
Financial Results Briefing for Q3 FYE 12/2022

November 10, 2022

 **MEC COMPANY LTD.**

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.

Q3 FYE12/2022 Overview

- Demand for consumer electronics such as personal computers, displays, and tablet PCs is sluggish.
- Continued expansion of server demand.
- Automobile production will be reduced due to a shortage of semiconductor supplies.
- Displays were also affected by inventory adjustments.

✓ Impact of the Russian / Ukraine situation

- No used (Russian or Ukrainian ingredients) .
- Regarding soaring crude oil prices.
 - ① Very low proportion of crude oil-derived raw materials.
 - ② The impact on transportation costs has already been factored into this term's plan.

✓ Impact of yen depreciation

- Few USD-denominated transactions, affected by NTD and RMB.

Exchange rate

	Initial forecast	22Q3	21Q3	Forecast revised
NTD	4.16	4.37	3.88	4.30
RMB	18.07	19.33	16.78	18.98
HKD	14.75	16.34	13.98	15.74
THB	3.44	3.69	3.45	3.64
EUR	130.51	136.04	129.96	134.52
USD	115.01	128.03	108.57	123.17

- 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 (9 months conversion)(million yen) : NTD: (Sale) 60 (Operating income) 40
RMB: (Sale) 19 (Operating income) 9

Q3 FYE12/2022 Key factors

1

Sales: 12,364 million yen(YOY change: Up 10.8%)
Operating income: 3,118 million yen(YOY change: Down 1.1%)

2

Exchange rate impact (YOY change)
Sales: Up 870 million yen,
Operating income: Up 486 million yen.

3

Chemicals
Sales: 12,214 million yen (YOY change: Up 11.6%)
Shipments: 34,725 t (YOY change: Up 3.4%)

4

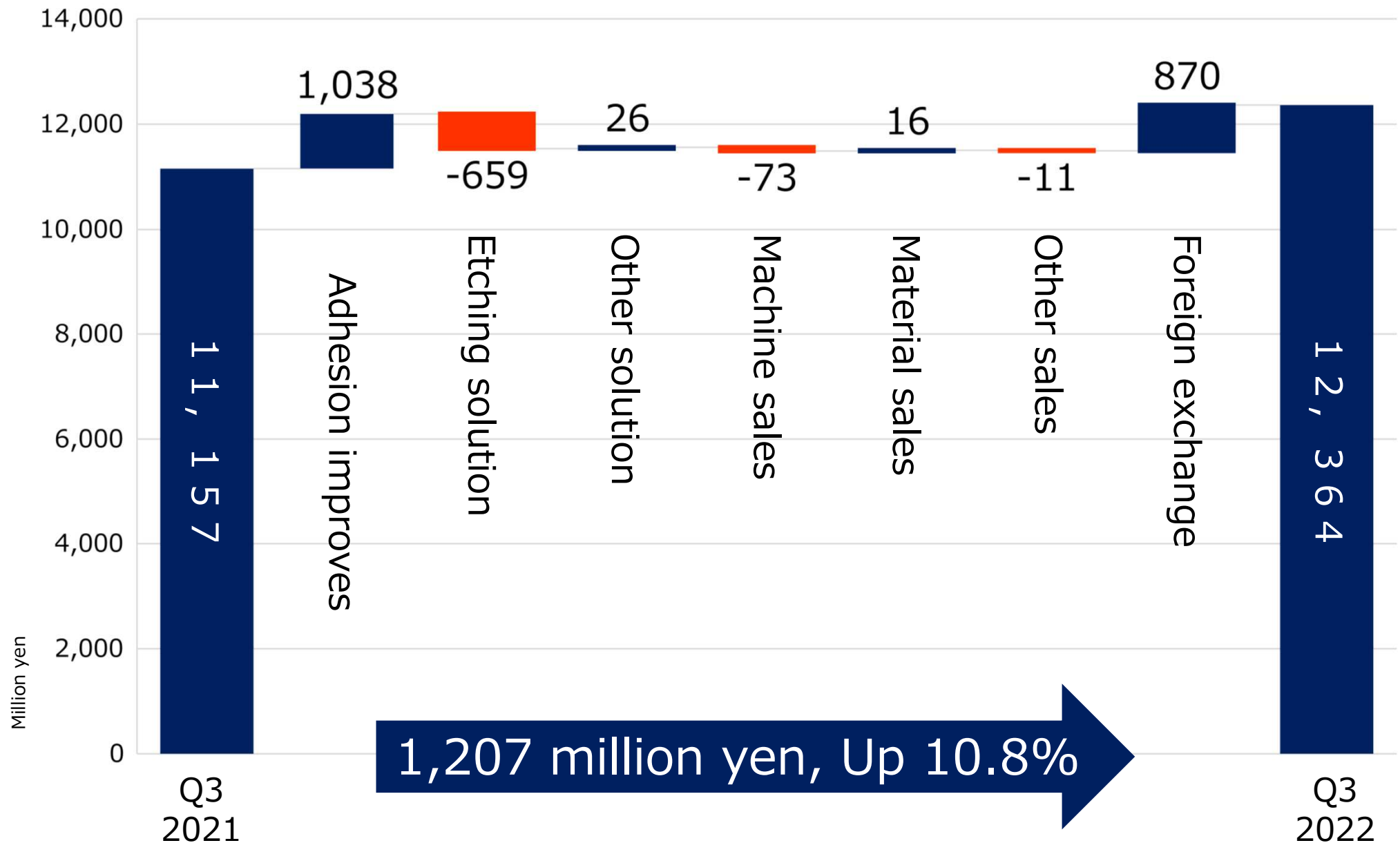
Major products sales (YOY change)
CZ: Up 26.1%, V-Bond: Up 3.1 %, EXE: Down 34.2%, SF: Down 19.3%

