
Financial Results Briefing for Q1 FYE 12/2023

May 10, 2023



Securities code: 4971

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

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Notice of Revision of Earnings Forecast

Revision to the first half consolidated earnings forecast for the fiscal year ending in December 2023.
(January 1, 2023 to June 30, 2023)

| | 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) | 6,500 | 800 | 850 | 600 | 31.56 |
| Forecast revised this time(B) | 6,000 | 450 | 500 | 300 | 15.85 |
| Difference(B-A) | -500 | -350 | -350 | -300 | |
| Percentage change (%) | -7.7 | -43.8 | -41.2 | -50.0 | |
| (Reference) Earnings for the first half of the previous year (First half of the fiscal year ended December 2022) | 8,127 | 2,084 | 2,374 | 1,661 | 87.40 |

Notice of Revision of Earnings Forecast

Revision to the full-year consolidated earnings forecast for the fiscal year ending in December 2023.
(January 1, 2023 to December 31, 2023)

| | 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) | 15,000 | 3,000 | 3,100 | 2,200 | 115.72 |
| Forecast revised this time(B) | 13,500 | 1,800 | 1,900 | 1,350 | 71.71 |
| Difference(B-A) | -1,500 | -1,200 | -1,200 | -850 | |
| Percentage change (%) | -10.0 | -40.0 | -38.7 | -38.6 | |
| (Reference) Results for the previous term (Year ended December 2022) | 16,329 | 4,004 | 4,246 | 3,064 | 161.22 |

Decision to Acquire Treasury Stock

1. Reason for acquiring treasury stock

We aim to enhance shareholder returns and implement flexible capital policies in response to changes in the business environment.

2. Details of the acquisition of treasury stock

(1) Type of shares to be acquired: Common shares

(2) Total number of shares to be acquired: 300,000 (upper limit)

(Percentage of total number of shares issued (excluding treasury stock) 1.56%)

(3) Total amount of stock acquisition: 900 million yen (upper limit)

(4) Acquisition period: May 11, 2023 to June 30, 2023

(5) Acquisition method: Purchase on the Tokyo Stock Exchange market

Q1 FYE12/2023 Overview

Business environment

Continuing from last year demand for consumer electronics such as PCs, smartphones, displays, and tablet PCs has been sluggish due to stagnant personal consumption. Investment in data centers was also restrained.

Financial results overview

YOY decrease in sales and profit

The electronic substrate and parts industry, which is a related market of our Group, was in an inventory adjustment phase affected by the electronics industry, which also affected orders for the Company's related products.

Overview of Main Products

V-Bond: Although automobile production is on a recovery trend, it will decrease due to the impact of semiconductor shortages.

CZ : Sharply declined due to the decline in demand for PKG substrates for PCs, smartphones, displays, tablet PCs, and date center.

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

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

Q1 FYE12/2023 Key factors

1

Sales: 2,765 million yen(YOY change: Down 30.1%)
Operating income: 168 million yen(YOY change: Down 83.9%)

2

Exchange rate impact (YOY change)
Sales: Up 95 million yen,
Operating income: Up 38 million yen.

3

Chemicals

Sales: 2,712 million yen (YOY change: Down 30.4%)
Shipments: 7,498 t (YOY change: Down 34.1%)

4

Major products sales (YOY change)

| | |
|--------------------|-----------------|
| V-Bond: Down 12.6% | CZ: Down 31.8% |
| SF: Down 35.9% | EXE: Down 37.7% |

Exchange rate

| | Initial forecast | 23Q1 | 22Q1 | 22Q4 |
|-----|------------------|--------|--------|--------|
| NTD | 4.37 | 4.37 | 4.18 | 4.40 |
| RMB | 19.33 | 19.33 | 18.44 | 19.39 |
| HKD | 16.34 | 17.02 | 15.00 | 16.70 |
| THB | 3.69 | 3.90 | 3.53 | 3.73 |
| EUR | 136.04 | 143.34 | 131.35 | 137.93 |
| USD | 128.03 | 133.26 | 117.12 | 130.78 |

- 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.

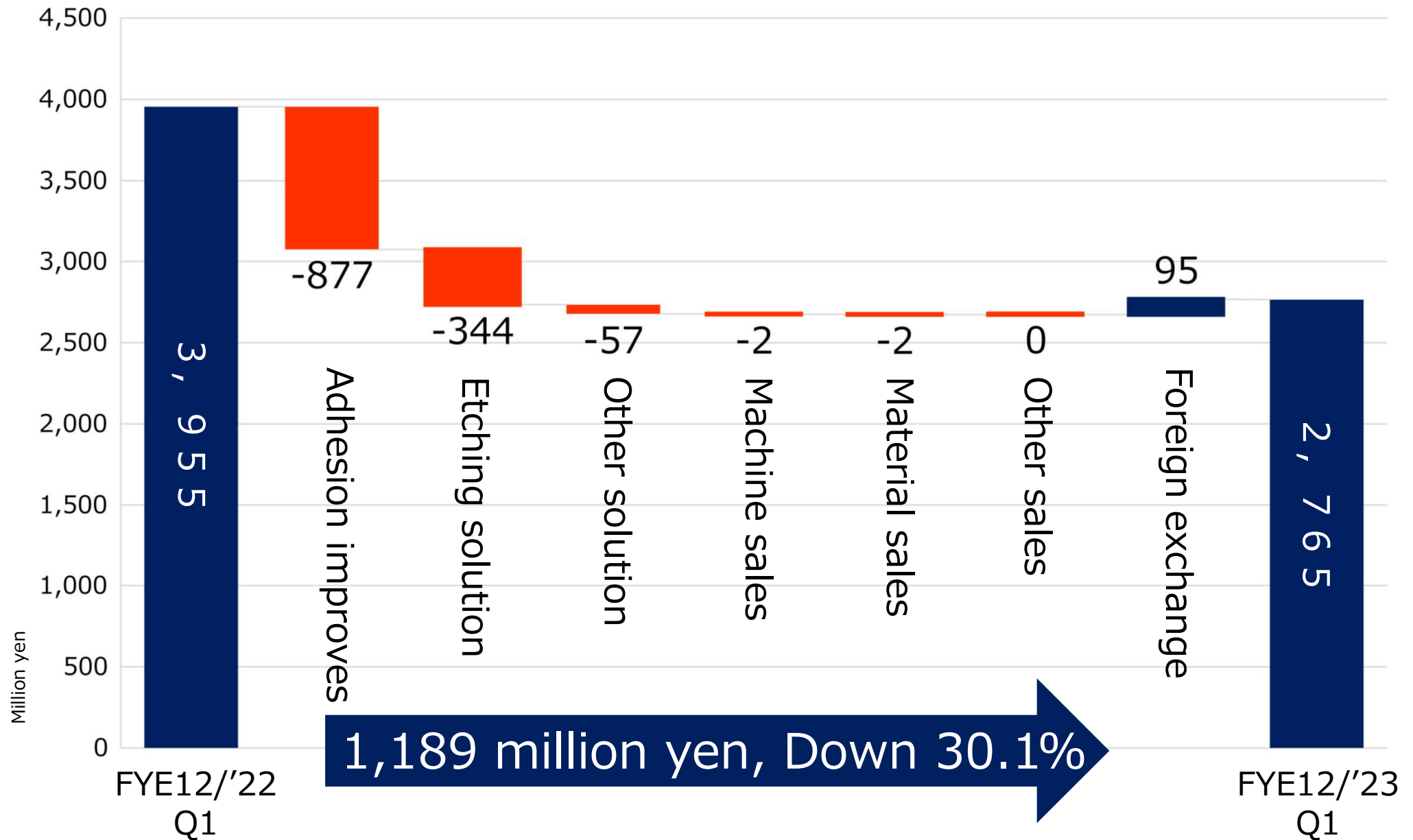
Exchange sensitivity (3 months conversion)(million yen) : NTD: (Sale) 14 (Operating income) 8
RMB: (Sale) 3 (Operating income) 1

