

MEC CO., LTD (4971 JP)

EARNINGS REVISION SIMPLY REFLECTS BETTER THAN EXPECTED Q1 RESULTS.

EXECUTIVE SUMMARY

- **FY26 Q1 Earnings Highlight** MEC (4971 JP) reported FY26 Q1 (Dec year-end) earnings, coming in with OP of ¥2,079mil (+90.2% YoY) on sales of ¥6,128mil (+38.5% YoY). Given the strong Q1 performance, the 1H guidance was revised up from OP of ¥3,000mil (+22.9% YoY) on sales of ¥10,800mil (+15.1% YoY) to OP of ¥4,000mil (+63.9% YoY) on sales of ¥12,250mil (+30.5% YoY) and for the full-year, from FY26 OP of ¥6,500mil (+13.1% YoY) on sales of ¥22,500mil (+7.4% YoY) to OP of ¥7,600mil (+32.2% YoY) on sales of ¥24,500mil (+17.0% YoY).
- **FY26 Outlook:** The revision to both the 1H and full-year guidance simply reflects the equivalent level of overshoot seen in Q1. Although demand for packages for advanced semiconductors and memory, to date, remains solid, MEC has kept a conservative outlook for the 2H given uncertainties surrounding (1) the supply and demand balance of materials for package substrates, (2) the potential impact from geopolitical risks especially in the Middle East and (3) costs for expanding production capacity that involves increasing its workforce. Consequently, the firm does not expect to achieve a 2H GPM similar to that of the first quarter.
- **Shareholder returns:** MEC's principal dividend policy is to pay 35% or more for the annual pay-out ratio and a DoE of over 4.0%. It has accordingly revised the FY26 annual dividend along with earnings guidance revision from ¥96.00/share (pay-out ratio of 38.1%) to ¥110.00/share (pay-out ratio of 36.2%).

MEC (4971 JP) : Share Information

Market Cap (¥mil)		177,700	Market Cap (\$mil)		1,111	
22-day Average Trading Volume (¥mil)		4,292	22-day Average Trading Volume (\$mil)		28.6	
Share performance (%)	4971	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26 CE
Share price (¥, 10 June 2026)	9,080	3,847.60	Sales	18,234	20,947	24,500
3mo (from 10 March)	30.6	5.0	OP	4,562	5,748	7,600
6mo (from 10 Dec 2025)	65.7	13.5	OPM (%)	25	27.4	28.9
YTD (from 5 Jan 2026)	75.3	10.6	EPS (¥)	122.38	272.14	303.93
1yr	250.9	38.1	EBITDA	5,487	6,571	8,550*
5yrs	220.6	96.9	Financial Leverage (X)	1.2	1.1	1.1*
Per-share and Valuations	4971	TOPIX	Net D/E Ratio (X)	-0.4	-0.3	-0.3*
EPS (¥, FY26 CE)	303.93	220.00	FCF	4,251	585	4,565*
DPS (¥, FY26 CE)	110.00	N/A	Shareholder Return Summary	FY24	FY25	FY26 CE
BPS (¥, FY26 EST*)	1,862.66	N/A	Dividend (¥)	45.00	96.00	110.00
FCFPS (¥, FY26 EST*)	233.25	N/A	Dividend Payout (%)	36.8	35.3	36.2
Forward PER (x)	29.88	17.49	Dividend Yield (%)	N/A	N/A	1.2
Forward PBR (x)	4.87	1.30	DOE (%)	3.3	6.2	5.9*
Forward PCFR (x)	38.93	N/A	Treasury Shares (%)	5.8	7.5	6.0
EV/EBITDA (x)	23.00	N/A	ROE (%)	8.9	17.5	17.0