Q3 FYE12/2022 Results

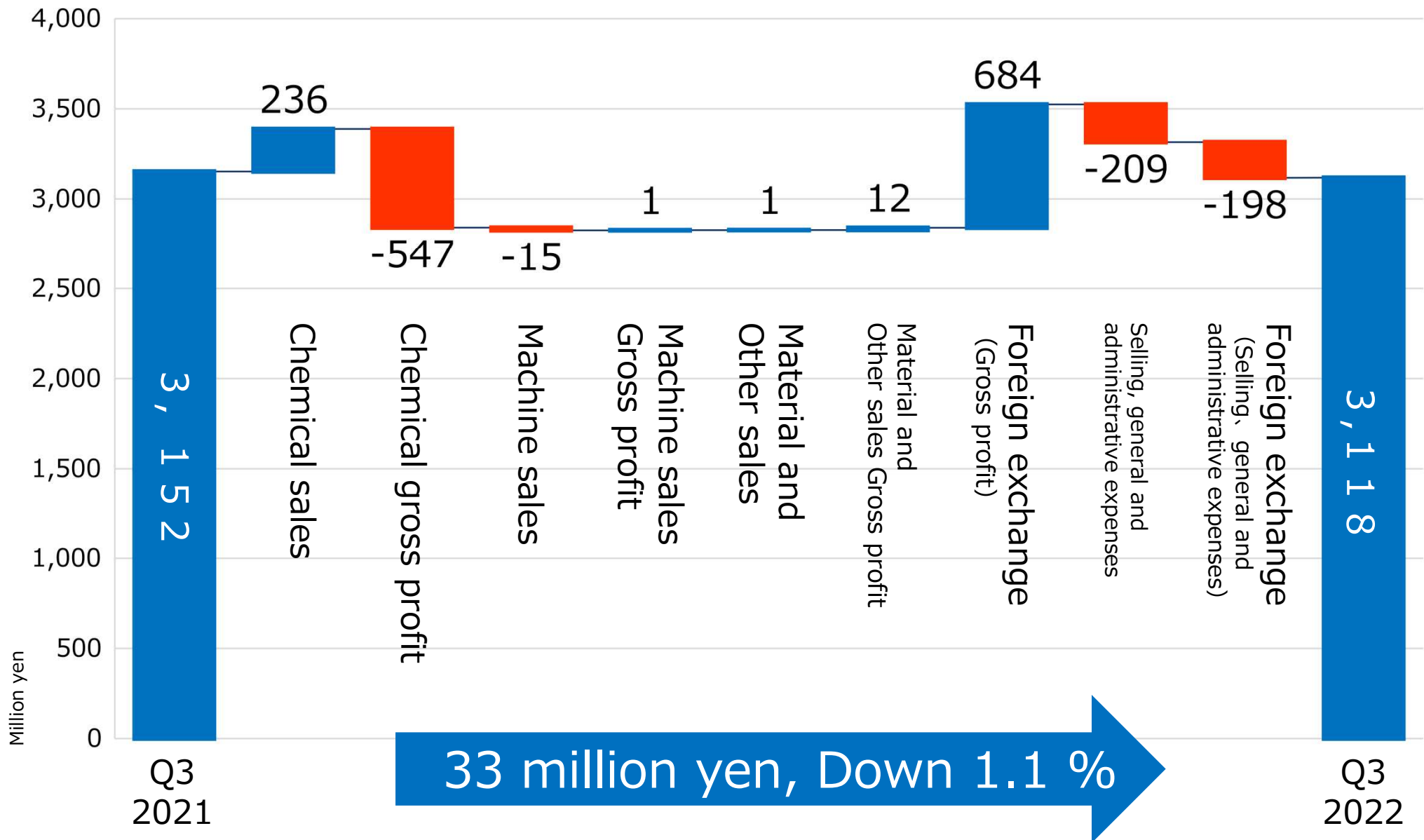
Unit : million yen

	Q3 (Nine Months Ended)						Full-year		
	FYE12.2021		FYE12.2022				FYE12.2021 Results	FYE12.2022	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)	(Forcast)		YOY (%)	
Net sales	11,157	74.2%	12,364	72.7%	1,206	10.8%	15,038	17,000	13.0%
Chemical sales	10,941	-	12,214	-	1,272	11.6%	14,756	-	-
Gross profit	7,039	-	7,414	-	374	5.3%	9,323	-	-
Gross profit margin	63.1%	-	60.0%	-	-	-	62.0%	-	-
SGA	3,887	-	4,295	-	407	10.5%	5,383	-	-
Sales ratio	34.8%	-	34.7%	-	-	-	35.8%	-	-
Operating income	3,152	80.0%	3,118	70.9%	-33	-1.1%	3,939	4,400	11.7%
Operating profit margin	28.3%	-	25.2%	-	-	-	26.2%	-	-
Ordinary income	3,220	78.5%	3,438	71.6%	218	6.8%	4,104	4,800	16.9%
Ordinary profit margin	28.9%	-	27.8%	-	-	-	27.3%	-	-
Profit before tax	3,210	-	3,410	-	199	6.2%	4,092	-	-
Net income	2,284	77.5%	2,382	70.1%	97	4.3%	2,949	3,400	15.3%
Net income per share	120.30	-	125.35	-	-	-	155.28	178.87	-