Q1 FYE12/2023 Results

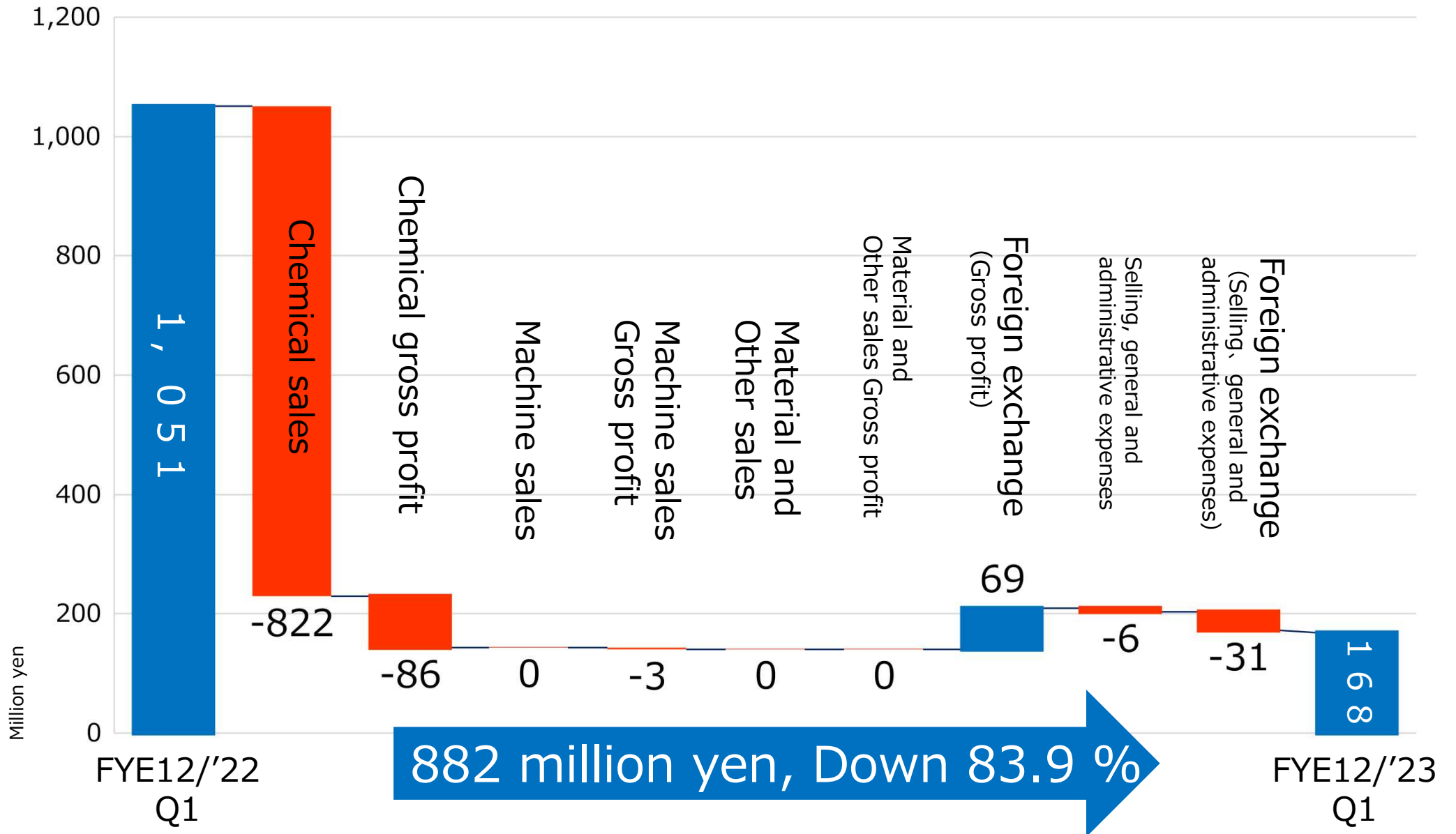
Unit : million yen

| | Q1 | | | | | | Full-year | | |
|-------------------------|------------|--------------------|------------|--------------------|---------|--------|------------|------------|---------|
| | FYE12.2022 | | FYE12.2023 | | | | FYE12.2022 | FYE12.2023 | |
| | Results | Progress ratio (%) | Results | Progress ratio (%) | YOY (%) | | Results | (Forecast) | YOY (%) |
| Net sales | 3,955 | 24.2% | 2,765 | 20.5% | -1,189 | -30.1% | 16,329 | 13,500 | -17.3% |
| Chemical sales | 3,898 | - | 2,712 | - | -1,185 | -30.4% | 16,042 | - | - |
| Gross profit | 2,428 | - | 1,583 | - | -845 | -34.8% | 9,803 | - | - |
| Gross profit margin | 61.4% | - | 57.3% | - | - | - | 60.0% | - | - |
| SGA | 1,377 | - | 1,414 | - | 37 | 2.7% | 5,799 | - | - |
| Sales ratio | 34.8% | - | 51.2% | - | - | - | 35.5% | - | - |
| Operating income | 1,051 | 26.3% | 168 | 9.4% | -882 | -83.9% | 4,004 | 1,800 | -55.1% |
| Operating profit margin | 26.6% | - | 6.1% | - | - | - | 24.5% | - | - |
| Ordinary income | 1,186 | 27.9% | 223 | 11.8% | -963 | -81.2% | 4,246 | 1,900 | -55.3% |
| Ordinary profit margin | 30.0% | - | 8.1% | - | - | - | 26.0% | - | - |
| Profit before tax | 1,185 | - | 219 | - | -966 | -81.5% | 4,224 | - | - |
| Net income | 793 | 25.9% | 82 | 6.1% | -711 | -89.6% | 3,064 | 1,350 | -55.9% |
| Net income per share | 41.76 | - | 4.32 | - | - | - | 161.22 | 71.71 | - |

