
Financial Results Briefing for FYE 12/2022

February 14, 2023



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.

FYE12/2022 Overview

Business environment

Demand for consumer electronics such as PCs, smartphones, displays, and tablet PCs has been sluggish due to stagnant personal consumption. Data centers, which had been steady, also entered an inventory cycle adjustment phase.

Financial results overview

YOY increase in sales and profit

The CZ Series, which is especially suited for PKG substrates, contributed to sales growth.

Sales and profits increased due to depreciation of the yen.

Overview of Main Products

CZ : Despite the effects of the semiconductor market, sales grew steadily due to the increase in size and multilayer structure of PKG substrates, contributing to sales growth.

V-Bond: Roughly unchanged due to reduced production of automobiles and smartphones.

EXE : Sharply declined due to cooling consumer sentiment and inventory adjustments.

SF : Sharply declined due to cooling consumer sentiment and inventory adjustments.

Impact From Various Issues



Russia/Ukraine situation

- Raw materials from Russia and Ukraine are not being used
- Regarding the soaring increase in crude oil prices,
 - (1) Although the ratio of raw materials derived directly from crude oil is relatively small, it does have an impact on the purchase price.
 - (2) The impact on transportation costs has already been factored into the plan.



China's zero-COVID policy

- Supply chain disruptions, reduced production utilization rate for customers.



Exchange rate (weak yen)

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

FYE12/2022 Key factors

1

Sales: 16,329 million yen(YOY change: Up 8.6%)
Operating income: 4,004 million yen(YOY change: Up 1.6%)

2

Exchange rate impact (YOY change)
Sales: Up 1,072 million yen,
Operating income: Up 618 million yen.

3

Chemicals
Sales: 16,042 million yen (YOY change: Up 8.7%)
Shipments: 44,962 t (YOY change: Down 0.7%)

4

Major products sales (YOY change)
CZ: Up 21.6%,
EXE: Down 33.1%, SF: Down 17.2%, V-Bond: Down 3.3%

Exchange rate

	Initial forecast	22Q4	21Q4	22Q3
NTD	4.16	4.40	3.93	4.37
RMB	18.07	19.39	17.04	19.33
HKD	14.75	16.70	14.14	16.34
THB	3.44	3.73	3.44	3.69
EUR	130.51	137.93	130.11	136.04
USD	115.01	130.78	109.86	128.03

- 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.

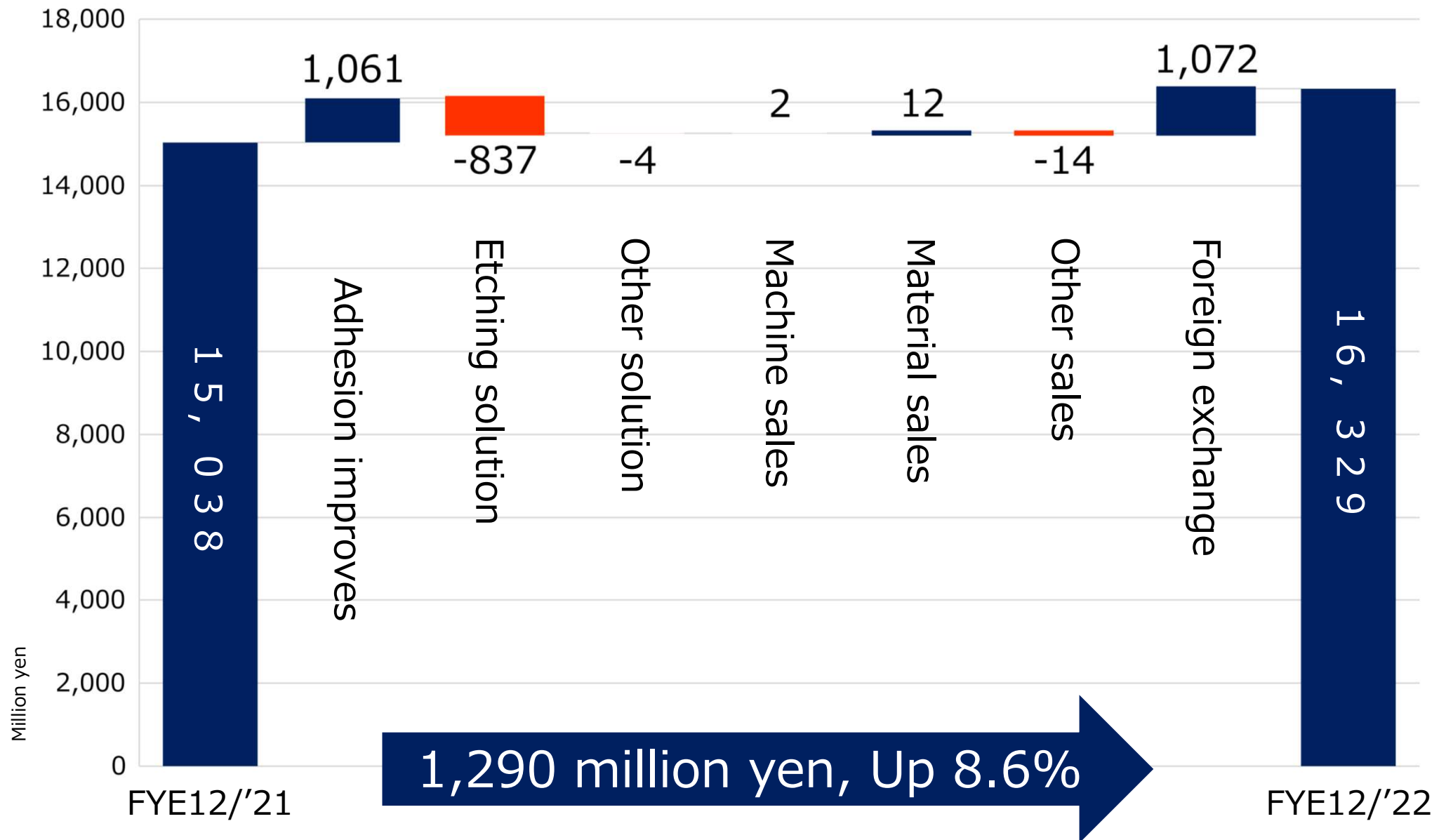
Exchange sensitivity NTD: (Sale) 79 (Operating income) 54
 (12 months conversion)(million yen) : RMB: (Sale) 25 (Operating income) 12