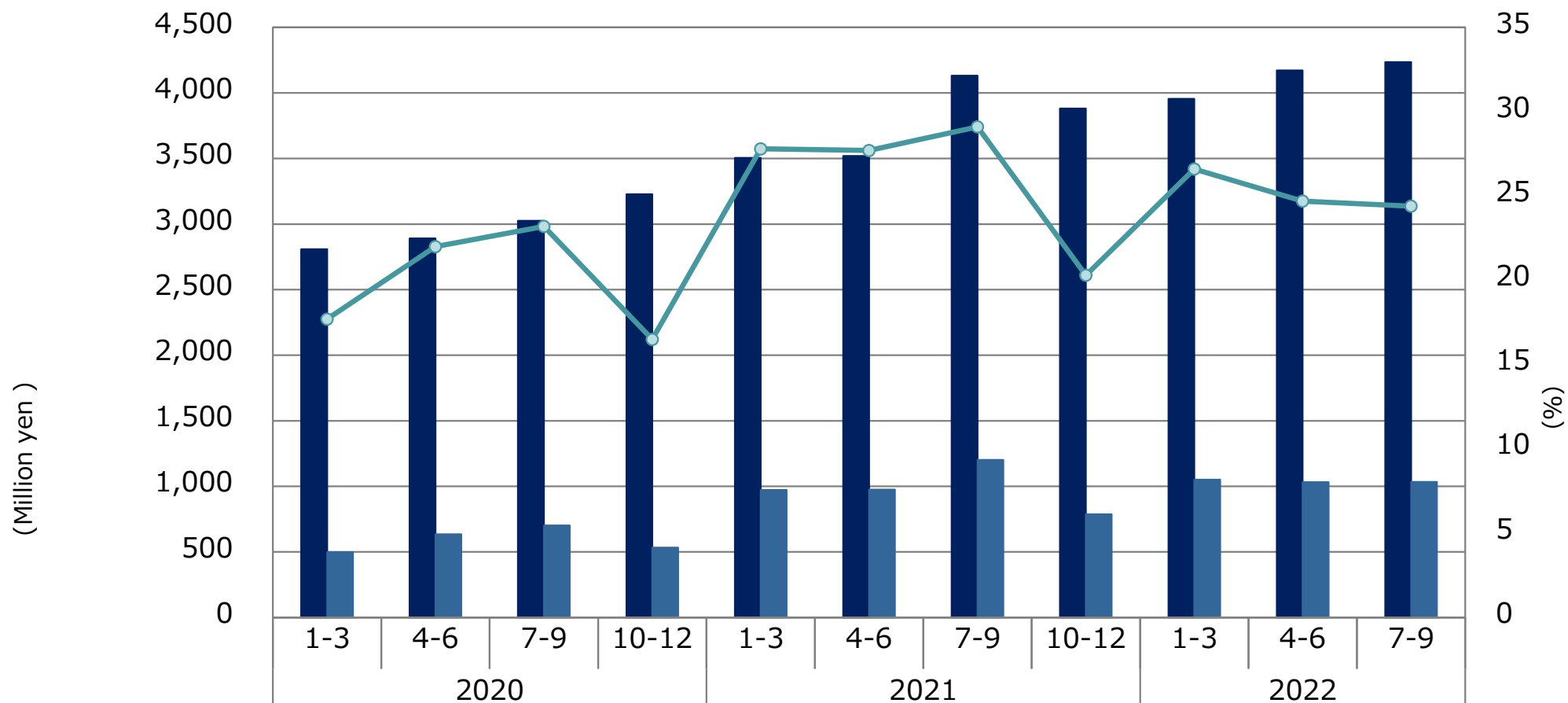
Net sales YOY



Operating income YOY

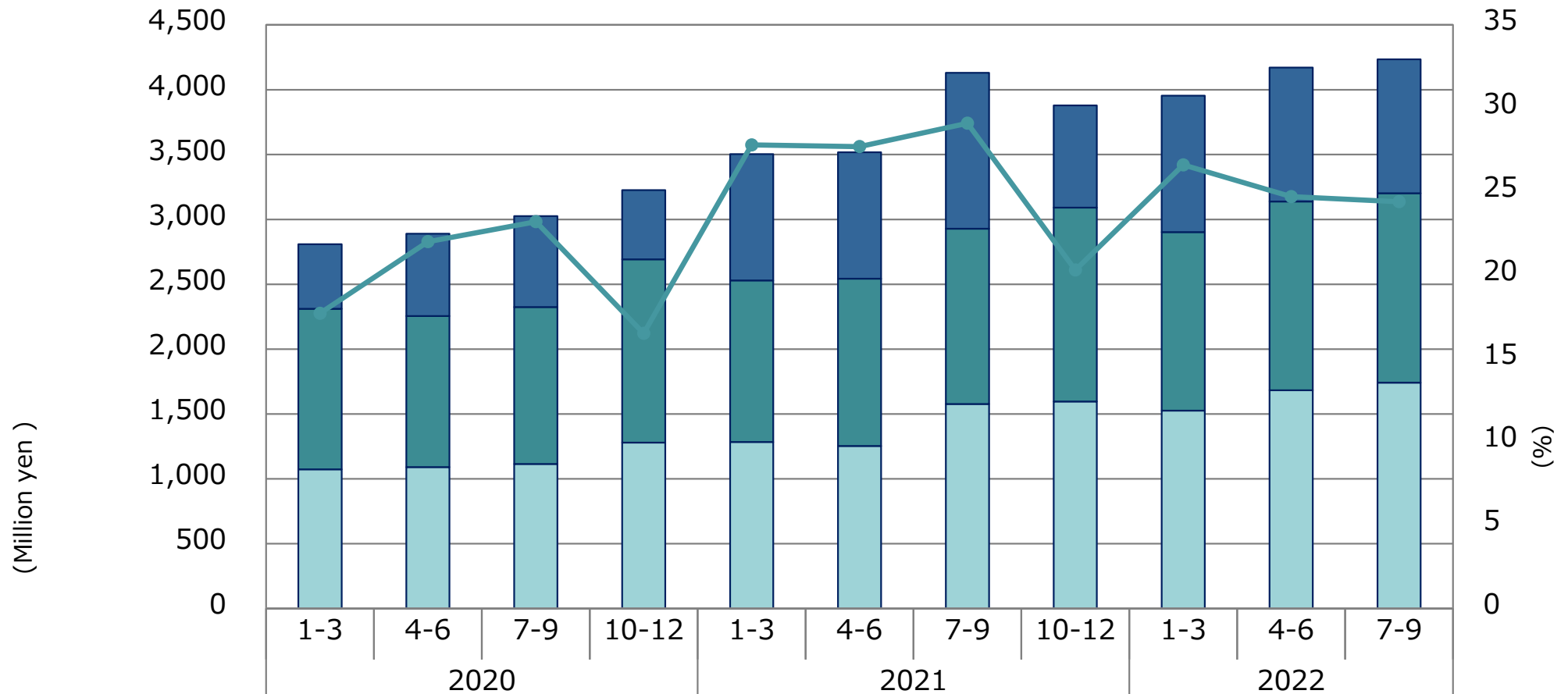


Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



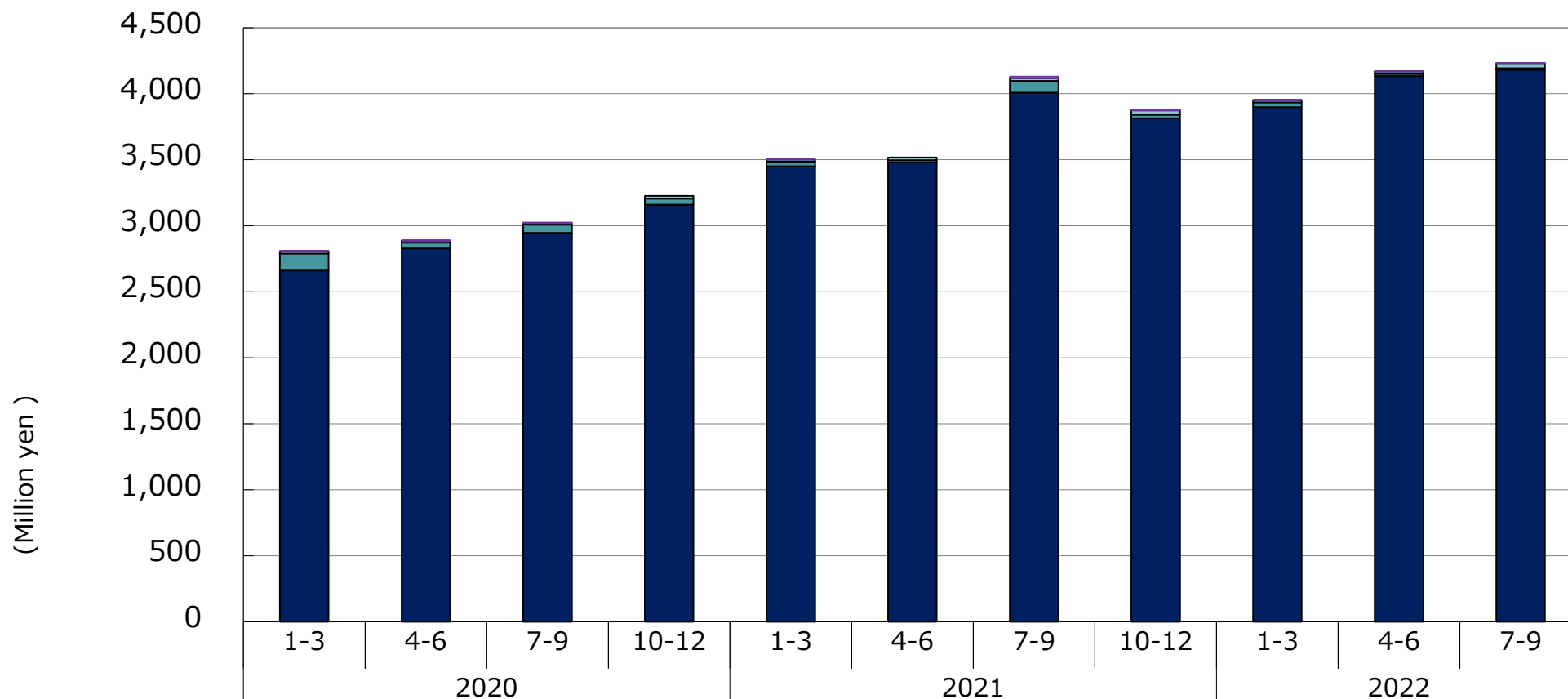
■ Net sales	2,809	2,891	3,026	3,228	3,505	3,519	4,132	3,881	3,955	4,172	4,236
■ Operating income	498	635	702	533	973	975	1,202	787	1,051	1,032	1,034
● Operating margin	17.7	22.0	23.2	16.5	27.8	27.7	29.1	20.3	26.6	24.7	24.4