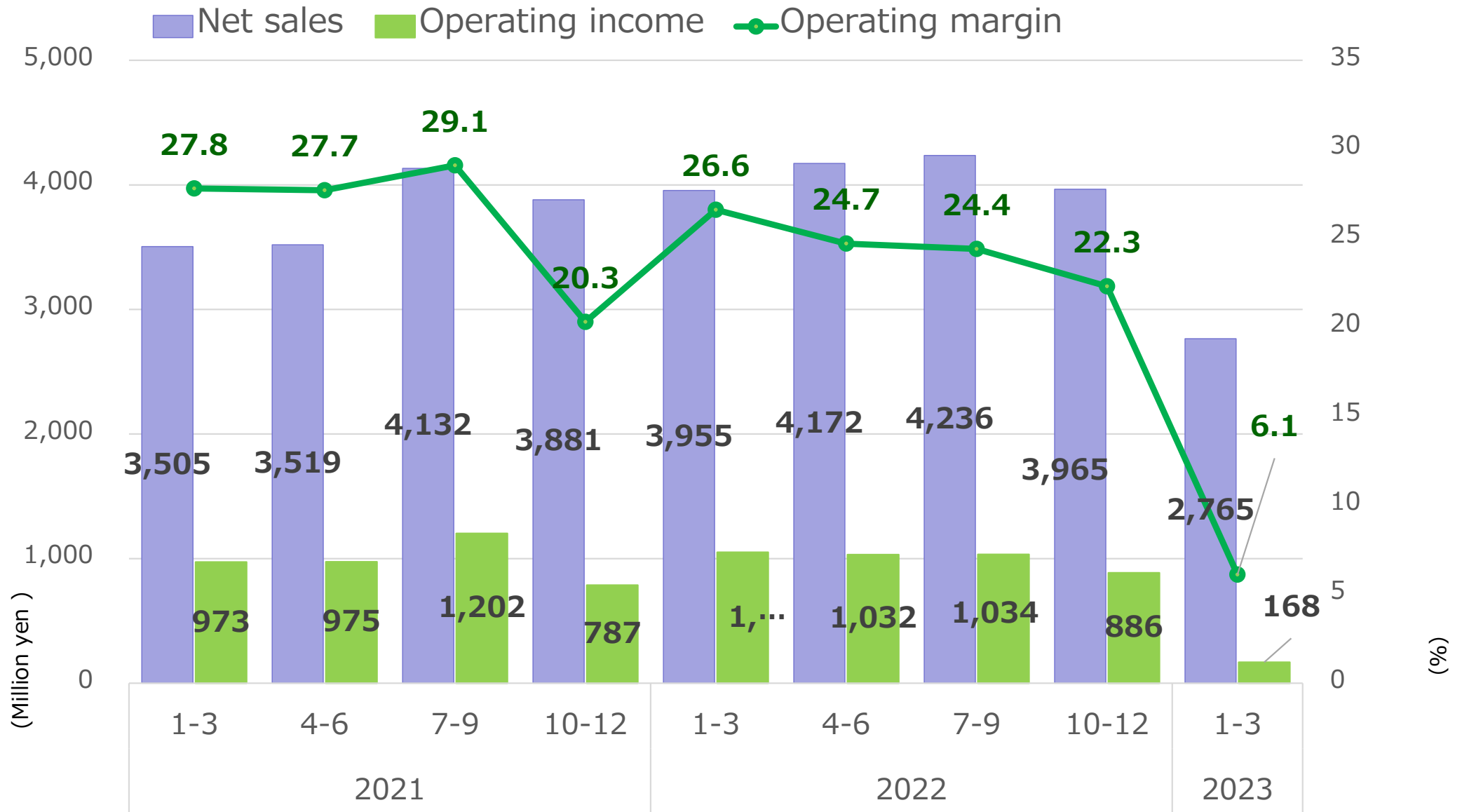
Net sales YOY



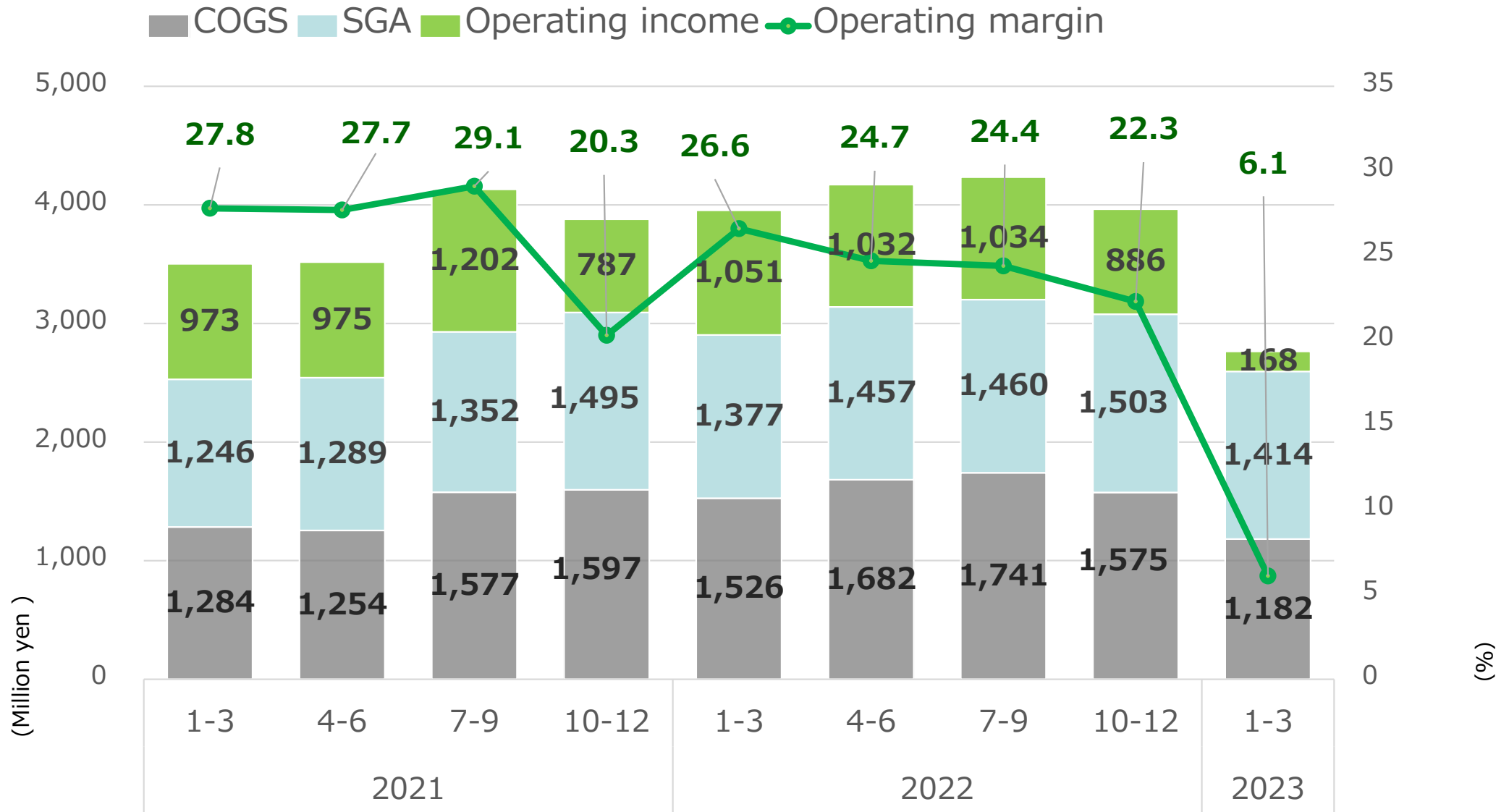
Operating income YOY



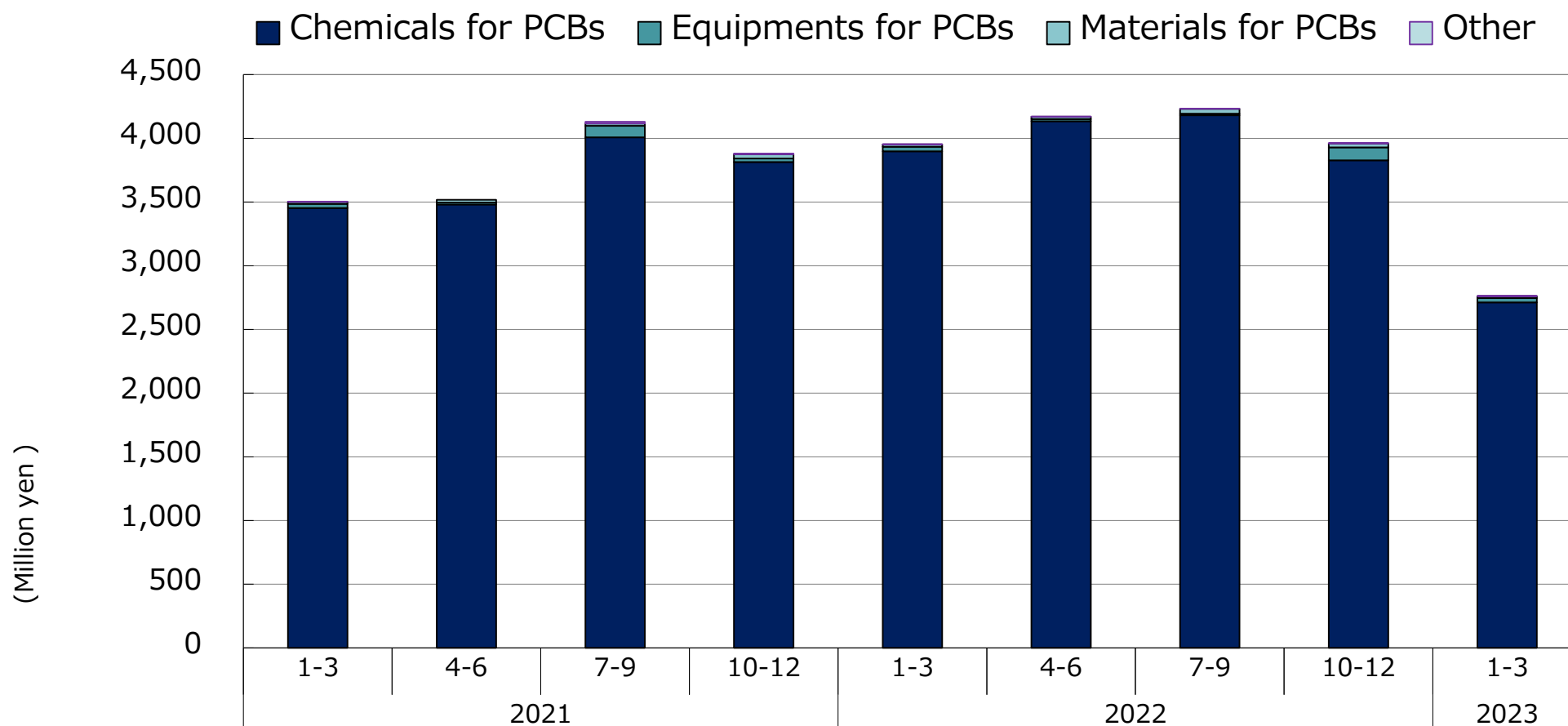
Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