FYE12/2022 Results

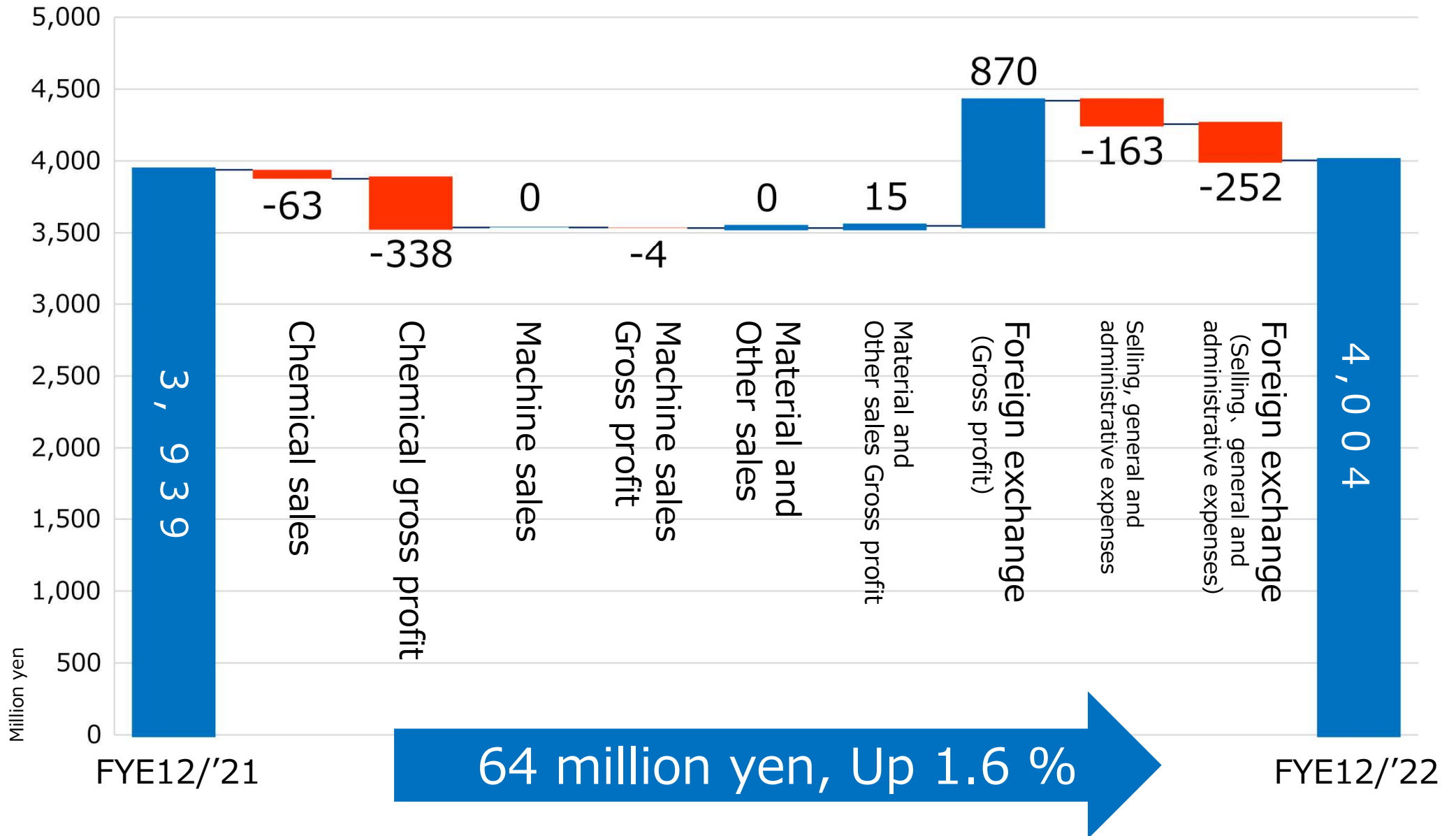
Unit : million yen

	Full-year			
	FYE12/'21 Results	FYE12/'22 Results	FYE12/'22	
			YOY	
Net sales	15,038	16,329	1,290	8.6%
Chemical sales	14,756	16,042	1,285	8.7%
Gross profit	9,323	9,803	480	5.2%
Gross profit margin	62.0%	60.0%	-2.0ppt	-
SGA	5,383	5,799	415	7.7%
Sales ratio	35.8%	35.5%	-0.3ppt	-
Operating income	3,939	4,004	64	1.6%
Operating margin	26.2%	24.5%	-1.7ppt	-
Ordinary income	4,104	4,246	142	3.5%
Ordinary profit margin	27.3%	26.0%	-1.3ppt	-
Profit before tax	4,092	4,224	132	3.2%
Net income	2,949	3,064	150	3.9%
Net income per share	155.28	161.22	-	-

Net sales YOY



Operating income YOY



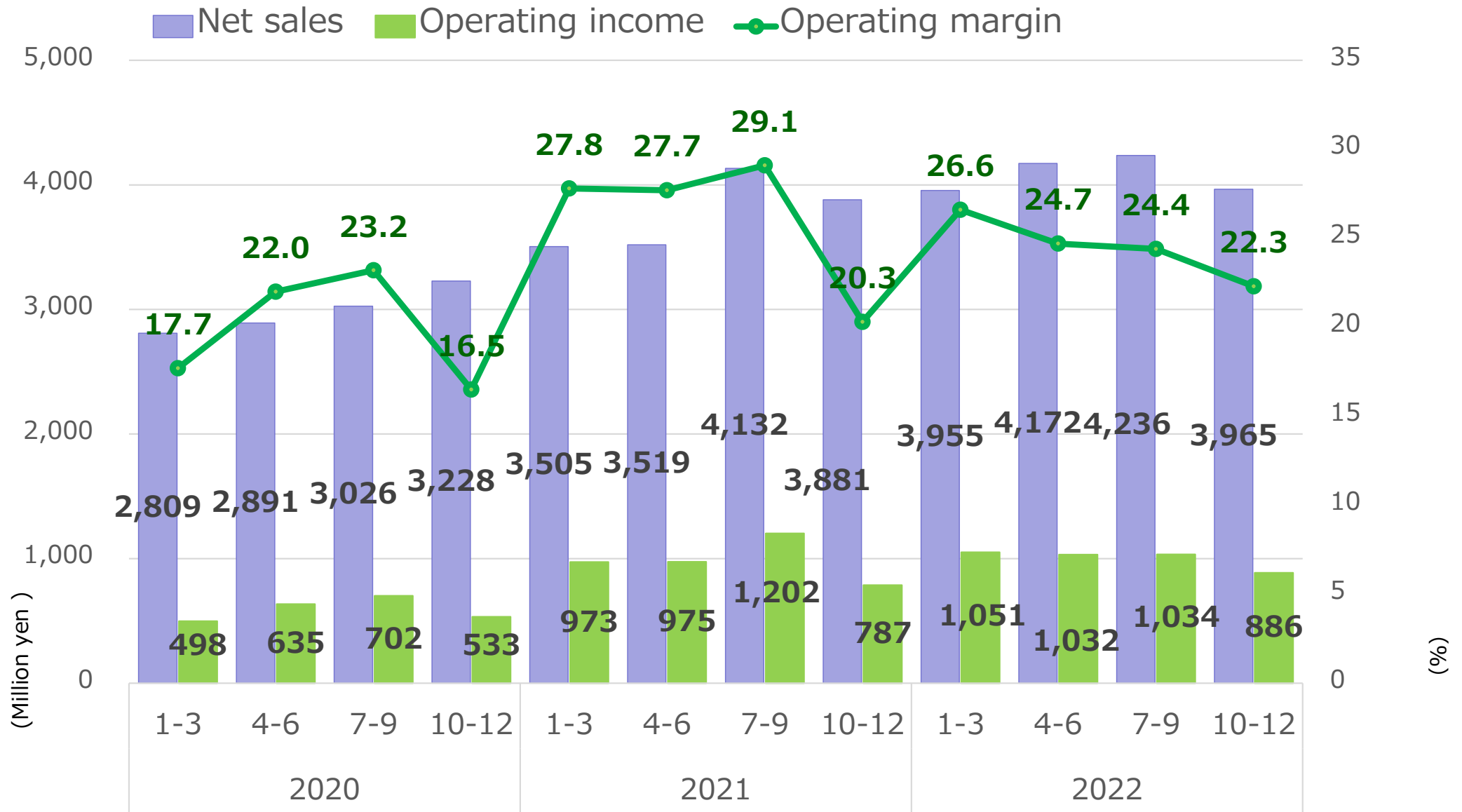
Consolidated B/S (Assets)

	FYE12/'21	FYE12/'22	topics
Current assets	13,839	15,987	Increase in cash, inventories, etc.
Non-current assets	11,465	11,512	–
Property, plant and equipment	8,891	8,959	–
Intangible assets	147	146	–
Investments and other assets	2,427	2,405	Decrease due to stock price decline, etc.
Total assets	25,305	27,499	–

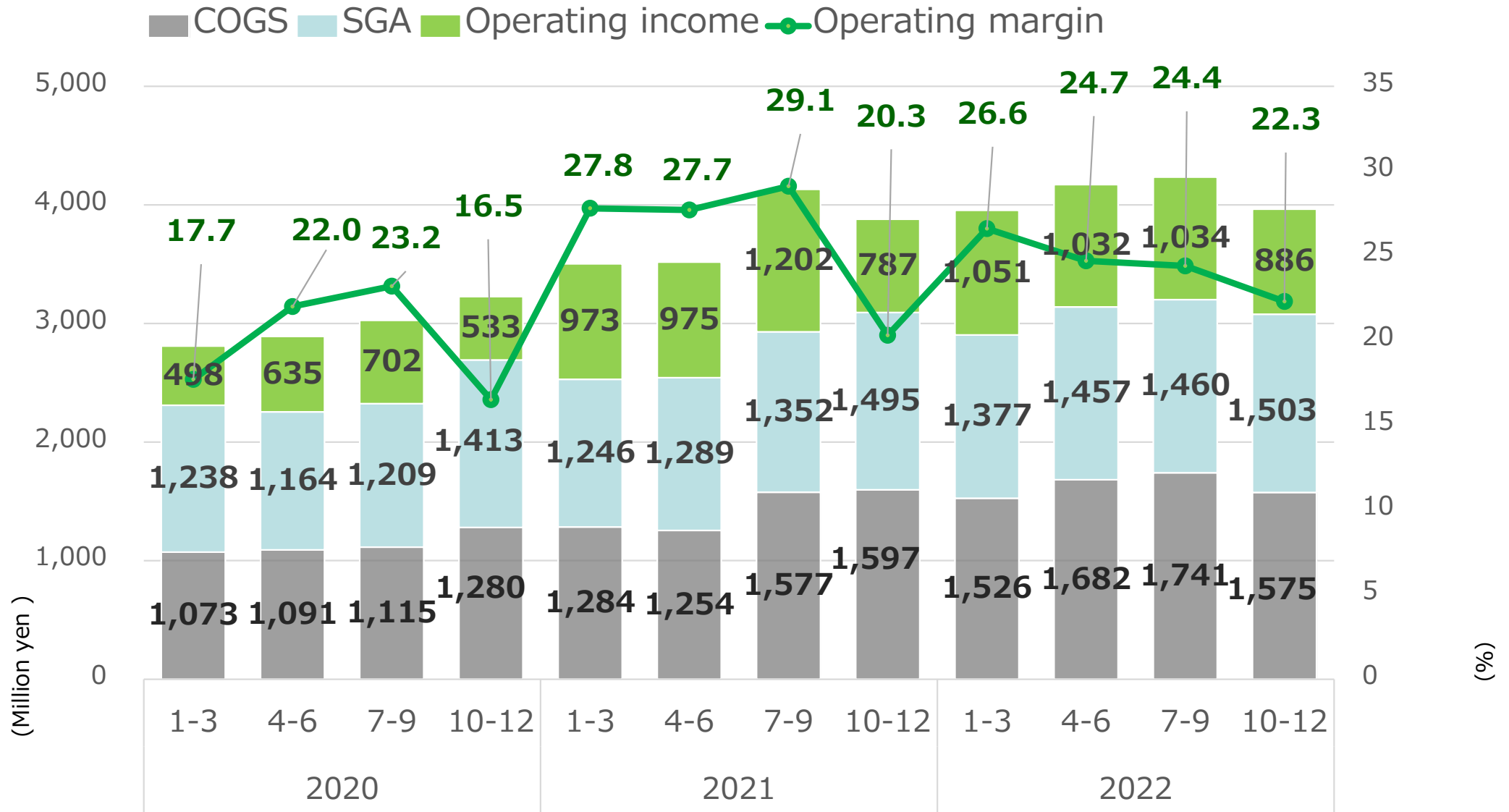
Consolidated B/S (Liabilities and Net assets)