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



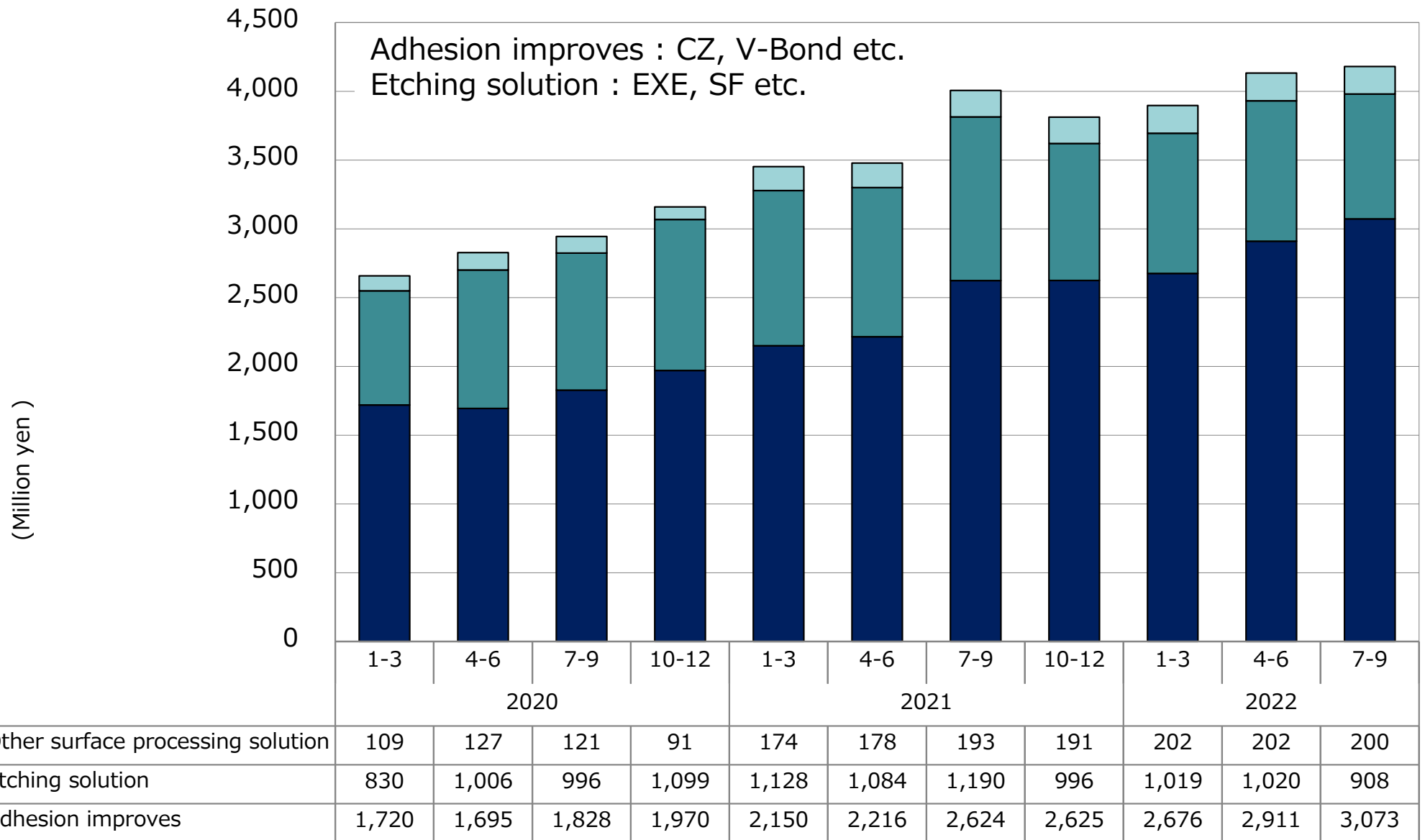
Operating income	498	635	702	533	973	975	1,202	787	1,051	1,032	1,034
SGA	1,238	1,164	1,209	1,413	1,246	1,289	1,352	1,495	1,377	1,457	1,460
COGS	1,073	1,091	1,115	1,280	1,284	1,254	1,577	1,597	1,526	1,682	1,741
Operating margin	17.7	22.0	23.2	16.5	27.8	27.7	29.1	20.3	26.6	24.7	24.4

Quarterly performance : Product-specific sales (Consolidated)