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

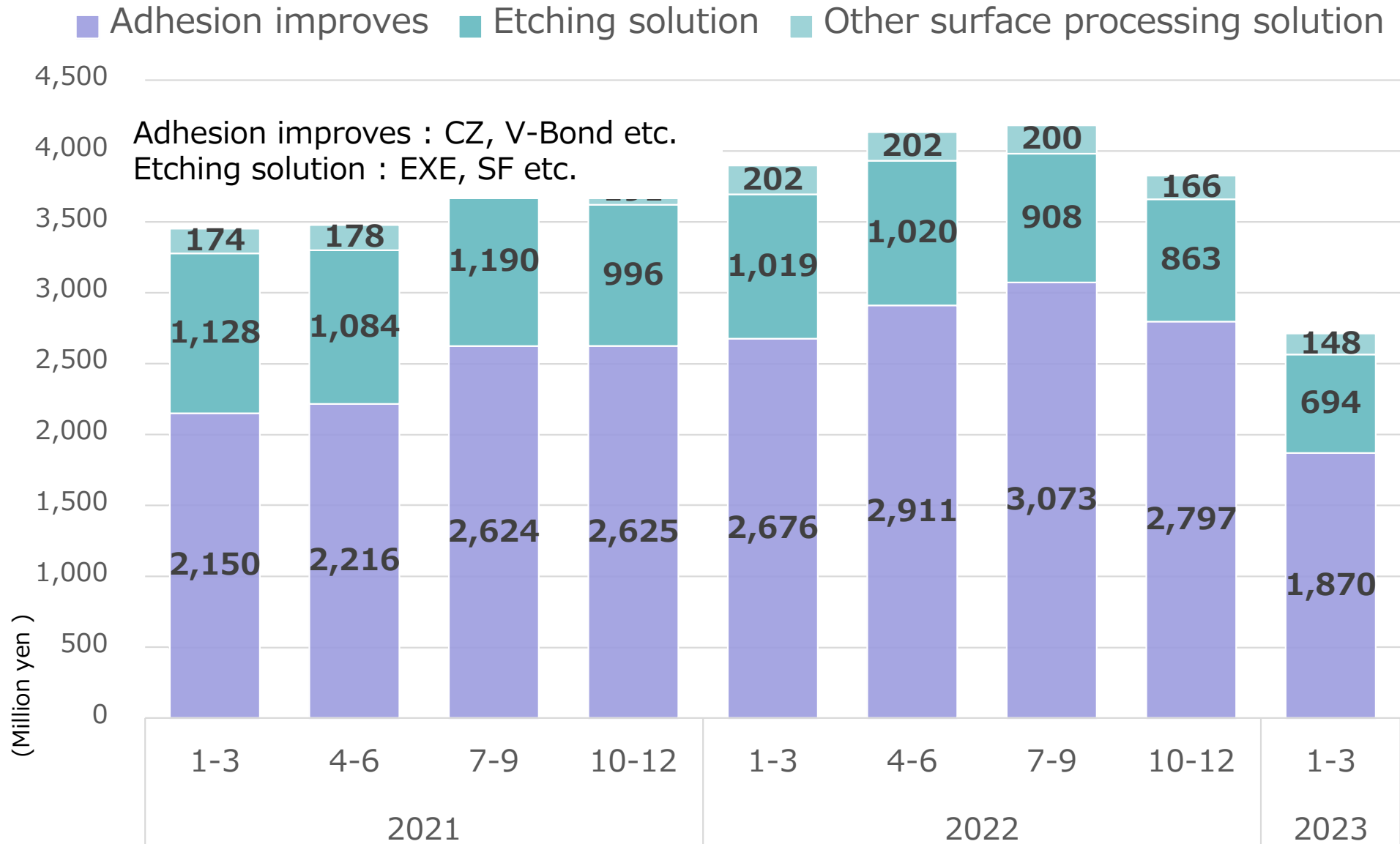


Quarterly performance : Product-specific sales (Consolidated)

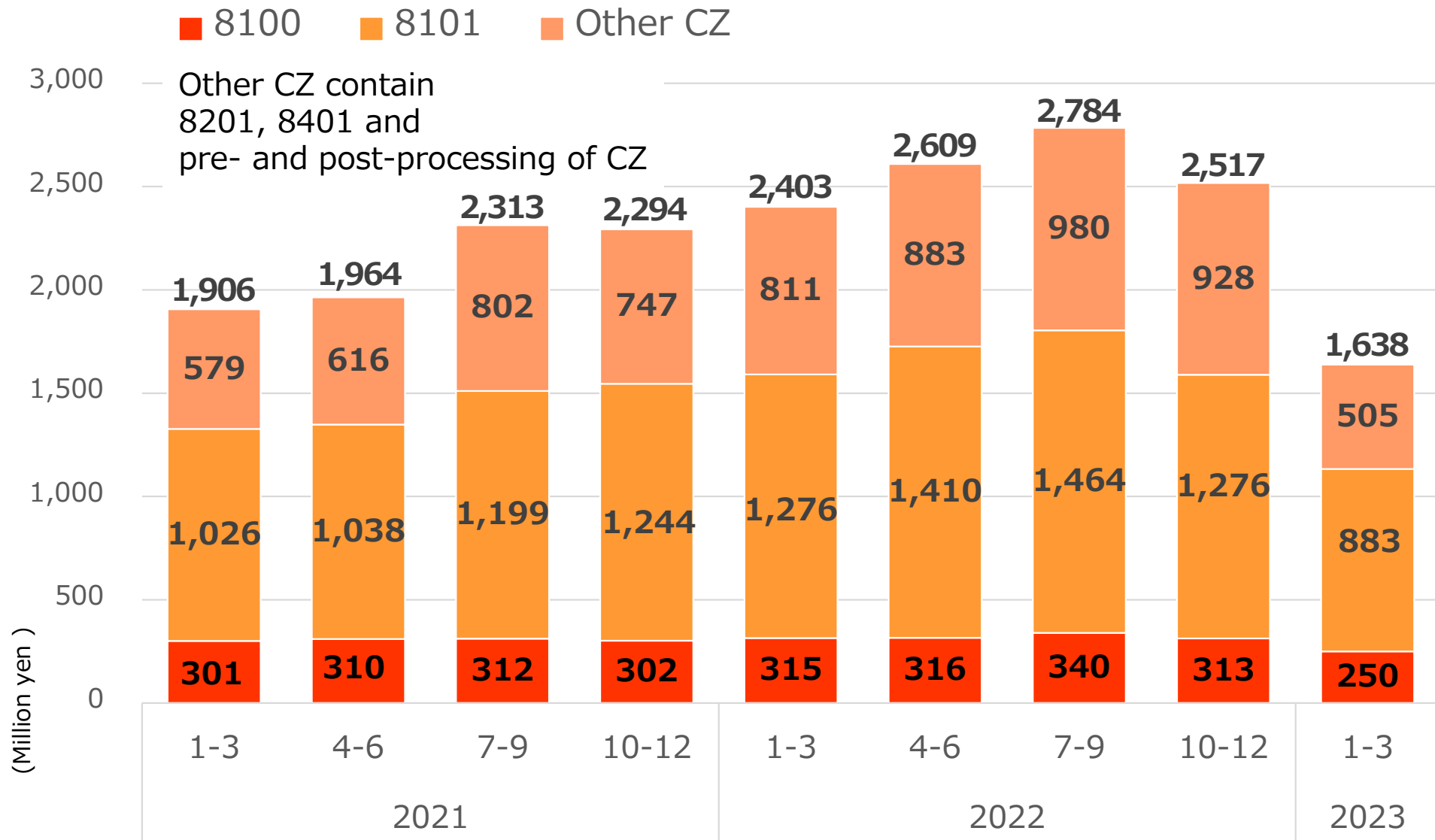


| | | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Other | 2 | 0 | 13 | 6 | 1 | 1 | 1 | 3 | 1 |
| Materials for PCBs | 16 | 21 | 19 | 33 | 18 | 19 | 38 | 31 | 16 |
| Equipments for PCBs | 33 | 16 | 90 | 27 | 36 | 17 | 13 | 102 | 34 |
| Chemicals for PCBs | 3,452 | 3,480 | 4,008 | 3,814 | 3,898 | 4,134 | 4,181 | 3,827 | 2,712 |

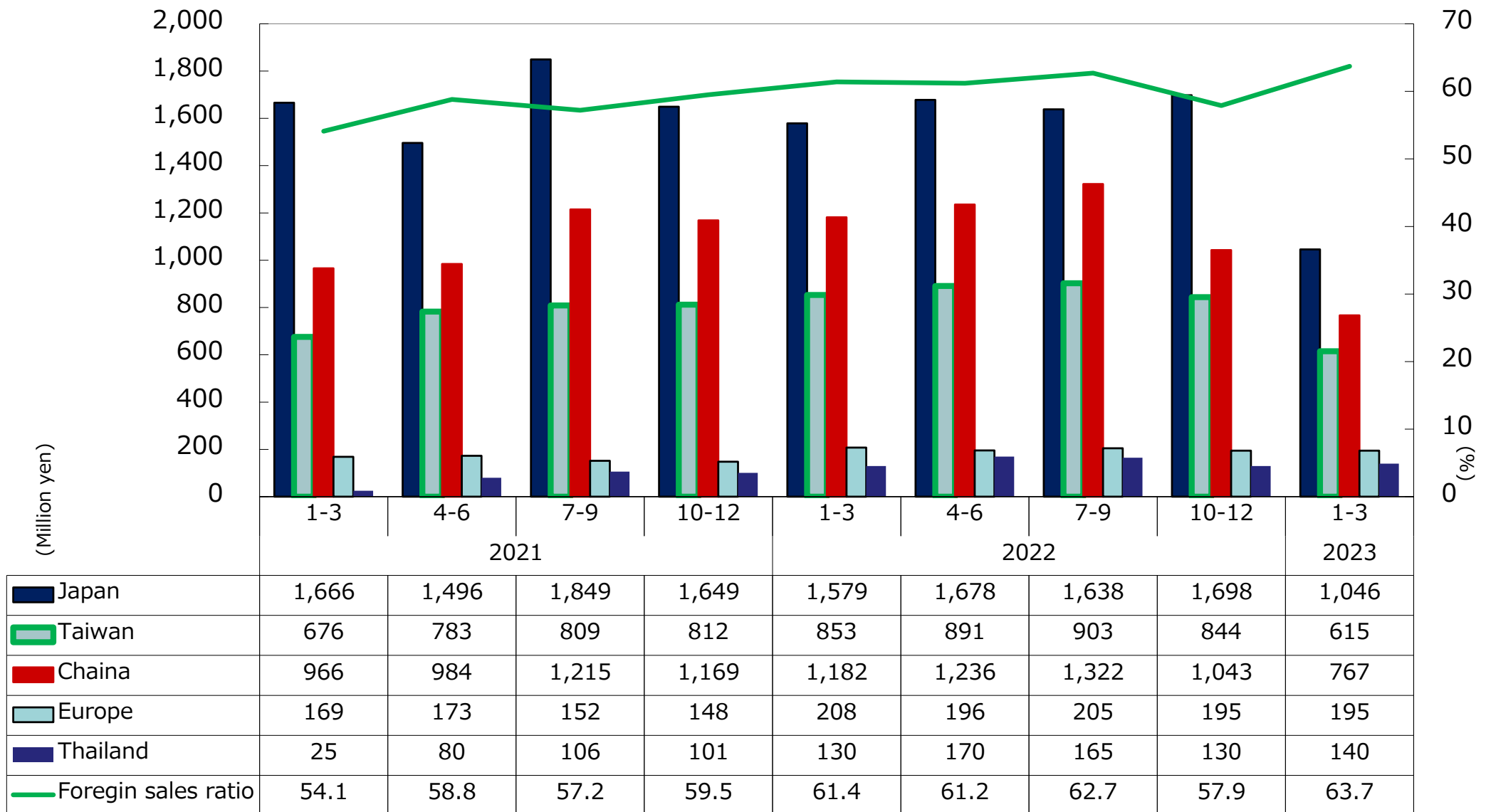
Quarterly performance : Chemical sales (Consolidated)