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / *Nippon-IBR estimates

FY26 Q1 RESULTS SUMMARY

MEC (4971 JP) produced FY26 Q1 (Dec year-end) OP of ¥2,079mil (+90.2% YoY) on sales of ¥6,128mil (+38.5% YoY). Given the strong Q1 performance, the firm revised up the guidance for both the 1H [from OP of ¥3,000mil (+22.9% YoY) on sales of ¥10,800mil (+15.1% YoY) to OP of ¥4,000mil (+63.9% YoY) on sales of ¥12,250mil (+30.5% YoY)] and the FY26 full-year [from OP of ¥6,500mil (+13.1% YoY) on sales of ¥22,500mil (+7.4% YoY) to OP of ¥7,600mil (+32.2% YoY) on sales of ¥24,500mil (+17.0% YoY)]. The revision to both the 1H and full-year guidance simply reflects the equivalent level of overshoot seen in Q1

Q1 Chemicals sales surged +41.5% YoY to a quarterly record of ¥5,997mil (+6.1% QoQ) while Chemical sales volumes also gained +26.7% YoY to 12,978ton. Continued strong sales growth in the Chemical segment is primarily due to:

1. A steady increase in demand for chemicals used in high-end packages related to generative AI, and
2. A gradual recovery in demand for general servers.

The FY26 Q1 overseas sales ratio declined -1.4ppt YoY to 64.1%, however, including overseas sales via distributors in Japan, the overseas sales ratio was 81.2% (+0.8ppt YoY).

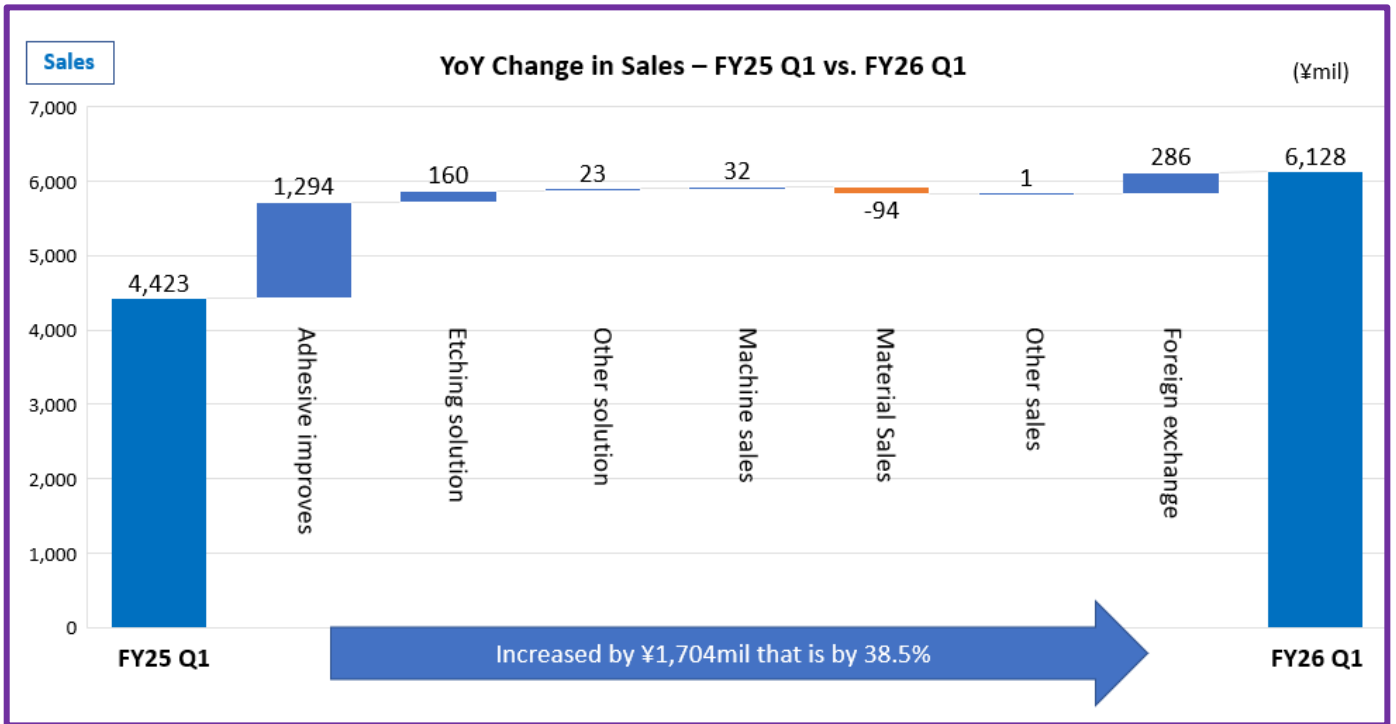
The gross profit margin [GPM] improved +2.9ppt YoY to 65.0% on the back of 1) an increase in both sales (+41.5% YoY) and shipment volumes (+26.7% YoY) of chemical products. The firm's core chemicals all reported double-digit growth [CZ +41.4% / SF +37.1% YoY / EXE +26.8% YoY / V-Bond +18.4% YoY], and 2) an improved product sales mix, boosted by sales of CZ-8101 sales [+41.8% YoY to ¥2,099mil]. As a result, the improvement in OP growth outpaced that of sales.