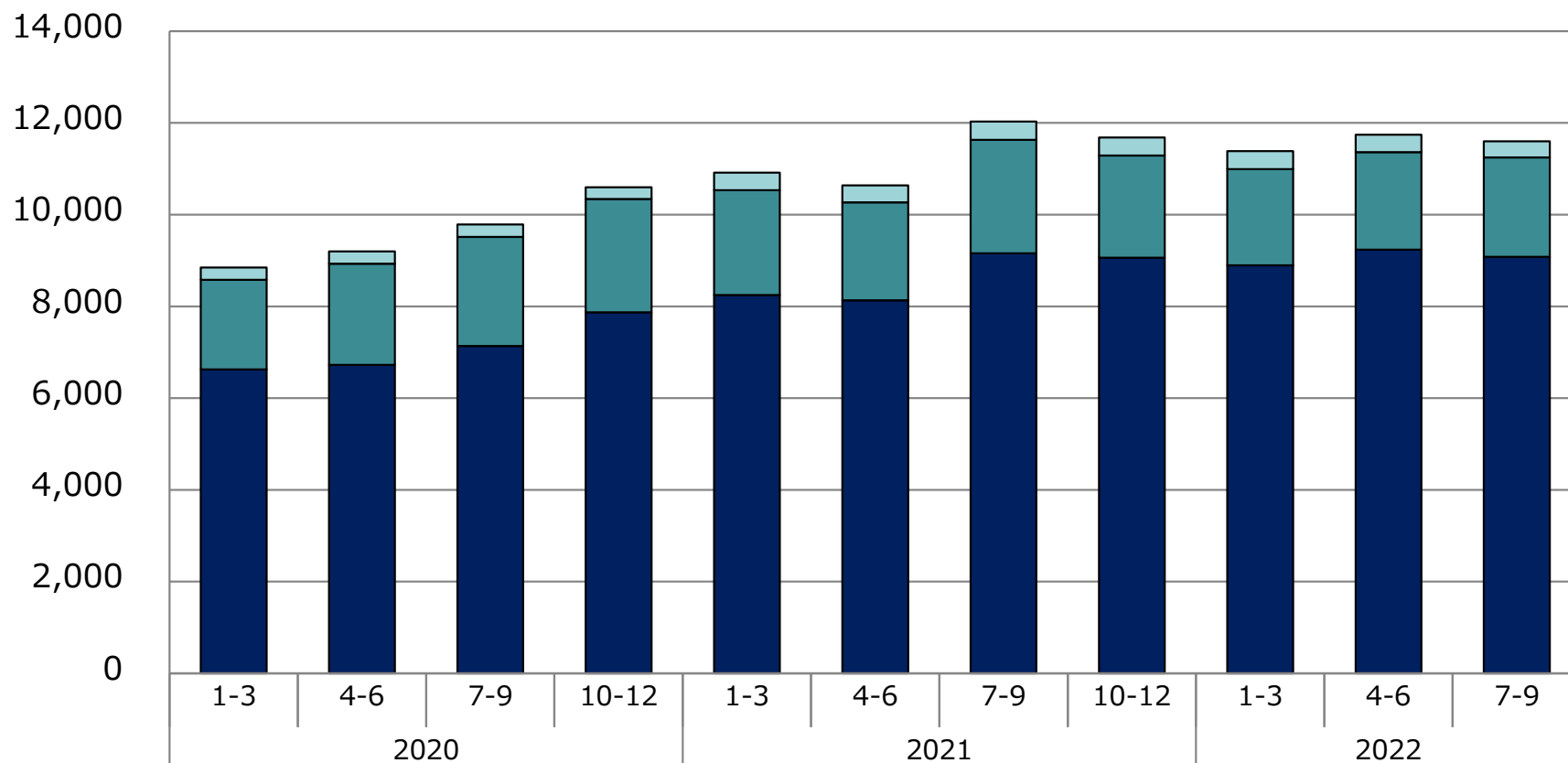
Other	4	1	5	0	2	0	13	6	1	1	1
Materials for PCBs	17	16	12	21	16	21	19	33	18	19	38
Equipments for PCBs	129	43	62	46	33	16	90	27	36	17	13
Chemicals for PCBs	2,661	2,829	2,946	3,160	3,452	3,480	4,008	3,814	3,898	4,134	4,181

Quarterly performance : Chemical sales (Consolidated)



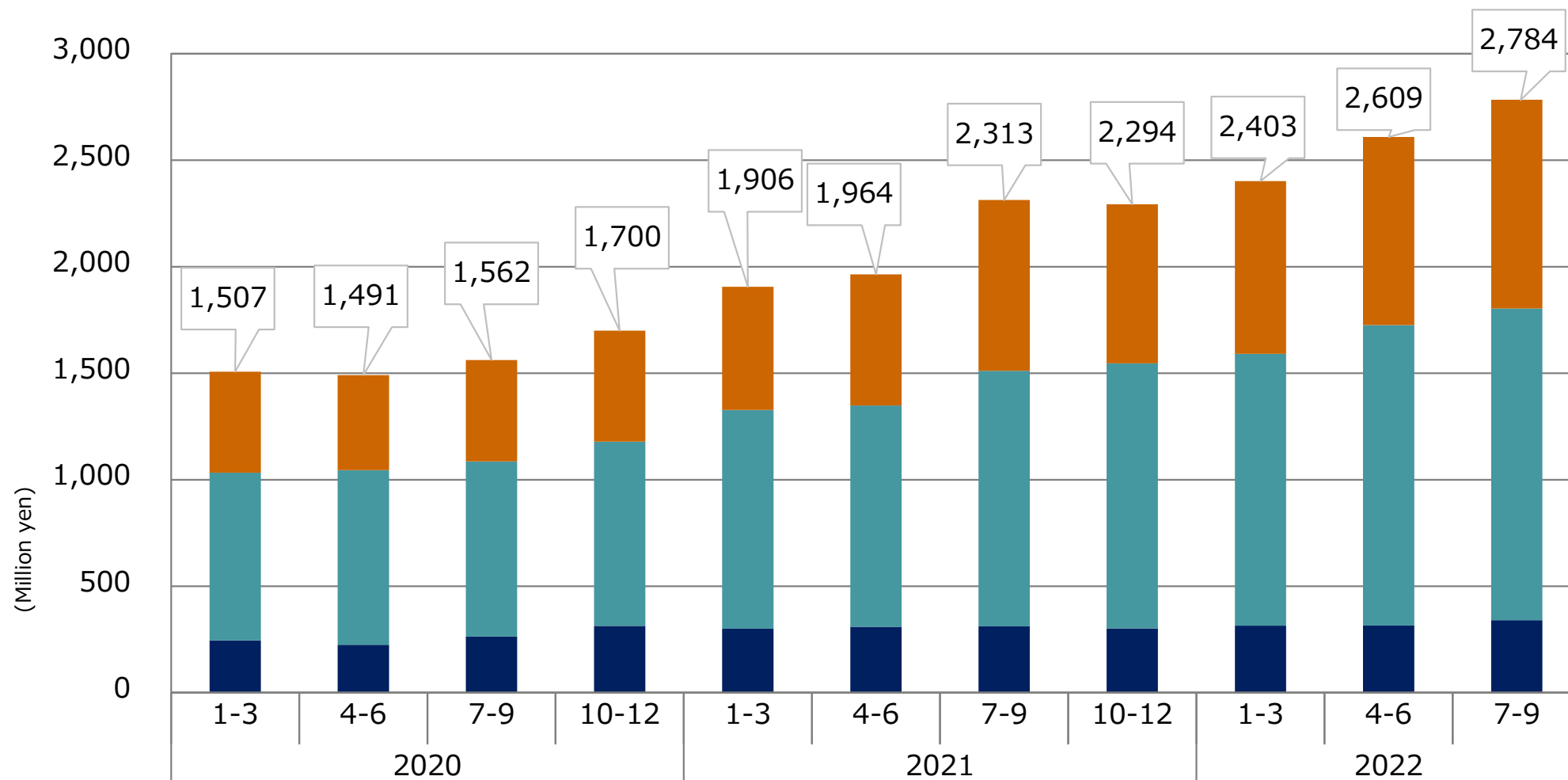
Quarterly performance : Chemical shipment volume (Consolidated)