	FYE12/'21	FYE12/'22	特記事項
Current liabilities	3,791	3,562	Decrease in income taxes payable, etc.
Non-current liabilities	584	611	–
Total liabilities	4,376	4,173	–
Shareholders' equity	18,990	21,278	Increase in retained earnings, etc.
Total accumulated other comprehensive income	1,938	2,047	Increase in foreign currency translation adjustments, decrease in valuation difference on available-for-sale securities, etc.
Total net assets	20,929	23,325	–
Total liabilities and net assets	25,305	27,499	–

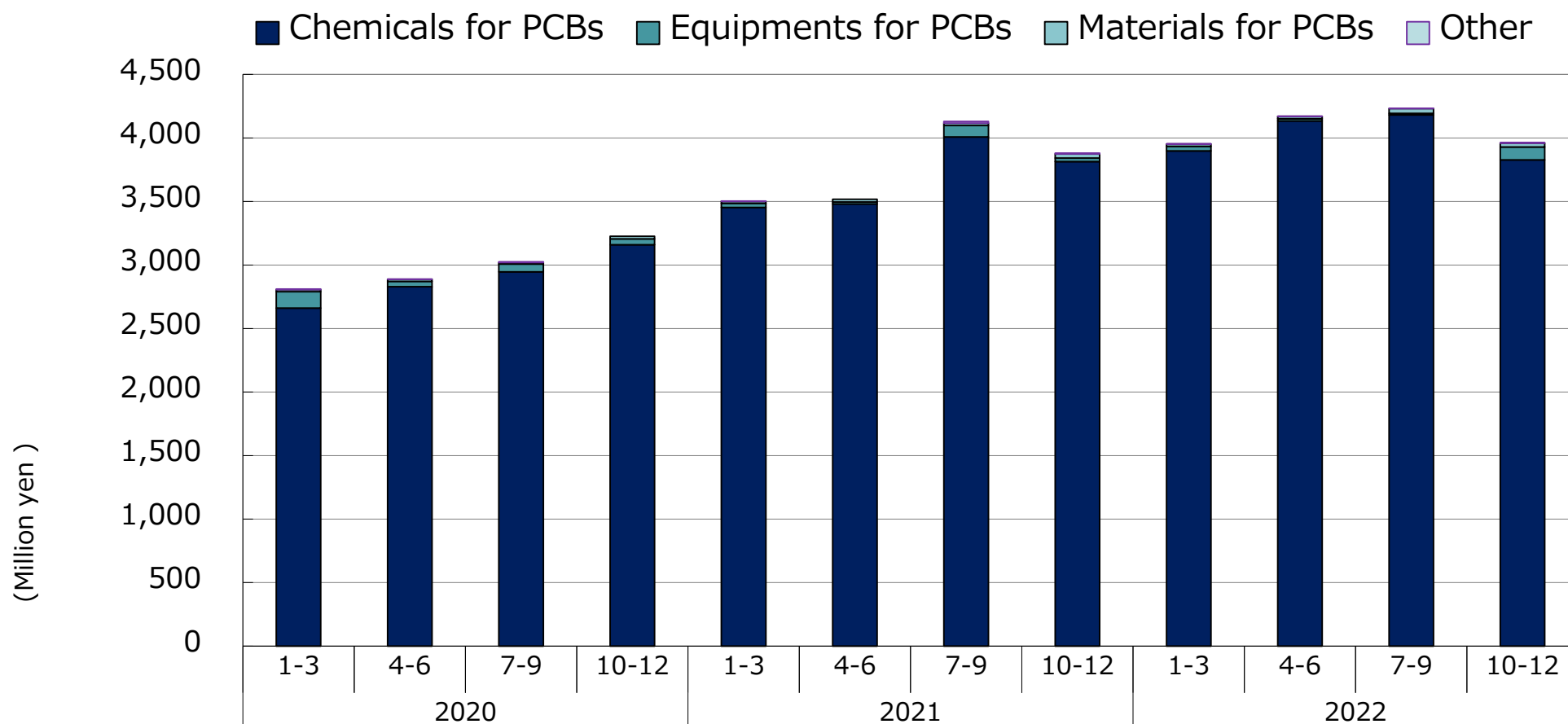
Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



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

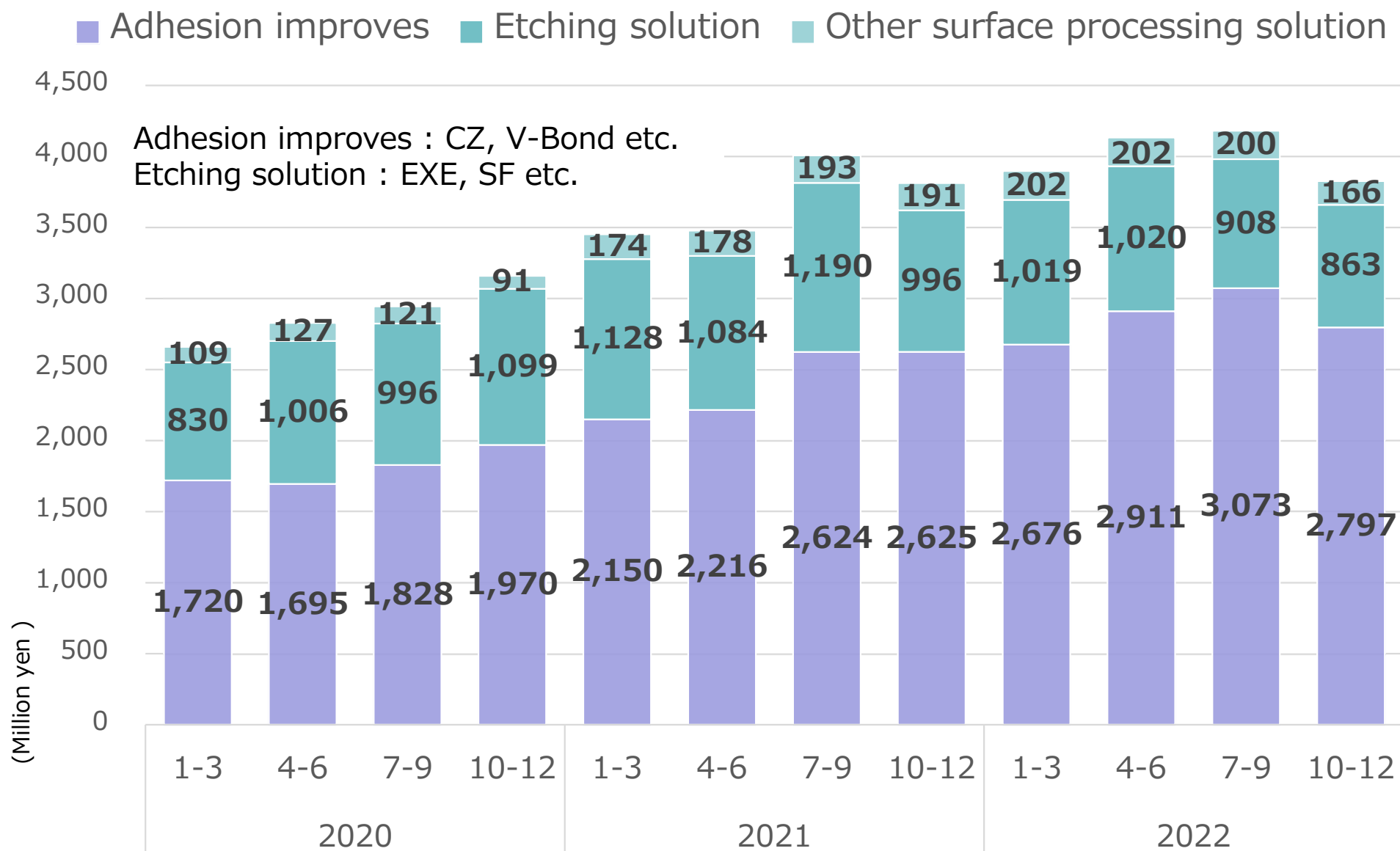


Quarterly performance : Product-specific sales (Consolidated)