MEC (4971 JP): Earnings Summary							
(¥mil / Dec year-end)	FY24		FY25			FY26	
	1H	FY	Q1	1H	FY	Q1	YoY (%)
Sales	8,882	18,234	4,423	9,387	20,947	6,128	38.5
incl. Chemicals	8,384	17,478	4,237	9,025	20,211	5,997	41.5
GP	5,383	11,101	2,748	5,804	12,977	3,980	44.8
GPM (%)	60.6	60.9	62.1	61.8	62.0	65.0	+2.9ppt
SG&A	3,020	6,539	1,655	3,363	7,229	1,900	14.9
SG&A/Sales (%)	34.0	35.9	37.4	35.8	34.5	31.0	-6.4ppt
OP	2,362	4,562	1,093	2,440	5,748	2,079	90.2
OPM (%)	26.6	25.0	24.7	26.0	27.4	33.9	+9.2ppt
RP	2,641	4,682	1,059	2,493	6,051	2,141	102.1
RPM (%)	29.7	25.7	24.0	26.6	28.9	34.9	+10.9ppt
NP*	1,890	2,291	476	1,893	5,028	1,528	220.8
EPS (¥)	100.97	122.38	25.44	101.47	272.14	83.69	229.0
DPS (¥)	20.00	45.00	N/A	25.00	96.00	N/A	N/A

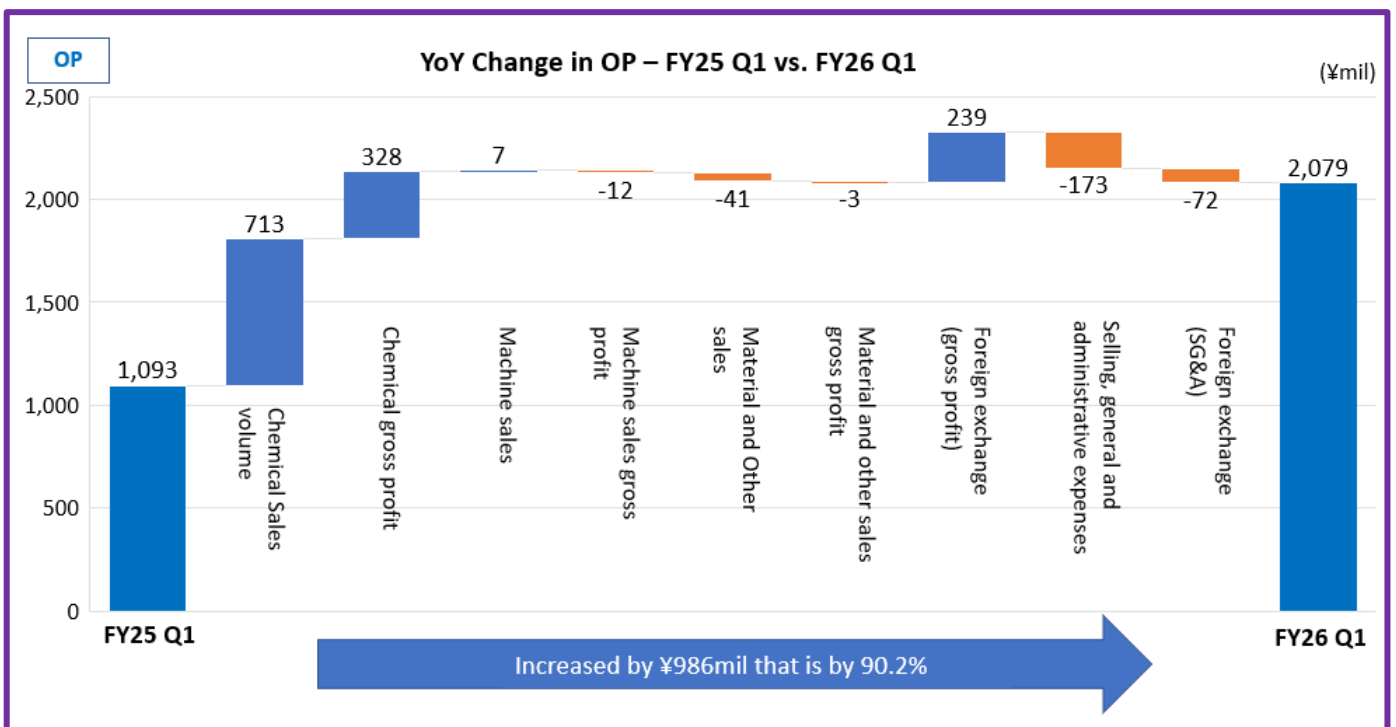
Source: Nippon-IBR based on MEC's earnings results materials
* NP attributed to the parent's shareholders