Quarterly performance : CZ series sales



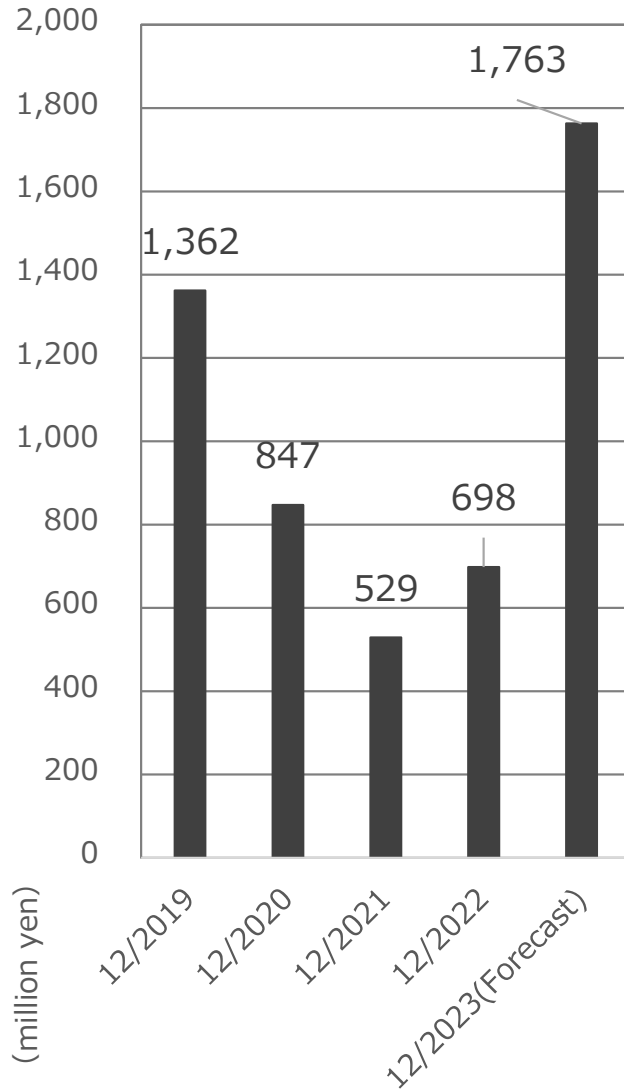
Quarterly performance : Region-specific sales and overseas sales ratio



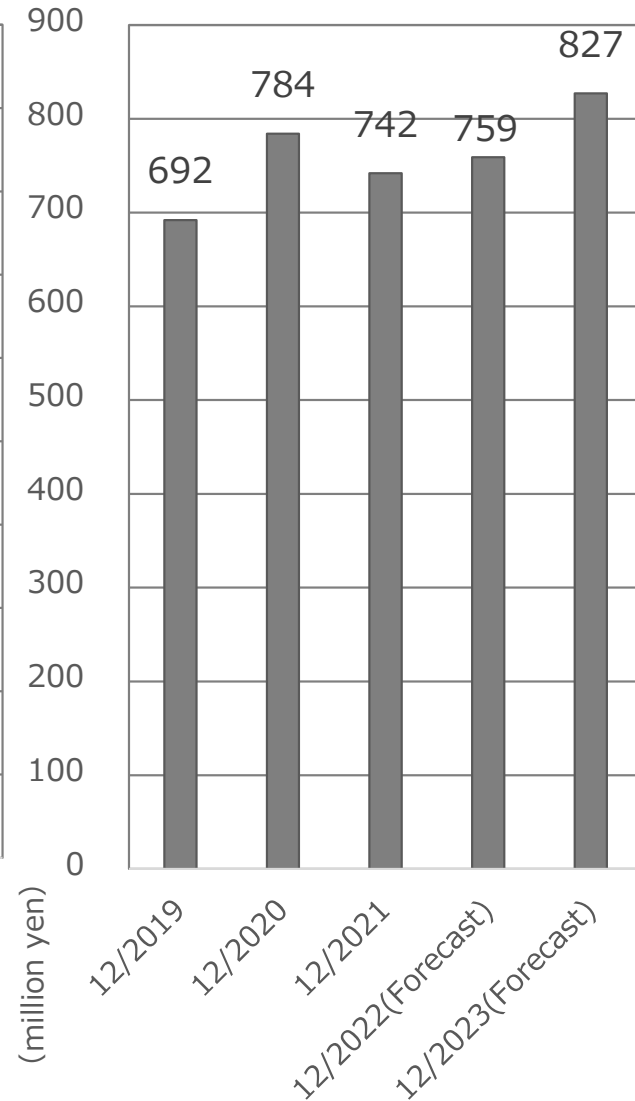
Overseas sales ratio is 72.5%(same period of the previous year: 79.0%) including sales to overseas customers through agents in Japan.