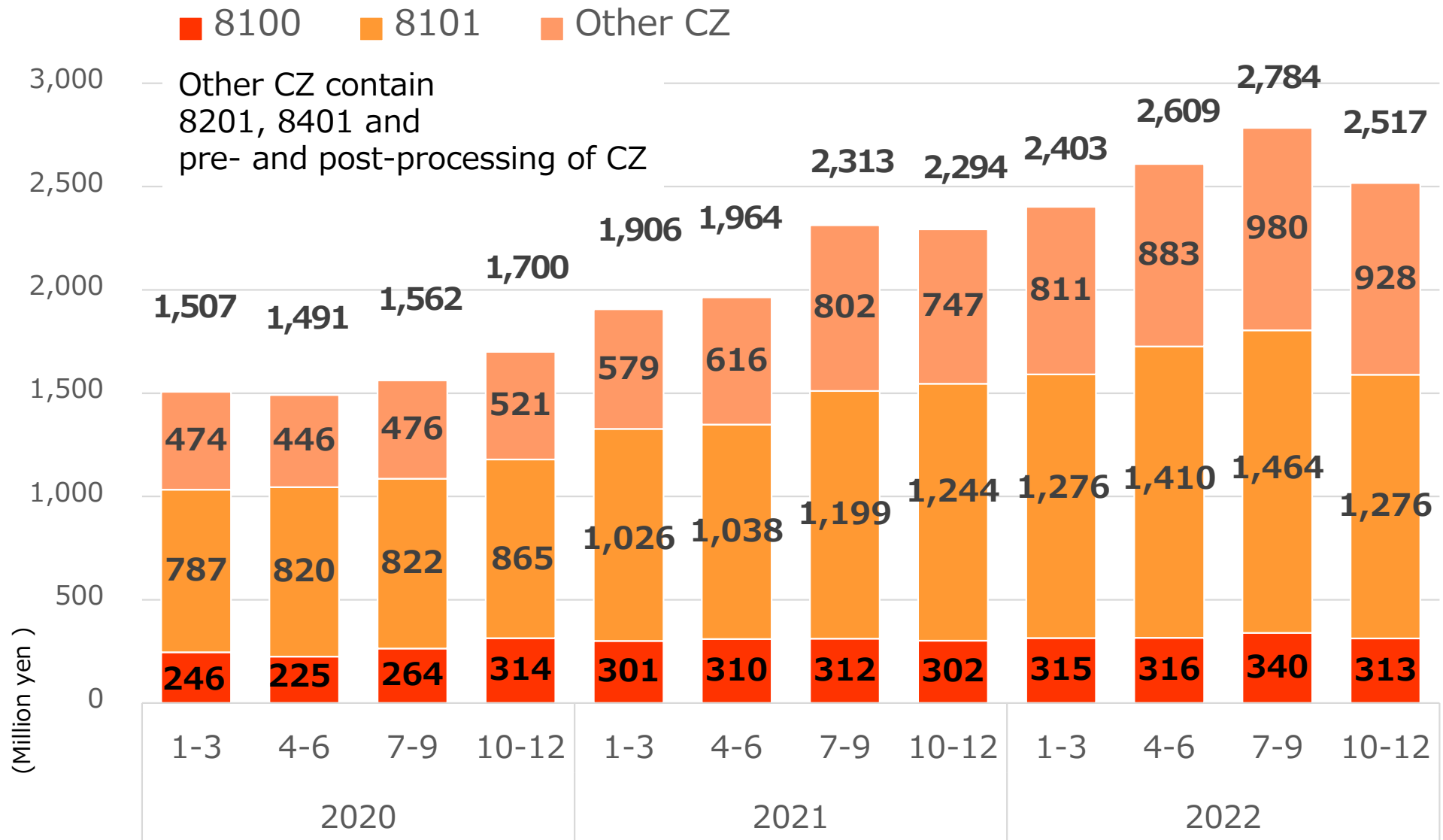


Other	4	1	5	0	2	0	13	6	1	1	1	3
Materials for PCBs	17	16	12	21	16	21	19	33	18	19	38	31
Equipments for PCBs	129	43	62	46	33	16	90	27	36	17	13	102
Chemicals for PCBs	2,661	2,829	2,946	3,160	3,452	3,480	4,008	3,814	3,898	4,134	4,181	3,827

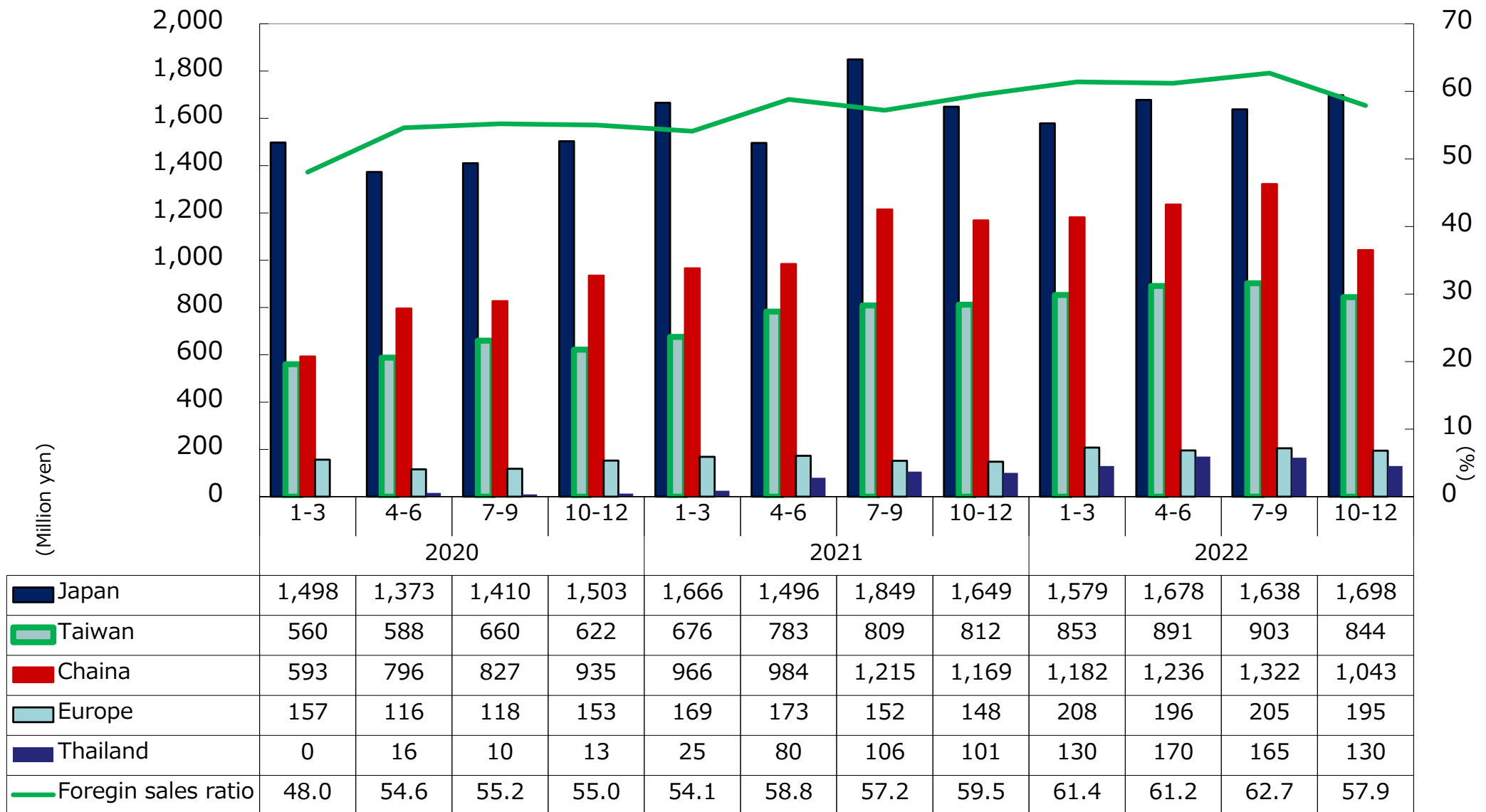
Quarterly performance : Chemical sales (Consolidated)