MEC (4971 JP): Sales volume vs Sales Trend										
(ton, ¥mil)	FY24				FY25				FY26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)
Vol (CUM)	9,850	20,251	31,434	42,075	10,247	21,985	34,844	47,717	12,978	26.7
Sales (CUM)	3,924	8,384	13,041	17,478	4,237	9,025	14,559	20,211	5,997	41.5
Vol (QTR)	9,850	10,401	11,183	10,641	10,247	11,738	12,859	12,873	12,978	26.7
Sales (QTR)	3,924	4,460	4,657	4,437	4,237	4,788	5,534	5,652	5,997	41.5

Source: Nippon-IBR based on MEC's earnings results materials



Source: Nippon-IBR based on MEC's earnings results materials



Source: Nippon-IBR based on MEC's earnings results materials

PERFORMANCE BY PRODUCT SEGMENT

Adhesion Improvers

FY26 Q1 Adhesion Improver sales rose +47.5% YoY / +7.2% QoQ to ¥4,687mil, of which CZ series sales were up +41.4% YoY / +5.2% QoQ to hit a record in quarterly sales of ¥3,990mil

MEC's core product in this product group, CZ-8101 – an adhesion improver chemical used in packages primarily for PCs / smartphones / servers and chiplet packaging such as CoWoS – produced record quarterly sales in Q1 of ¥2,099mil (+41.8% YoY / +3.2% QoQ), thanks primarily to (1) steady demand from generative AI-related packaging for advanced semiconductors and (2) a recovery in general semiconductor packaged. MEC noted that not only package demand for AI servers remained solid, but package demand for general servers appears is also recovering.

The FY26 Q1 performance of other CZ chemicals saw sales expand +44.1% YoY / +7.2% QoQ to ¥1,465mil. This product group includes CZ-8201, CZ-8401, and adhesion improvement chemicals used in pre- and post-adhesive processes. Sales of the newer generation of CZ series products – CZ-8201 and CZ-8401 – used in conjunction with the miniaturisation of wiring and minimal signal loss – saw solid growth.

The CZ-8100 product was launched in 1995 and is a stable revenue source. Current demand is supported by the steady rise in packages used in automobiles, including EVs and ADAS and a pickup in demand for simple packages used in various other devices. FY26 Q1 CZ-8100 sales were ¥426mil (+31.5% YoY / +9.0% QoQ).

V-Bond, another adhesion improver chemical is used in multilayer substrates for autos, smartphones, and satellite communication substrates. FY26 Q1 sales hit ¥241mil (+18.4% YoY / +7.6% QoQ), thanks primarily to solid sales to satellite communication substrates.

