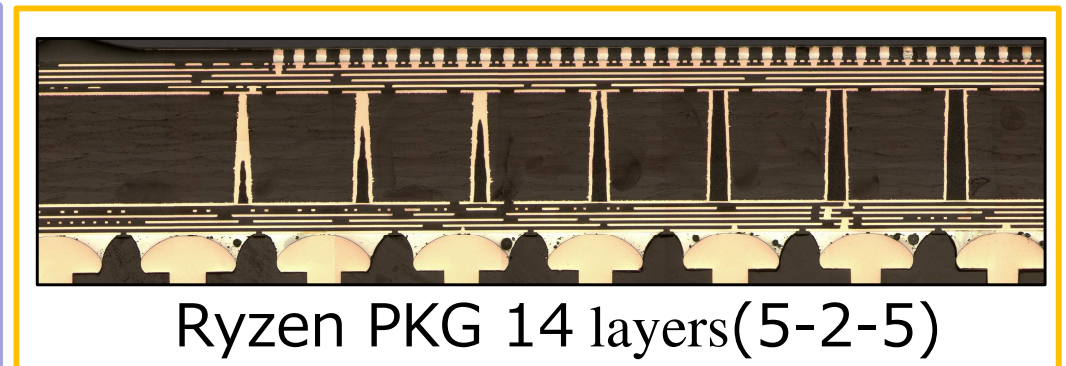
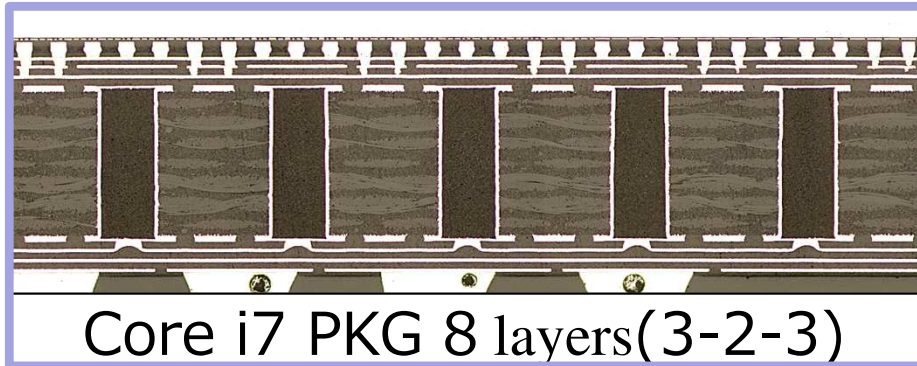
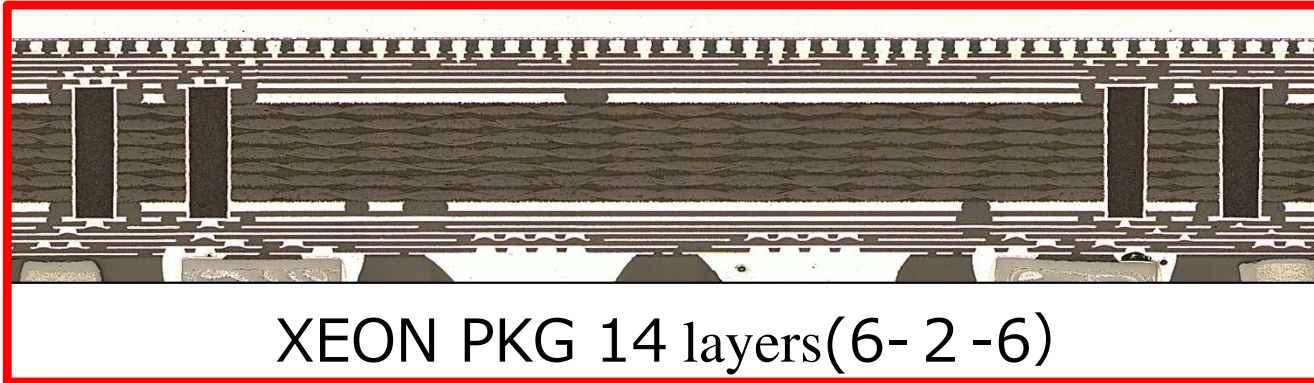
- **Treat** the surface, and **chemically improve** **adhesion promoter**