Quarterly performance : CZ series sales



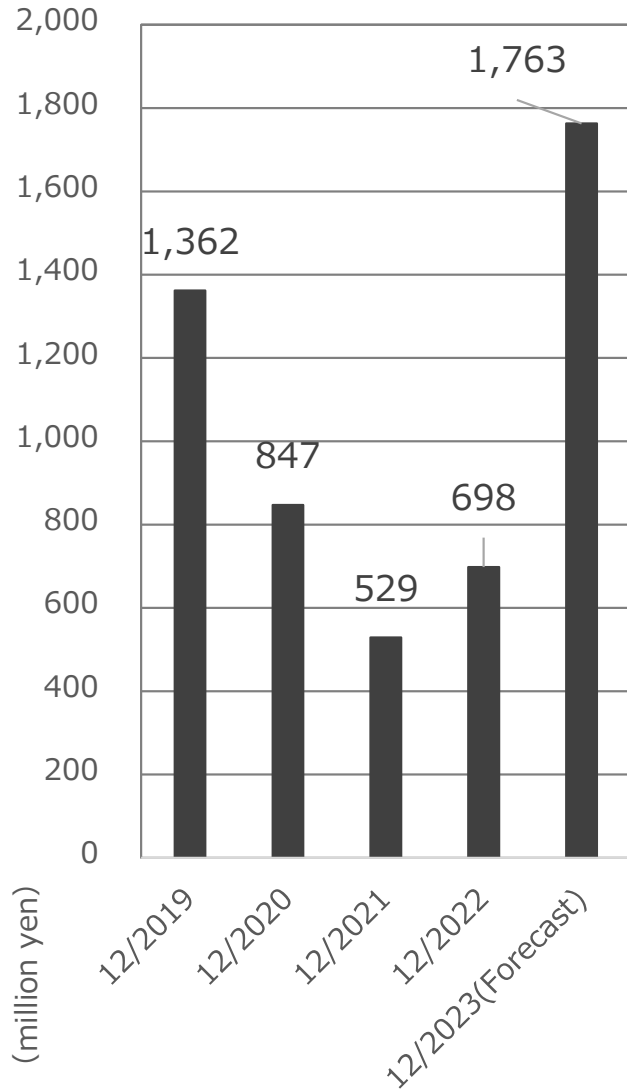
Quarterly performance : Region-specific sales and overseas sales ratio



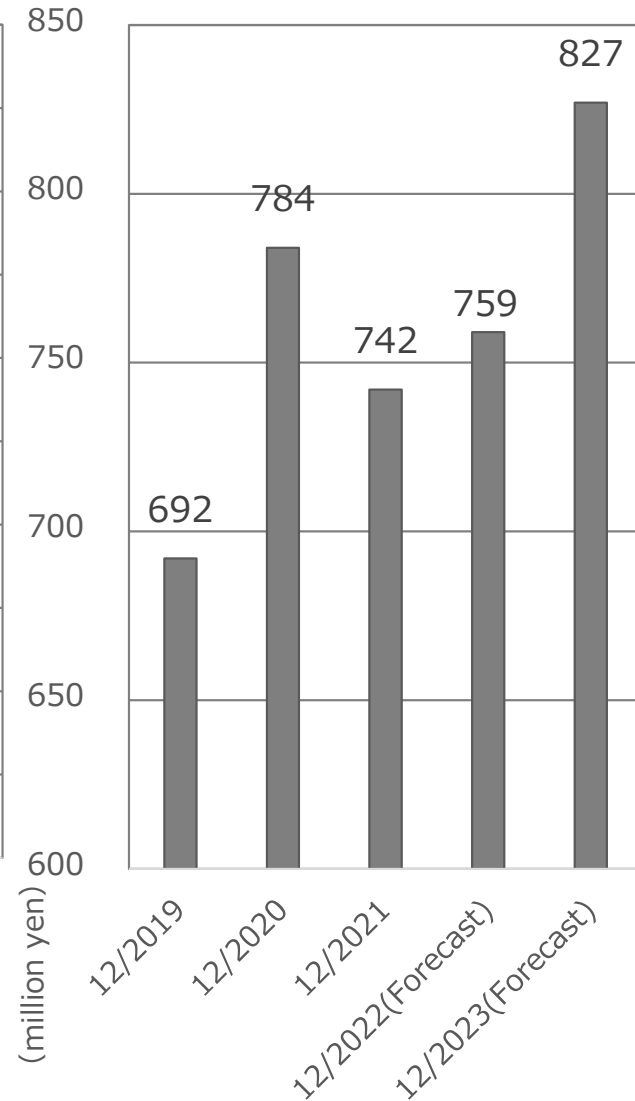
Overseas sales ratio is 77.4%(same period of the previous year: 77.4%) including sales to overseas customers through agents in Japan.

Capital investment, Depreciation expenses and R&D expenses

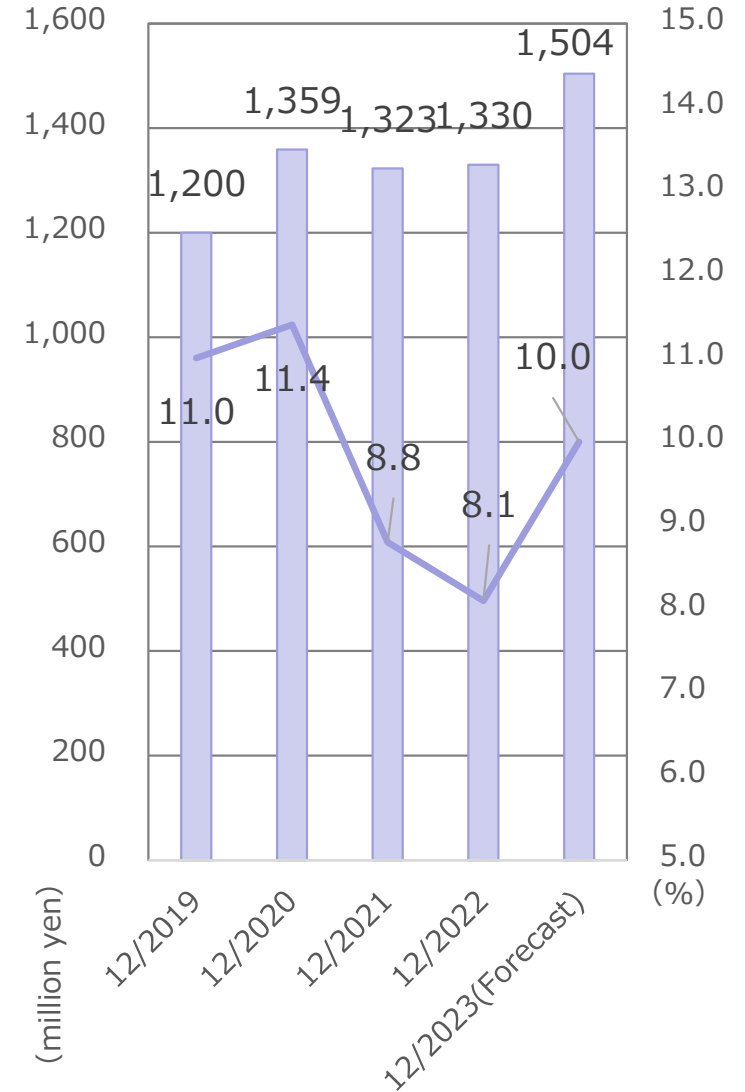
Capital investment



Depreciation expenses



R&D expenses and Ratio of consolidated sales



Technology trends

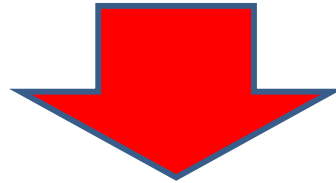
Examples of major chemical applications and final products

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

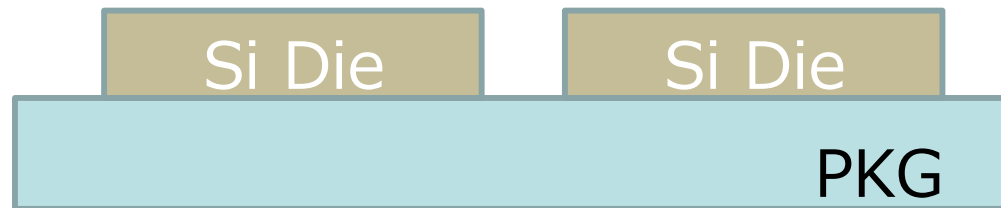
Evolution of the PKG substrate



Chiplet

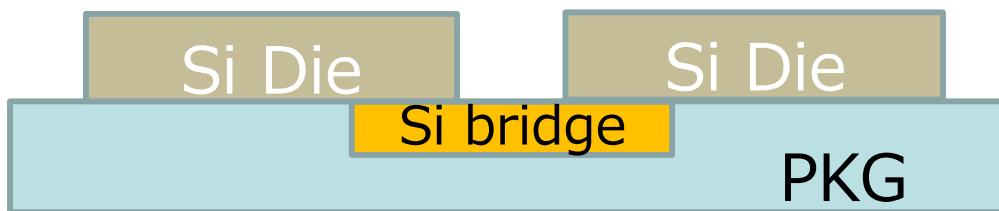


Mounting multiple
semiconductors



EMIB

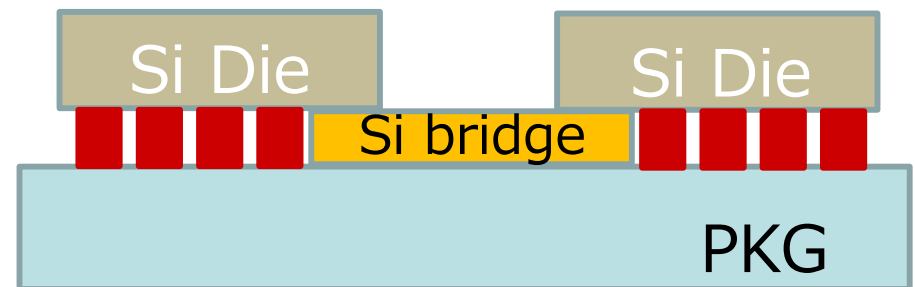
(**E**MBEDDED **M**ULTI-DIE **I**NTERCONNECT **B**RIDGE)