(1)



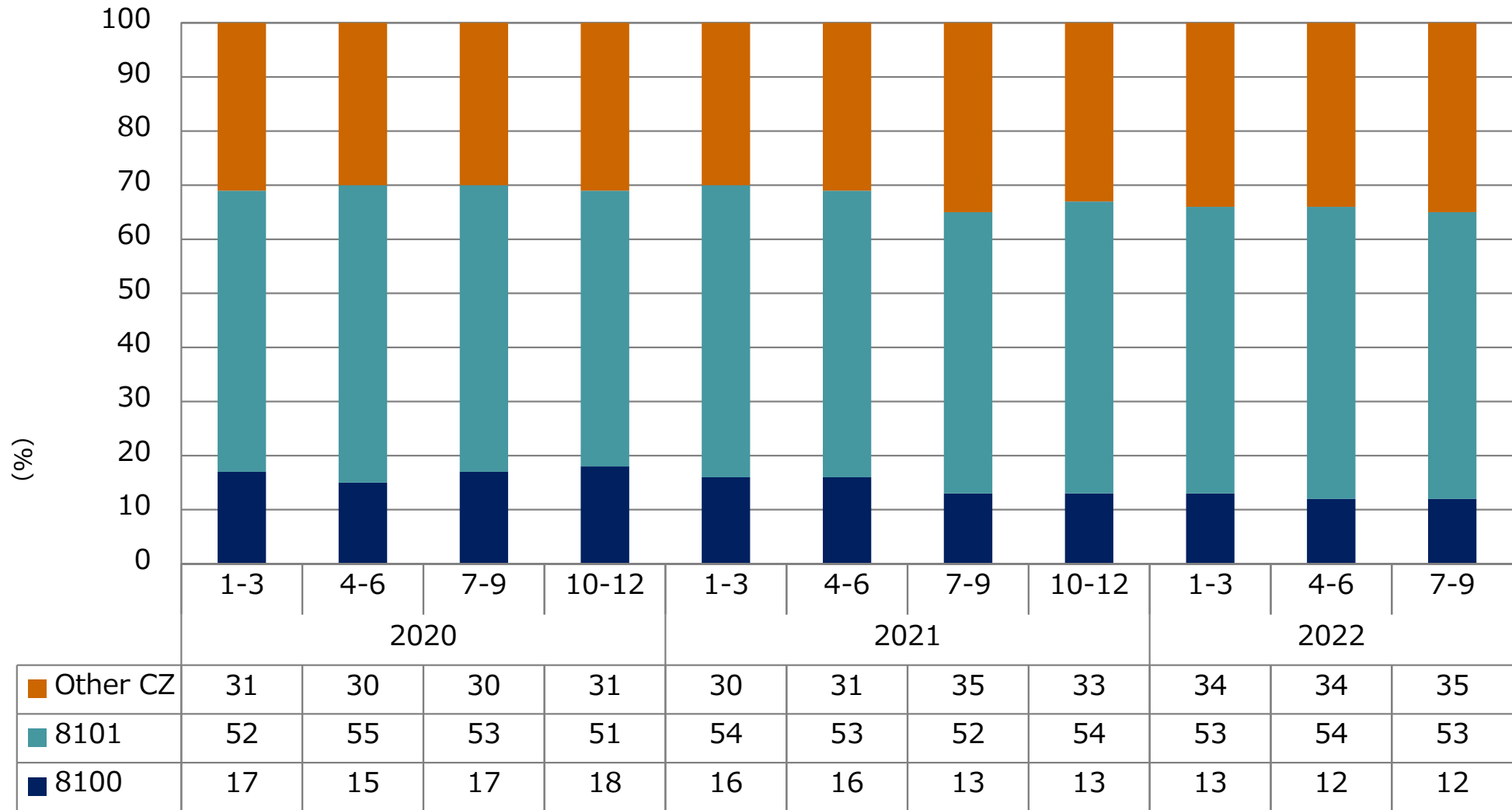
Other surface processing solution	267	269	273	257	384	371	402	394	391	381	352
Etching solution	1,955	2,209	2,378	2,471	2,287	2,138	2,470	2,226	2,098	2,124	2,166
Adhesion improves	6,626	6,723	7,137	7,871	8,248	8,132	9,159	9,063	8,895	9,238	9,080