Etching Solution

Etching solution chemicals produced FY26 Q1 sales of ¥1,073mil (+25.2% YoY / +1.6% QoQ). The performance of the segment's two main products is as follows:

1. EXE sales rose +26.8% YoY / +6.4% QoQ to ¥401mil in FY26 Q1. In addition to continued stable demand for chip-on-film [COF] for displays, bolstered by China's stimulus policy to replace home appliances, rising demand for the formation of fine-line patterns using subtractive method – for packages used mainly in servers – lifted sales
2. A recovery in SF sales – a key material used in touch panels. FY26 Q1 SF sales rose +37.1% YoY / -7.2% QoQ to ¥103mil, thanks to demand for a high-end tablet PC model.

MEC (4971 JP): Chemical Sales by Products (Cumulative)										
(¥mil / Dec year-end)	FY24				FY25				FY26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)
Copper surface treatment chemicals	3,748	7,998	12,447	16,699	4,034	8,609	13,905	19,333	5,760	42.8
Adhesive enhancers (CZ, V-Bond etc.)	2,877	6,012	9,382	12,699	3,177	6,778	10,941	15,313	4,687	47.5
CZ Series Total	2,589	5,407	8,377	11,305	2,821	6,021	9,749	13,540	3,990	41.4
CZ-8100	308	648	985	1,307	324	658	1,016	1,407	426	31.5
CZ-8101	1,415	2,861	4,330	5,816	1,480	3,197	5,217	7,251	2,099	41.8
Other CZ chemicals	866	1,898	3,062	4,182	1,017	2,166	3,516	4,882	1,465	44.1
V-Bond	194	400	625	832	203	400	618	842	241	18.4
Etching chemicals (EXE, SF etc.)	871	1,986	3,065	4,000	857	1,831	2,964	4,020	1,073	25.2
SF	141	322	532	652	75	220	342	453	103	37.1
EXE	307	749	1,072	1,366	316	626	1,054	1,431	401	26.8
Other surface treatment chemicals	175	384	590	772	202	413	650	873	235	16.3
Chemical Sales Total	3,924	8,384	13,041	17,478	4,237	9,025	14,559	20,211	5,997	41.5

Source: Nippon-IBR based on MEC's earnings results materials

MEC (4971 JP): Chemical Sales by Products (Quarterly)											
(¥mil / Dec year-end)	FY24				FY25				FY26		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY (%)	QoQ (%)
Copper surface treatment chemicals	3,748	4,250	4,449	4,252	4,034	4,575	5,296	5,428	5,760	42.8	6.1
Adhesive enhancers (CZ, V-Bond etc.)	2,877	3,135	3,370	3,317	3,177	3,601	4,163	4,372	4,687	47.5	7.2
CZ Series Total	2,589	2,818	2,970	2,928	2,821	3,200	3,728	3,791	3,990	41.4	5.2
CZ-8100	308	340	337	322	324	334	358	391	426	31.5	9.0
CZ-8101	1,415	1,446	1,469	1,486	1,480	1,717	2,020	2,034	2,099	41.8	3.2
Other CZ chemicals	866	1,032	1,164	1,120	1,017	1,149	1,350	1,366	1,465	44.1	7.2
V-Bond	194	206	225	207	203	197	218	224	241	18.4	7.6
Etching chemicals (EXE, SF etc.)	871	1,115	1,079	935	857	974	1,133	1,056	1,073	25.2	1.6
SF	141	181	210	120	75	145	122	111	103	37.1	-7.2
EXE	307	442	323	294	316	310	428	377	401	26.8	6.4
Other surface treatment chemicals	175	209	206	182	202	211	237	223	235	16.3	5.4
Chemical Sales Total	3,924	4,460	4,657	4,436	4,237	4,787	5,534	5,652	5,997	41.5	6.1