EFB

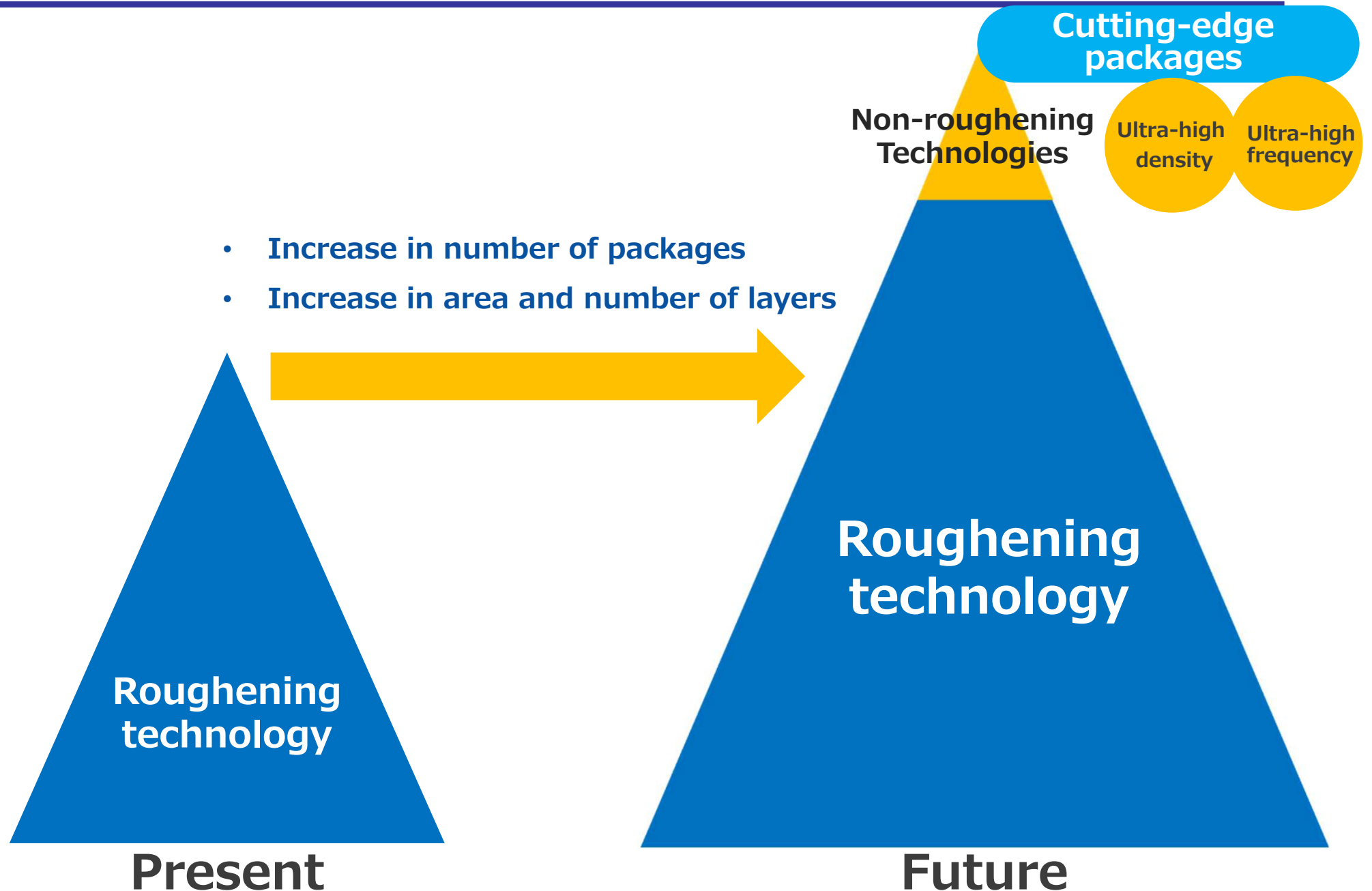
 Copper pillar

(**E**LEVATED **F**ANOUT **B**RIDGE)

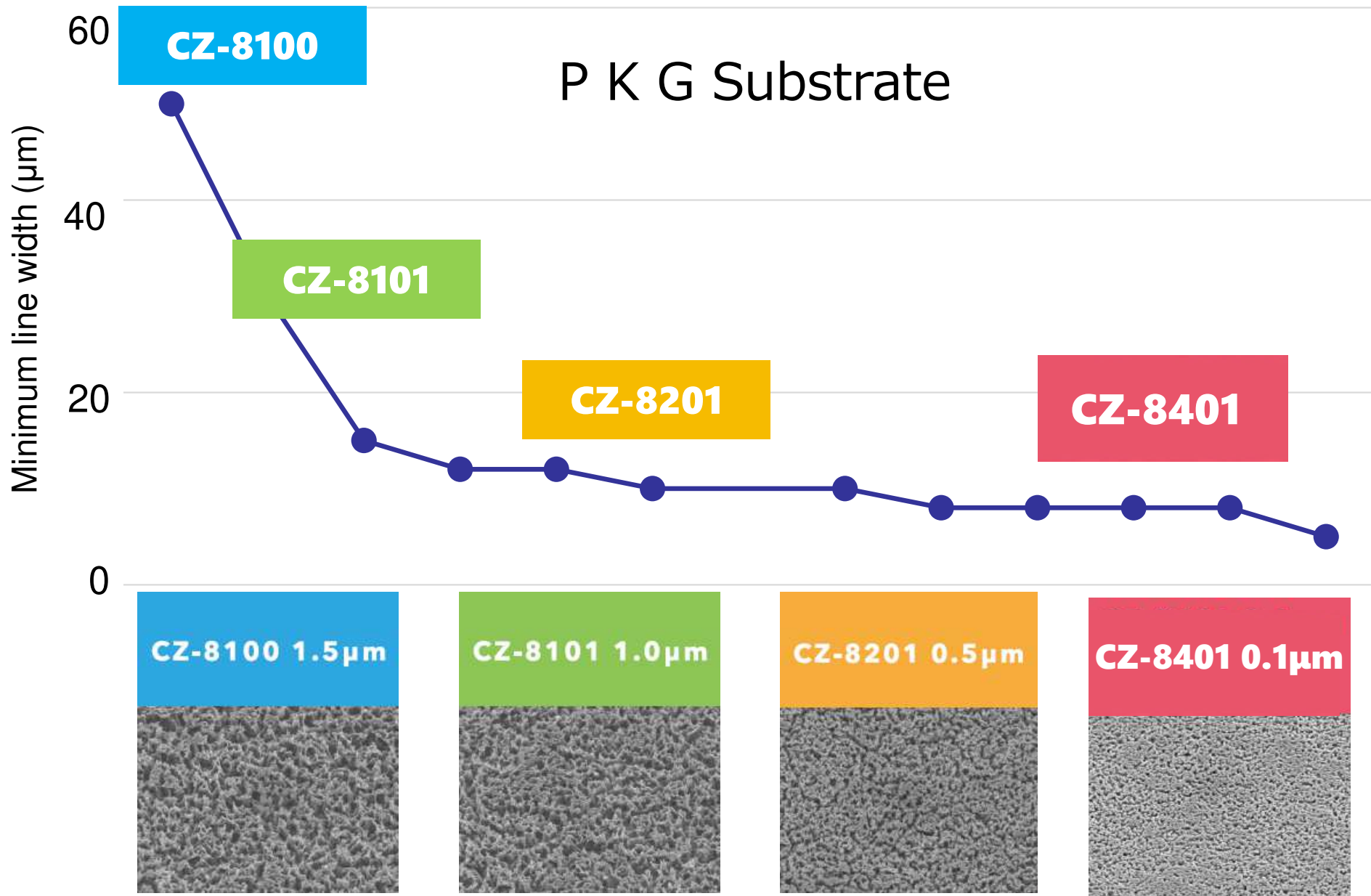


PKG size is big and layers are increase.

Roughening and Non-roughening Technologies



CZ series roadmap



Our future plans

Our future plans

+ Business environment

- In the short term, the market for semiconductors, which is in an adjustment phase, and sluggish consumer spending are expected to have a negative impact.
- 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 is expected to grow thanks to the increase in size and multilayer structure brought about by higher performance and increase in PKG substrates due to growing demand for semiconductors.