Quarterly performance : CZ series sales

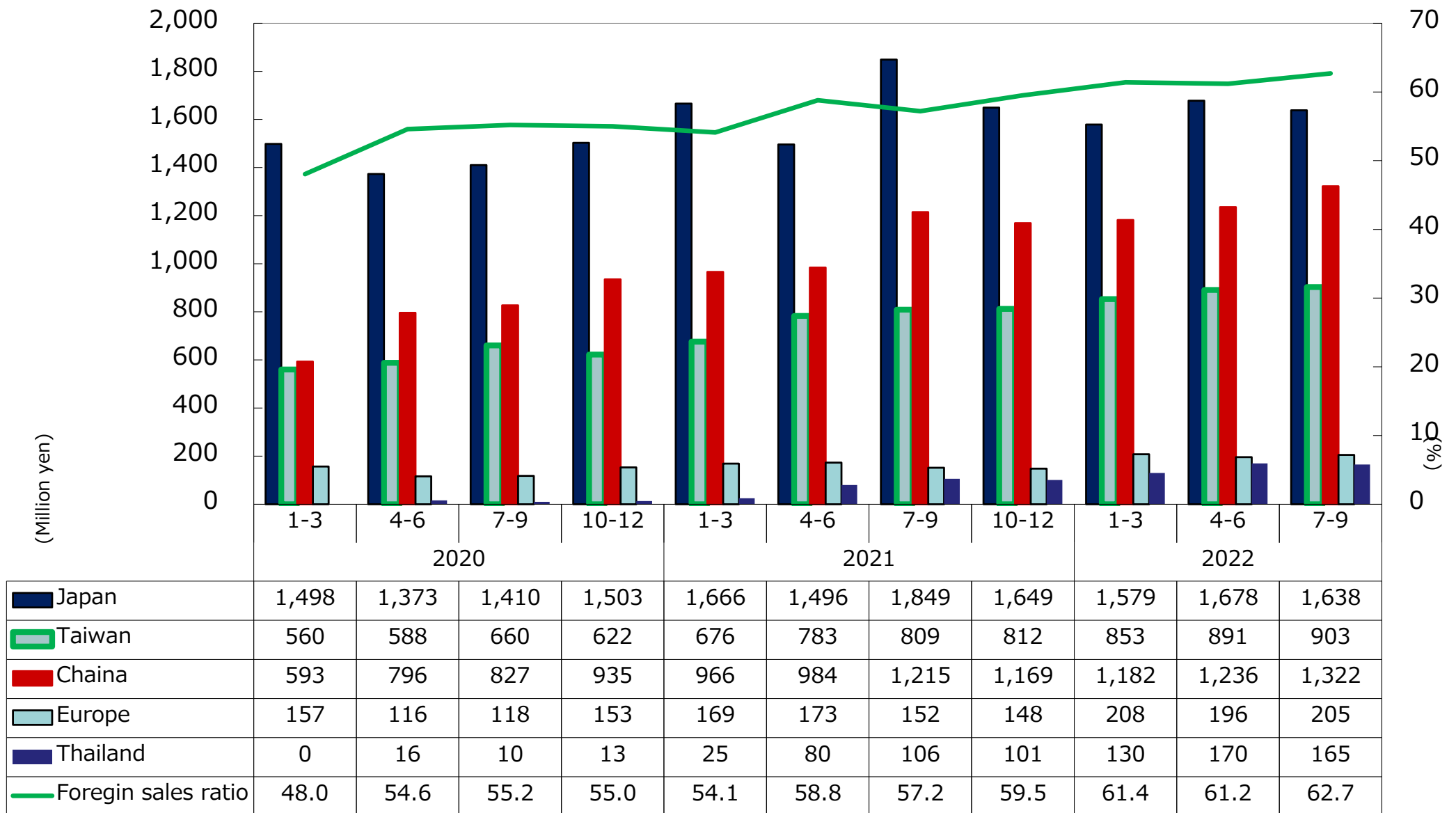


Other CZ	474	446	476	521	579	616	802	747	811	883	980
8101	787	820	822	865	1,026	1,038	1,199	1,244	1,276	1,410	1,464
8100	246	225	264	314	301	310	312	302	315	316	340

Quarterly performance : CZ series sales (Composition ratio)



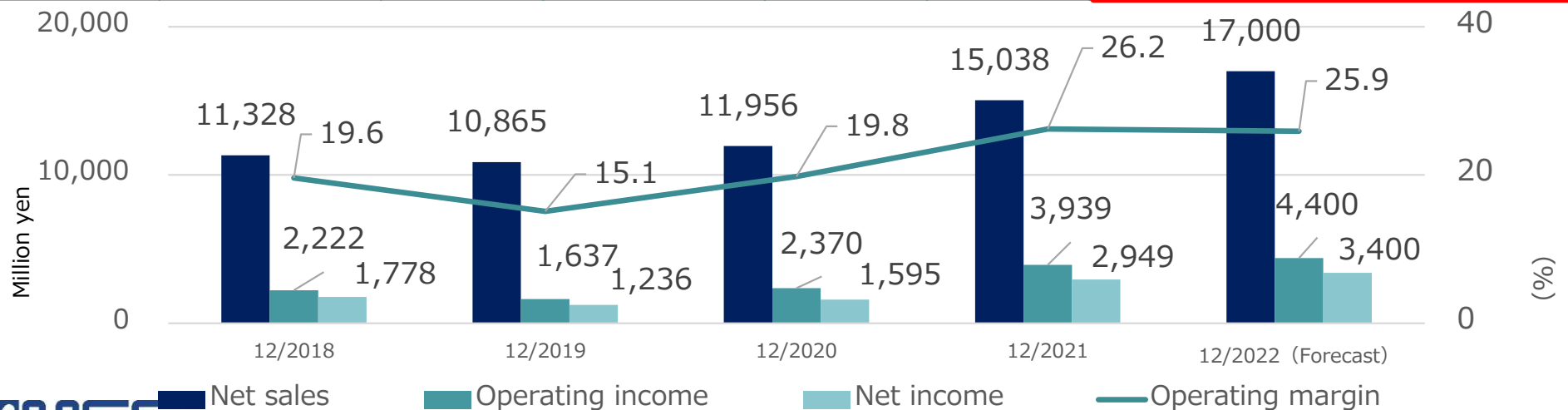
Quarterly performance : Region-specific sales and overseas sales ratio