Source: Nippon-IBR based on MEC's earnings results materials

FY26 OUTLOOK

MEC has revised up its guidance for both the 1H [from OP of ¥3,000mil (+22.9% YoY) on sales of ¥10,800mil (+15.1% YoY) to OP of ¥4,000mil (+63.9% YoY) on sales of ¥12,250mil (+30.5% YoY)] and the FY26 full-year [from OP of ¥6,500mil (+13.1% YoY) on sales of ¥22,500mil (+7.4% YoY) to OP of ¥7,600mil (+32.2% YoY) on sales of ¥24,500mil (+17.0% YoY)]. While the CZ-8101 will continue to contribute to FY26 earnings, the growth of the more advanced CZ-8201 and CZ-8401 package substrates is also expected to drive growth. Demand for AP, another adhesive enhancing chemical, has been seeing a greater-than-expected increase in sales, as it is used in package substrates used for generative AI. Although demand for packages for advanced semiconductors and memory remains solid, to date, MEC's FY26 2H guidance remains conservative given:

- Uncertainty surrounding (1) the supply and demand balance of materials for package substrates and (2) potential impact from geopolitical risks, especially in the Middle East.
- Due to rapid surge in demand triggered by strong demand related to generative AI, MEC is planning to expand its production capacity, including increasing the workforce. Therefore, the firm does not expect to achieve a GPM similar to that of the first quarter.

MEC (4971 JP): Earnings Trend and FY26 Guidance								
(¥mil / Dec year-end)	FY24		FY25		FY26 CE			
	1H	FY	1H	FY	New 1H CE	YoY (%)	New FY CE	YoY (%)
Sales	8,882	18,234	9,387	20,947	12,250	30.5	24,500	17.0
Operating Profit [OP]	2,362	4,562	2,440	5,748	4,000	63.9	7,600	32.2
OP Margin [OPM] (%)	26.6	25.0	26.0	27.4	32.7	+6.7ppt	31.0	+3.6ppt
Recurring Profit [RP]	2,641	4,682	2,493	6,051	4,050	62.4	7,700	27.2
NP for the parent's s/holders	1,890	2,291	1,893	5,028	2,900	53.1	5,550	10.4
EPS (¥)	100.97	122.38	101.47	272.14	158.81	56.5	303.93	11.7

Source: Nippon-IBR based on MEC's earnings results materials

CAPITAL ALLOCATION POLICY

MEC also disclosed details of its cash allocation policy during the 3-year MTP [FY25~FY27]. The allocation of cash flow from operations over the three years [¥18,200mil~¥18,800mil] and external funding, if necessary, will be directed to: (1) growth investment [¥8,000mil + α], (2) R&D [¥5,200mil] and (3) shareholder returns [¥5,300mil~¥5,400mil + α].

- **Growth investment:** MEC plans to invest over ¥8,000mil, which will be further allocated to CAPEX for growth of ¥4,000mil as well as maintenance CAPEX of ¥4,000mil. The firm will further invest to enhance growth opportunities via reinforcing technical support and marketing, as well as M&A. Allocation for those investments will be

determined as appropriate. FY25 CAPEX totalled ¥2,846mil and includes the new Kita Kyushu factory. The FY26, CAPEX budget of ¥3,985mil has ¥2,335mil dedicated to the Kita Kyushu factory.

- **R&D:** MEC plans to invest equivalent of about 10% of consolidated sales on R&D. Over the current MTP, the firm plans to spend a total of ¥5,200mil on R&D. This compares to FY25 R&D of ¥1,379mil [6.6% of consolidated sales]. and FY26's planned budget of ¥1,741mil [7.1% of sales].
- **Shareholder Returns:** MEC plans to allocate ¥5,300mil~¥5,400mil for dividends during the MTP. The firm's principal dividend policy is for a dividend pay-out ratio of more than 35% and a DoE of more than 4.0%. Additionally, management commits to the prompt and proactive buyback of shares during the ongoing MTP. A share buyback of ¥1,292mil / 500,000 shares was completed in FY25, and they were fully cancelled. In FY25, MEC paid out ¥1,769mil in dividends (payout ratio of 35.3% and DOE of 6.2%). In accordance with its dividend policy, the firm has revised the FY26 annual dividend from ¥96.00/share (dividend pay-out ratio of 38.1%) to ¥110.00/share (dividend pay-out ratio of 36.2%) based on the revised guidance.

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