+ Major chemical

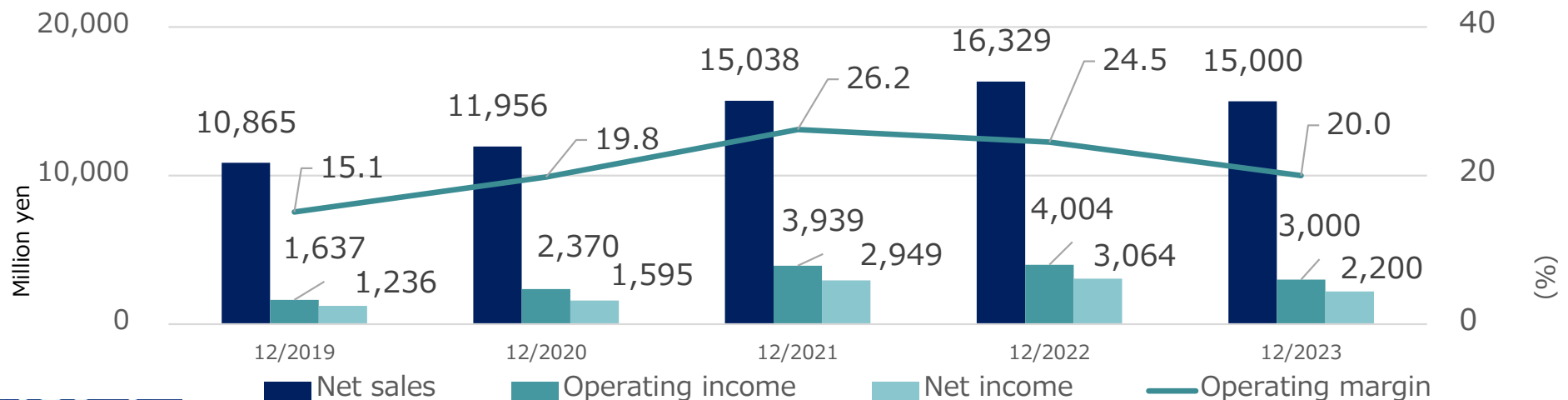
- CZ : In the short term, demand will be affected by the stagnation of the semiconductor market, but in the medium to long term, demand is expected to increase due to an increase in PKG substrates and an increase in size and multilayer structure.
- V-Bond : In the short term, it is expected to be affected by the decline in automobile production, parts inventory adjustments, and sluggish smartphone demand due to stagnant consumer spending.
- EXE : In the short term, it is expected to be affected by display inventory adjustments.
- SF : Demand for smartphones is expected to decline due to technological changes, while demand for tablet PCs is expected to continue.

+ Exchange rate

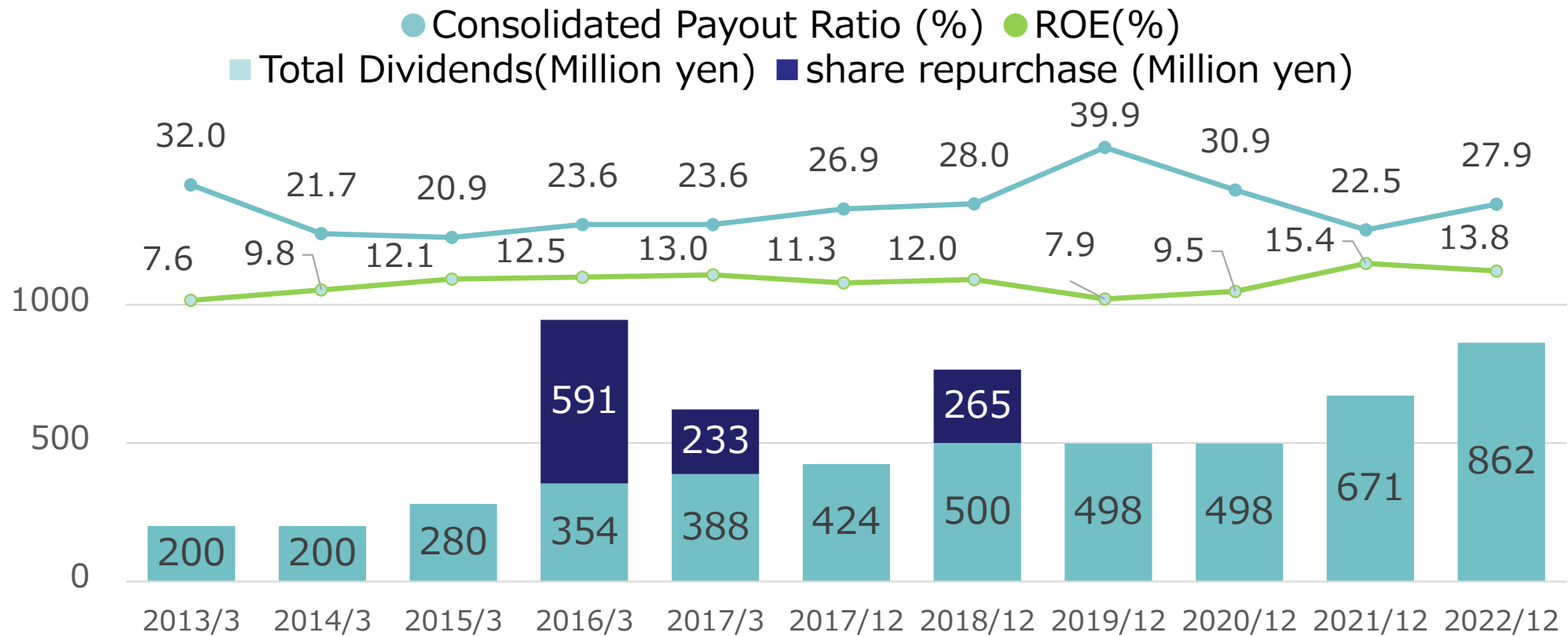
	NTD	RMB	HKD	THB	EUR	USD
FYE12/2022	4.40	19.39	16.70	3.73	137.93	130.78
FYE12/2023	4.37	19.33	16.34	3.69	136.04	128.03

FYE12/2023 full-year forecast

	FYE12/2022 (54th term)		FYE12/2023 (55th term)					
	Full-year		1H			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	16,329	-	6,500	-	-20.0%	15,000	-	-8.1%
Operating income	4,004	24.5	800	12.3	-61.6%	3,000	20.0	-25.1%
Ordinary income	4,246	26.0	850	13.1	-64.2%	3,100	20.7	-27.0%
Net income	3,064	18.8	600	9.2	-63.9%	2,200	14.7	-28.2%
Net income per share(yen)	161.22	-	31.56	-	-	115.72	-	-



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:38.9%)

CSR Materiality (Key Issues)

Research and development to open up the future	Development and provision of high added value products Contribution to higher customer productivity and yields Development of products that reduce environmental impact
Proper procurement, production, and logistics	SCM, green procurement, global procurement Creation of global production and supply system
Environmental preservation	Appropriate chemical substance management BCP responses
Quality and safety	Health and safety management, quality assurance Building long-term trusting relationships with stakeholders
Utilization of diverse human resources	Health management, work-life balance Career development, self-reliance, self-discipline, solidarity (engagement)
Reinforcement of management foundations	Governance Appropriate information disclosure, security Risk management