CZ series roadmap

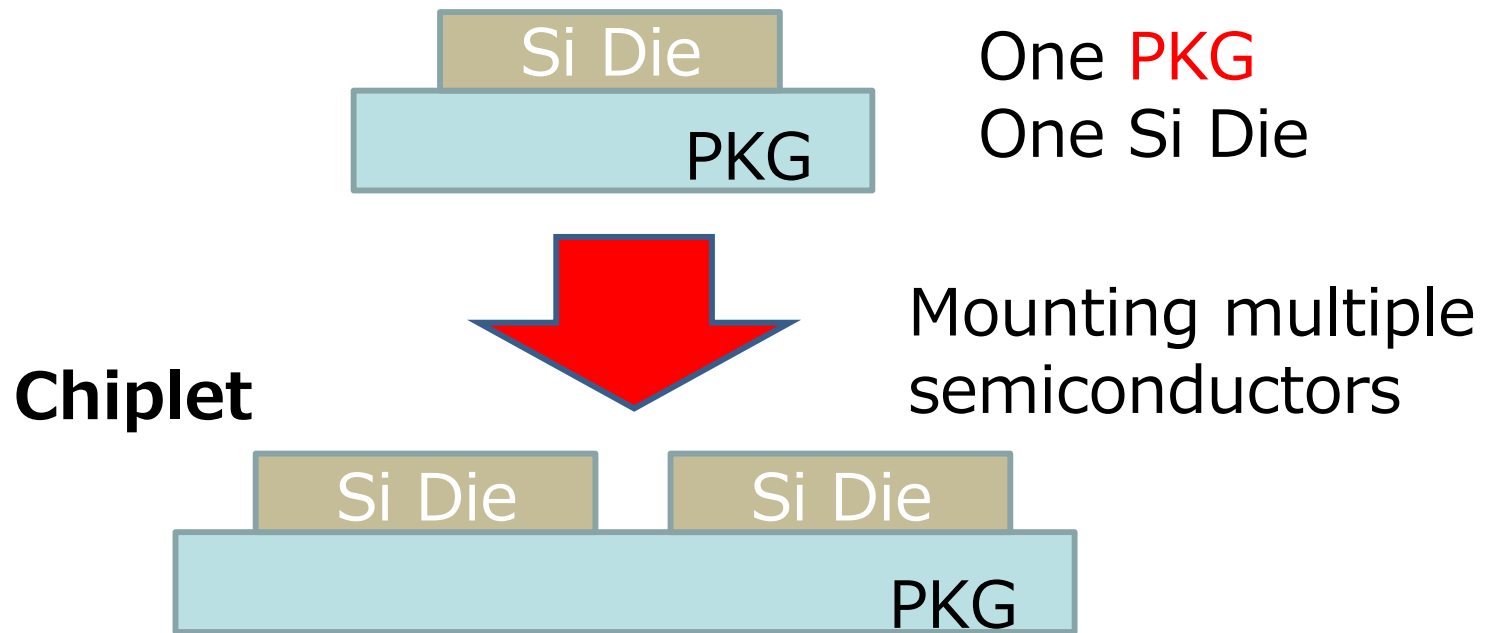


Cross section observation



	cm ²	Layers
XEON	27.44	14
Core i7	14.44	8
Ryzen 7	16.00	12

Evolution of the PKG substrate



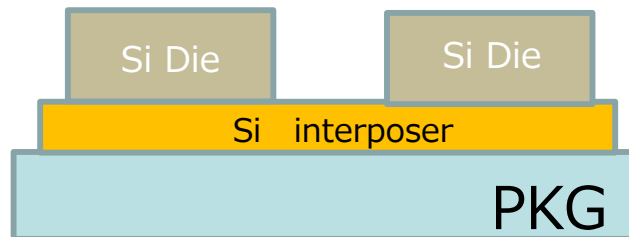
EMIB

(Embedded **M**ulti-die **I**nterconnect **B**ridge)



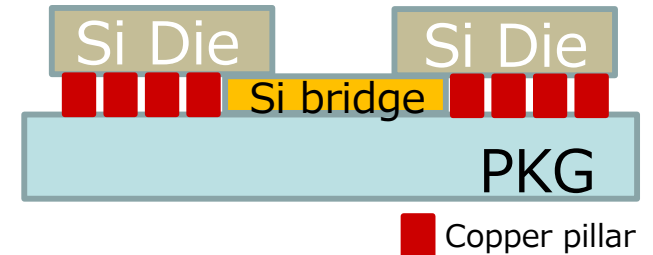
CoWoS

(**C**hip **o**n **W**afer **o**n **S**ubstrate)



EFB

(**E**levated **F**anout **B**ridge)



PKG size is big and layers are increase.

Production capacity



Amagasaki Factory
900 t / m



Nagaoka Factory
2,750 t / m



MEC TAIWAN
1,200 t / m



MEC SUZHOU
450 t / m



MEC ZHUHAI
1,000 t / m



MEC EUROPE
400 t / m



MEC THAILAND
500 t / m

As of December 31, 2023

Creating and Fostering Value at Various Interfaces



This presentation includes forward-looking statements (such as predictions and business forecasts) made in May 10, 2024. These statements are assumptions based on information available at the time, and they are subject to risks and uncertainties. Actual results or events could differ substantially from those forecasted in such statements due to a plethora of variables.