Capital investment, Depreciation expenses and R&D expenses

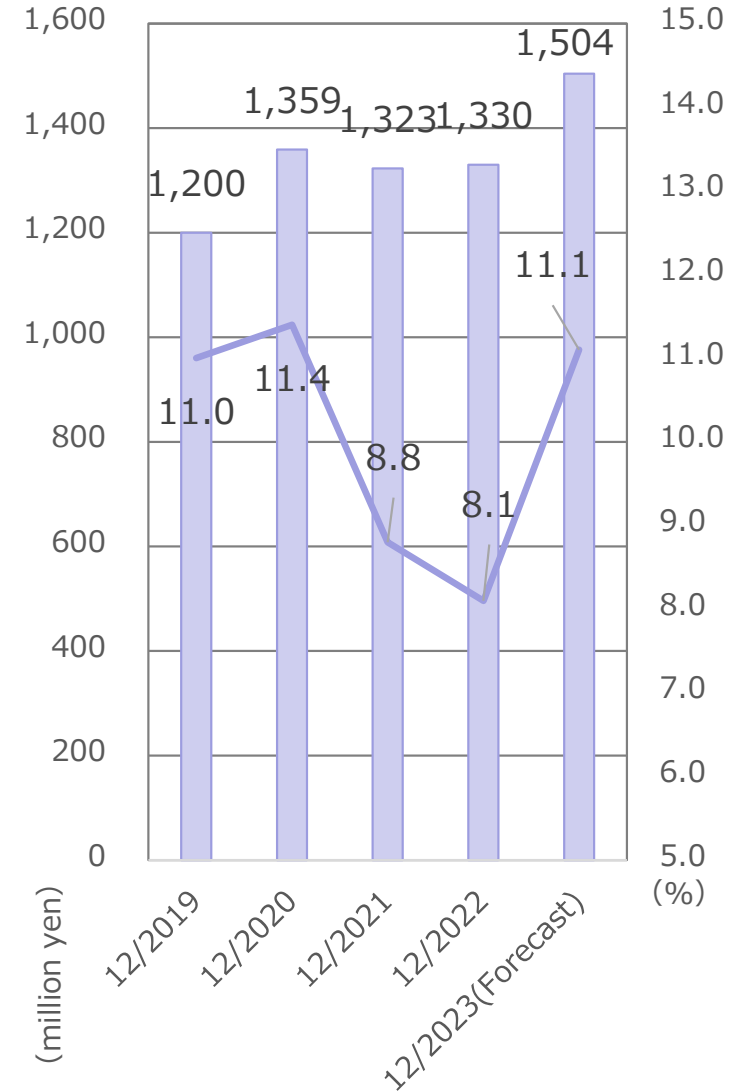
Capital investment



Depreciation expenses



R&D expenses and Ratio of consolidated sales



Our future plans

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. |

Our future plans

Business environment

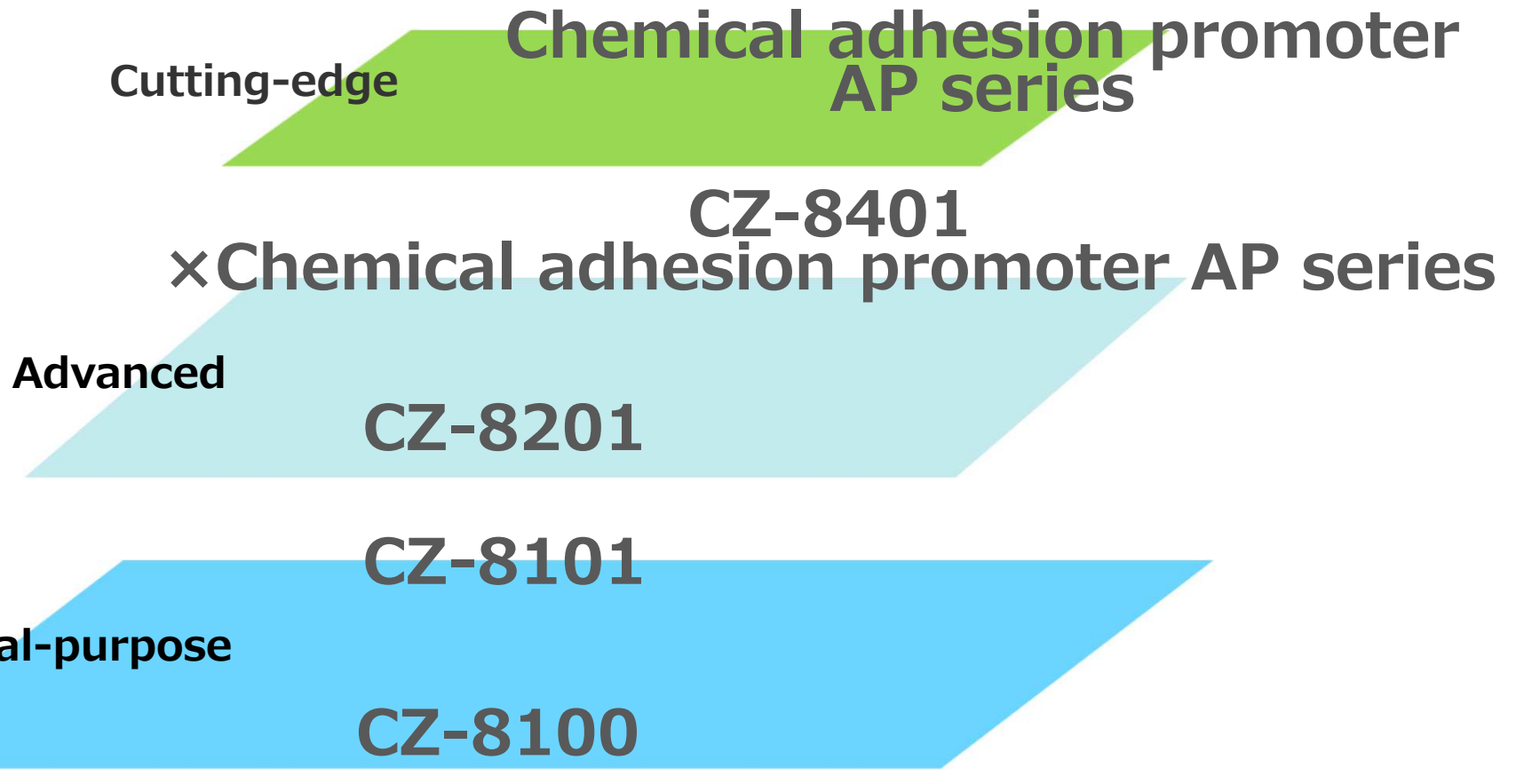
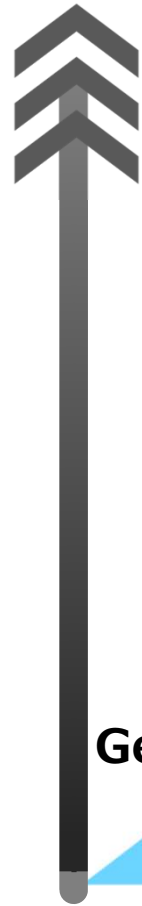
- In the short term, the market for semiconductors, which is in an adjustment phase, and sluggish consumer spending are expected to have a negative impact.
- In the medium to long term, technological innovation will advance against the backdrop of the spread of technologies such as IoT, AI, 5G, electrification of vehicles, and the promotion of DX and GX, and markets related to our company will continue expanding.
- Demand for the related CZ Series 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 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, the automobile market will recover, but will be affected by semiconductor shortages, smartphones affected by sluggish 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.

Our products & PKG Substrate trend

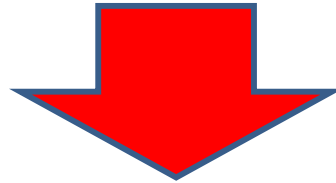
Ultra-high density
Ultra-high frequency



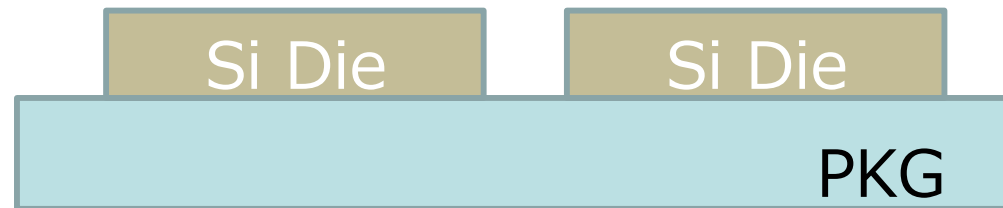
Evolution of the PKG substrate



Chiplet

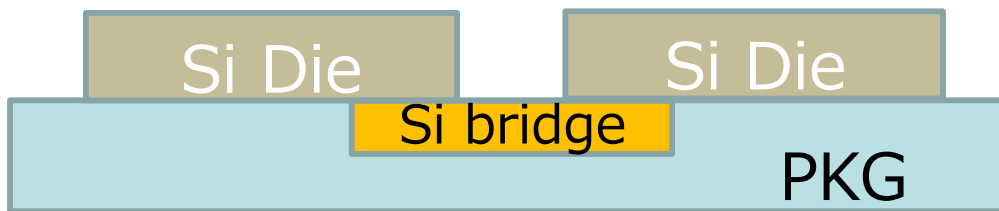


Mounting multiple
semiconductors



EMIB

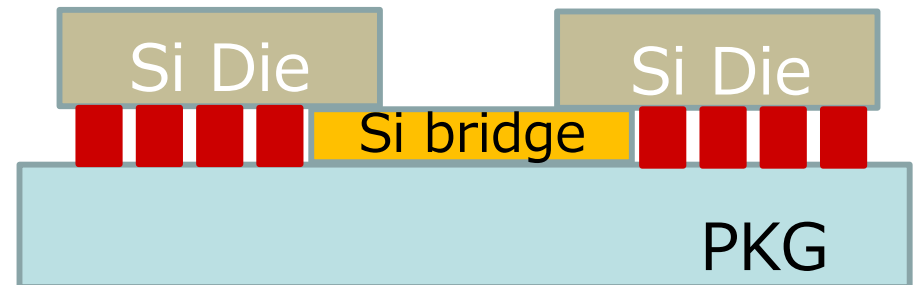
(**E**MBEDDED **M**ULTI-DIE **I**NTERCONNECT **B**RIDGE)