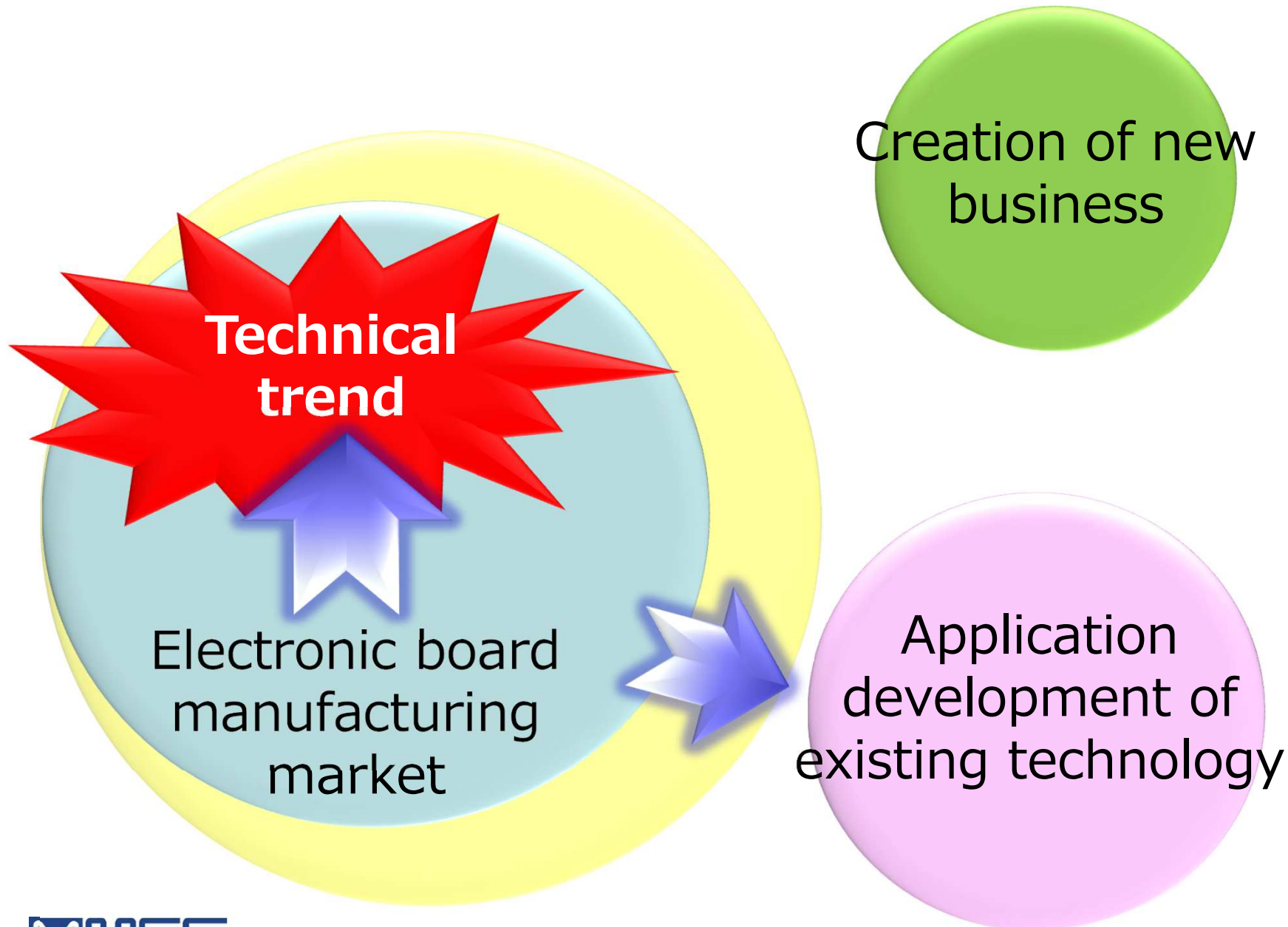
SDGs That Involve the Company

Our mission	Grow as a company by contributing to the development of industry
Our responsibility	Responsibility for procurement, handling, product development, manufacturing, and disposal as a company that uses resources and handles chemical substances
The world to be achieved through business	Happiness and growth as people
	Water
	Equality Collaboration
Issues	Contributing to climate change Energy issues
Social contribution	Afforestation

Capital Policy

Investment in research and development	Approximately 10% of consolidated sales every year
Capital investment	Approximately 5 billion yen over three years (2022 to 2024)
Shareholder returns	Maintain and increase the annual dividend per share Consolidated payout ratio target: 30% Flexibly implement share buybacks according to the circumstances

Aiming to expand the business domain



Appendix

Corporate profile

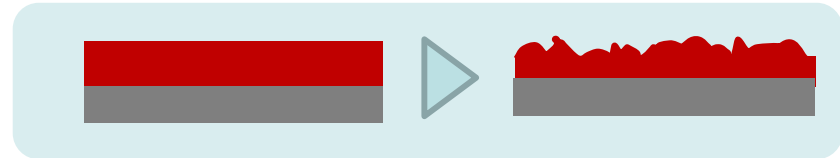
(As of December 31, 2022)

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	16,329 million JPY (Consolidated)
Stock listing	Tokyo Stock Exchange Prime Market Securities code: 4971
Number of employees	438 persons (Consolidated) 253 persons (Non-consolidated)

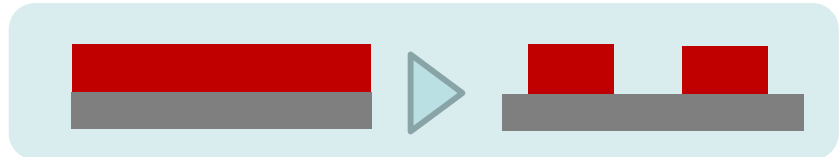
MEC's core technologies

Creating and Fostering Value at Various Interfaces

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



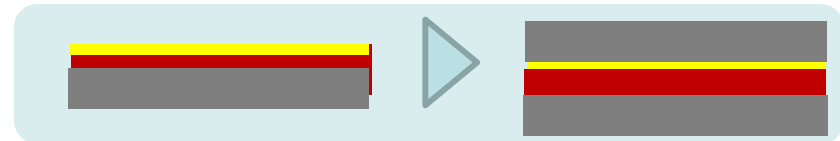
- **Pattern formation** EXE



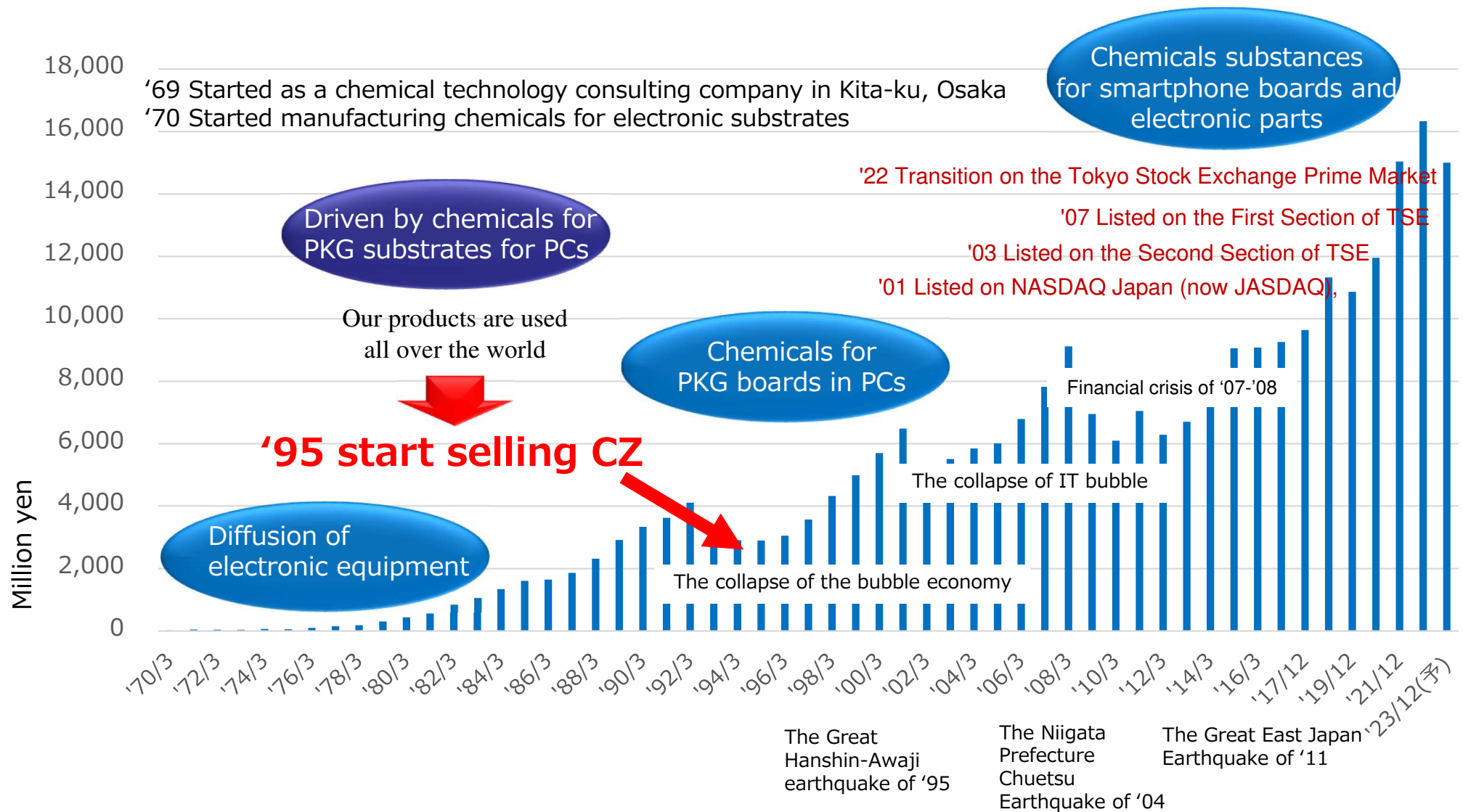
- **Selective etching** SF



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



MEC sales trend since foundation



Production capacity



Amagasaki Factory
900 t / m



Nagaoka Factory
1,800 t / m



MEC TAIWAN
1,200 t / m



MEC SUZHOU
450 t / m



MEC ZHUHAI
750 t / m



MEC EUROPE
400 t / m



MEC THAILAND
500 t / m

Creating and Fostering Value at Various Interfaces



This presentation includes forward-looking statements (such as predictions and business forecasts) made in February 14, 2023. 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.