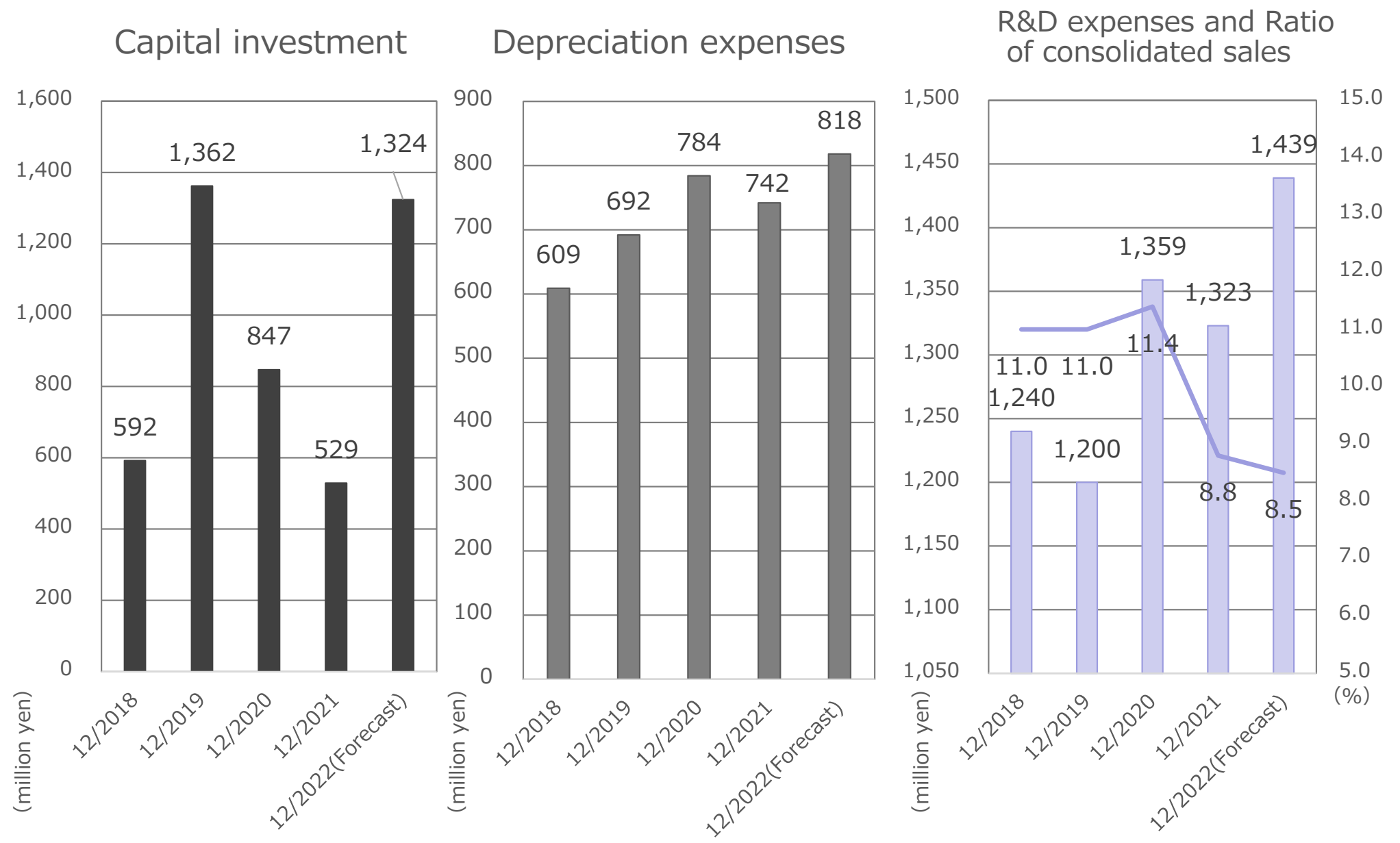
Overseas sales ratio is 80.5%(same period of the previous year: 77.3%)
if domestic agents' overseas chemical sales are included.

FYE12/2022 full-year forecast

	FYE12/2021 (53rd term)		FYE12/2022 (54th term)					
	Full-year		May, 10 2022			August, 10 2022		
			Full-year			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	15,038	-	16,650	-	10.7	17,000	-	13.0
Operating income	3,939	26.2	4,200	25.2	6.6	4,400	25.9	11.7
Ordinary income	4,104	27.3	4,450	26.7	8.4	4,800	28.2	16.9
Net income	2,949	19.6	3,200	19.2	8.5	3,400	20.0	15.3
Net income per share(yen)	155.28	-	168.35	-	-	178.87	-	-



Capital investment, Depreciation expenses and R&D expenses



Dividend, payout ratio and ROE

Dividend policy

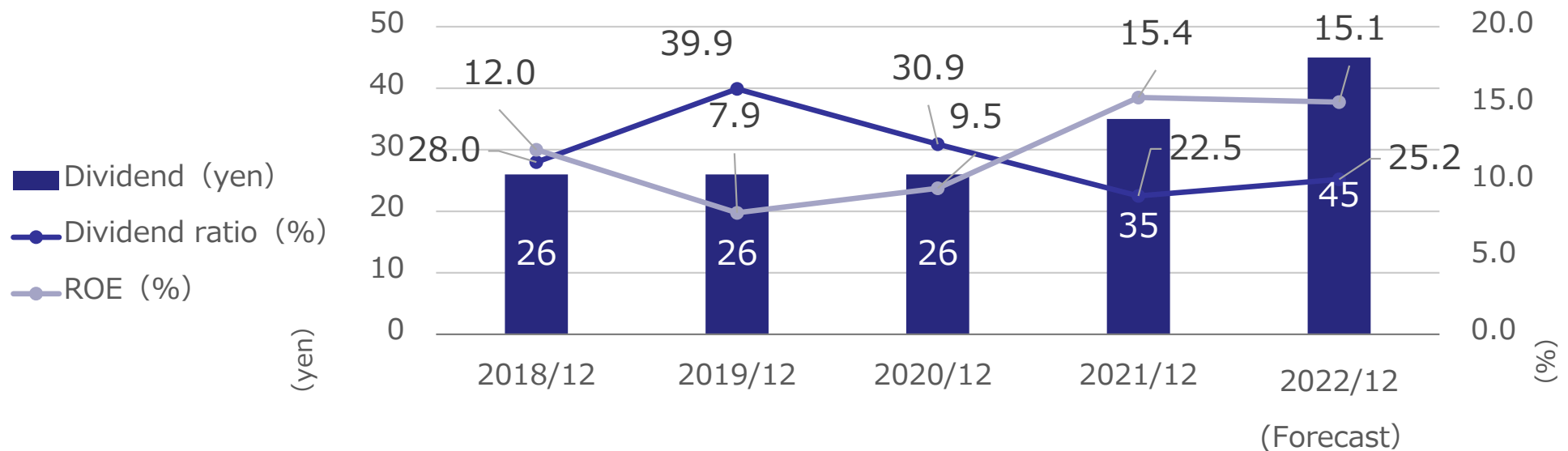
Medium-term goal
(consolidated payout ratio)
30%

Dividend (Forecast)

45.0 yen

Q2 end 20 yen
Fiscal year-end 25 yen

Dividend / Dividend ratio



ESG-H effort

Environment

- Eco friendly products and products that improve yield.
- Contribution to the improvement of the PCBs manufacturing environment.

Social

- Contribution to social development (5G, autonomous driving).
- WLB support, Success of women in the work place.

Governance

- Invitation of outside directors (majority is outside)
- Establishment of ESG Committee and Compensation Advisory Committee

Human

- Implementing a personnel strategy based on “human capital management”

Basic policy of capital policy and shareholder return

In line with the MEC Group's capital policy, we are making the following efforts in order to help improve shareholder value while securing financial soundness.

Improvement of corporate value

- Continuously improve consolidated ROE based on a level of 10%

Active, continuous and stable return of profits

- Set a medium-term goal of 30% for consolidated payout ratio

Medium- and long-term investment for sustainable growth

- Make upfront investment of approximately 10% or more of consolidated sales to cover R&D costs