EFB

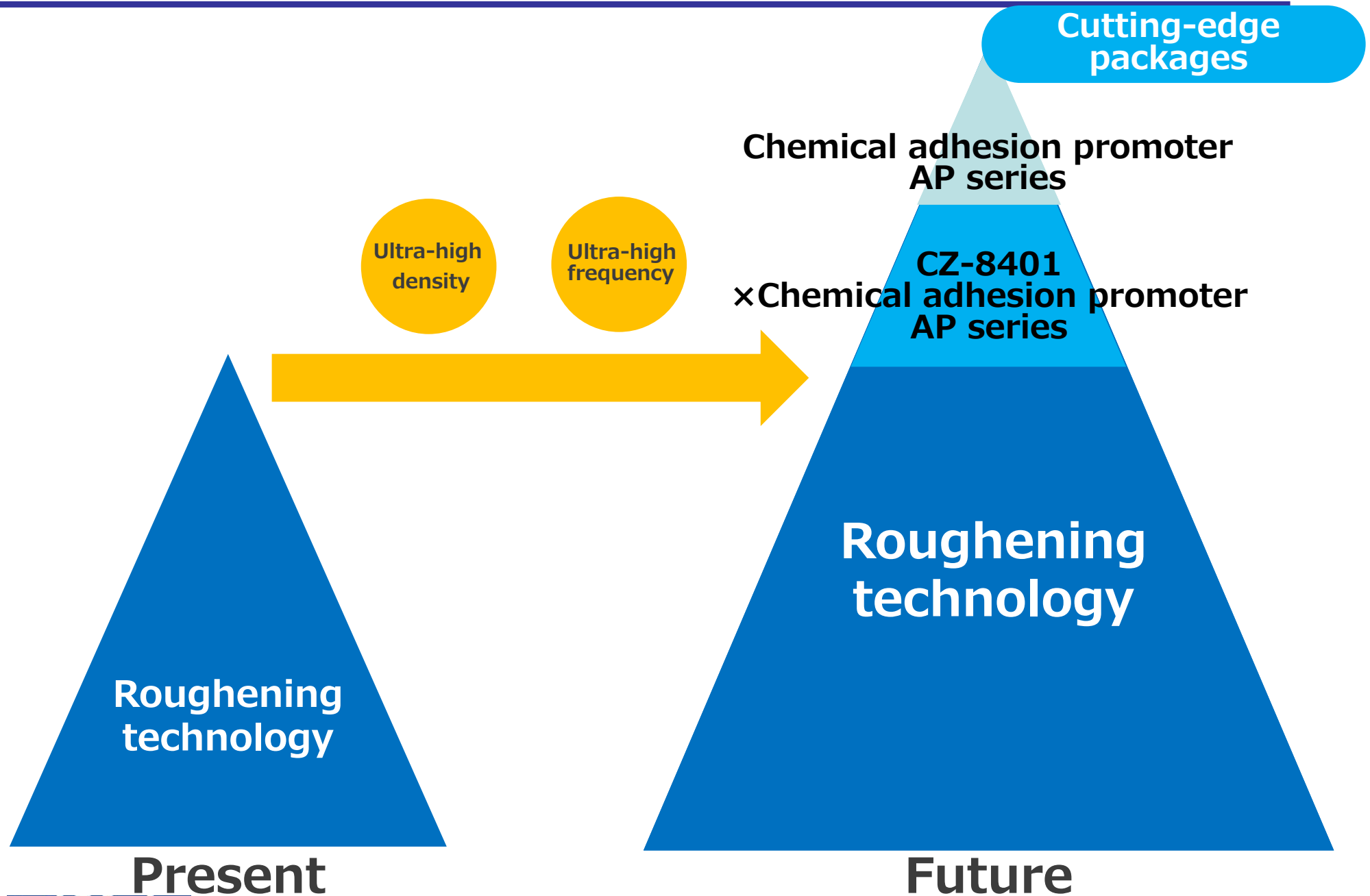
 Copper pillar

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



PKG size is big and layers are increase.

Market trend



New production base



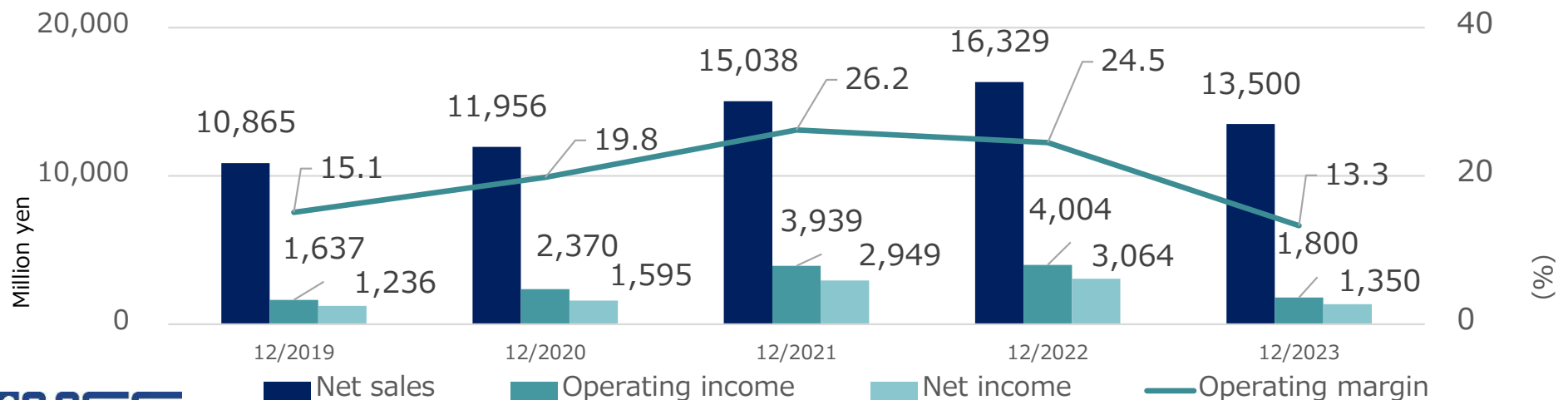
Conceptualized image of completed facility



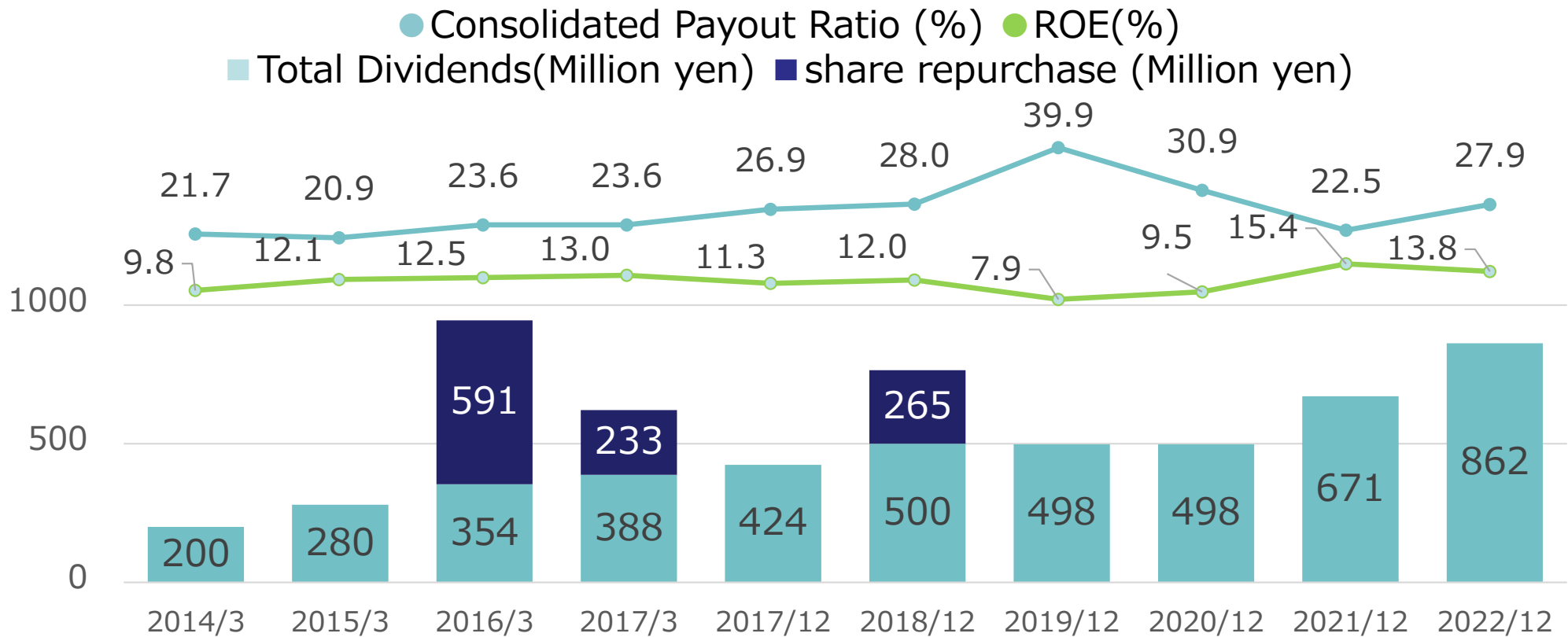
| | |
|---------------------------------|---|
| Location | 10 Koyomachi, Wakamatsu-ku, Kitakyushu City, Fukuoka Prefecture |
| Site area | 29,889 m ² |
| Start of construction | October 2023 (planned) |
| Total investment | Approx. 4 billion yen (including land acquisition costs) |
| Investment plan | 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 | January 2025 (planned) |

FYE12/2023 full-year forecast

| | FYE12/2022 (54th term) | | FYE12/2023 (55th term) | | | | | |
|---------------------------|---------------------------|------------------------|---------------------------|------------------------|----------------------|-------------------------|------------------------|----------------------|
| | Full-year | | May 10, 2023 | | | | | |
| | | | 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 | - | 6,000 | - | -26.2% | 13,500 | - | -17.3% |
| Operating income | 4,004 | 24.5 | 450 | 7.5 | -78.4% | 1,800 | 13.3 | -55.1% |
| Ordinary income | 4,246 | 26.0 | 500 | 8.3 | -78.9% | 1,900 | 14.1 | -55.3% |
| Net income | 3,064 | 18.8 | 300 | 5.0 | -81.9% | 1,350 | 10.0 | -55.9% |
| Net income per share(yen) | 161.22 | - | 15.85 | - | - | 71.71 | - | - |



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



+ Consolidated Dividend Payout Ratio

Medium-term goal(consolidated payout ratio)
30%

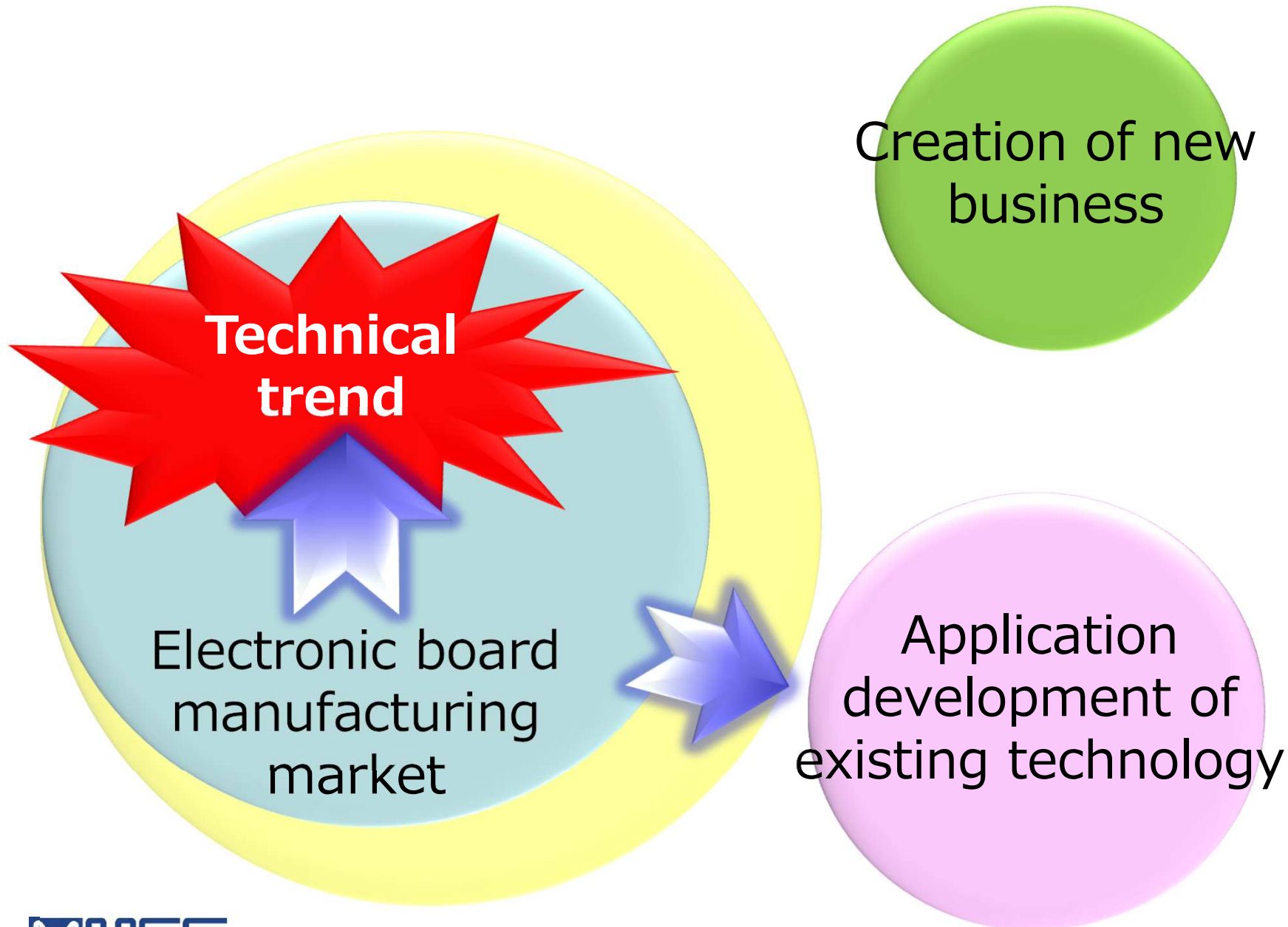
+ ROE

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:62.8%)

Aiming to expand the business domain



Appendix

Corporate profile

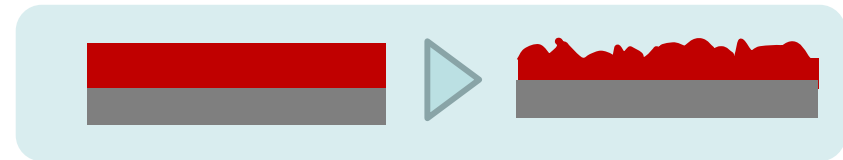
(As of December 31, 2022)

| | |
|-------------------------------|---|
| 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) |

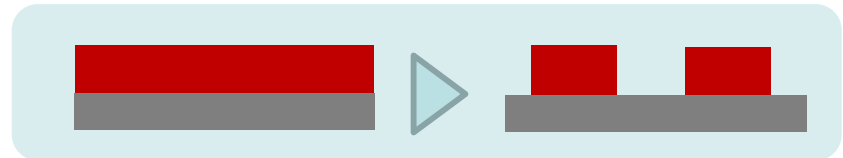
MEC's core technologies

Creating and Fostering Value at Various Interfaces

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



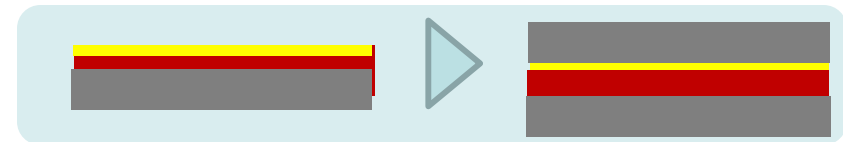
- **Pattern formation** EXE



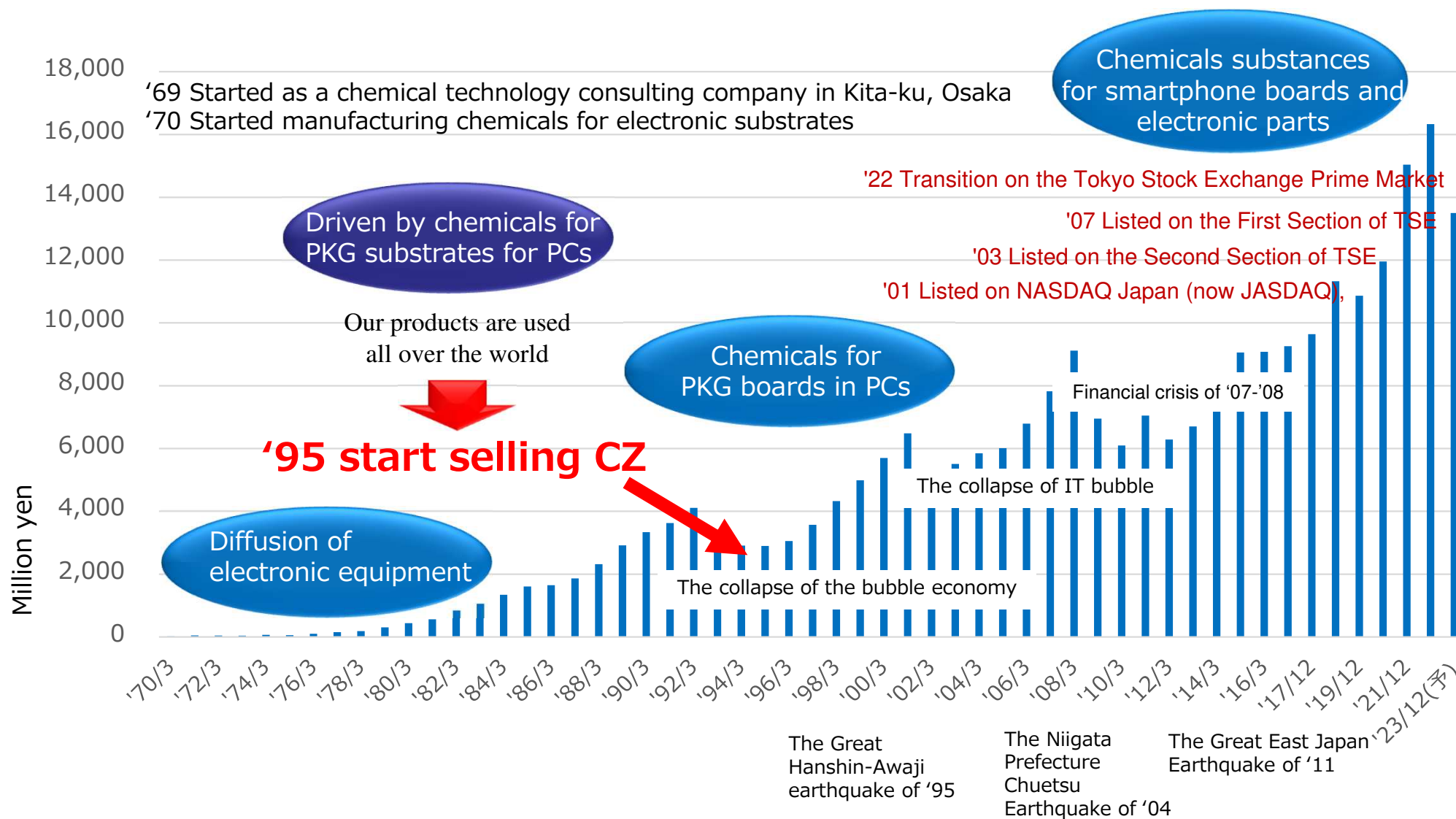
- **Selective etching** SF



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



MEC sales trend since foundation



Production capacity



Amagasaki Factory
900 t / m



Nagaoka Factory
2,200 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

Creating and Fostering Value at Various Interfaces



This presentation includes forward-looking statements (such as predictions and business forecasts) made in May 10, 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.