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# Financial Results Briefing for Q3 FYE 12/2024

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November 11, 2024



**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 FYE12/2024 Key factors

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1

Sales: 13,682 million yen(YOY change: UP 37.1%)  
Operating income: 3,649 million yen(YOY change: UP 118.3%)

2

Exchange rate impact (YOY change)  
Sales: Up 502 million yen,  
Operating income: Up 320 million yen.

3

Chemicals

Sales: 13,041 million yen (YOY change: UP 32.6%)  
Shipments: 31,434 t (YOY change: UP 23.6%)

4

Major products sales (YOY change)  
CZ: UP 39.1% EXE: UP 25.3% SF: UP 24.6% V-Bond: UP 12.3%

# Exchange rates

	Initial forecast	Q3 FYE12/2024	Q3 FYE12/2023	Q2 FYE12/2024
N T D	4.48	4.72	4.48	4.78
R M B	19.66	20.95	19.66	21.08
H K D	17.73	19.28	17.73	19.47
T H B	4.01	4.24	4.01	4.22
E U R	150.22	163.86	150.22	164.82
U S D	138.87	150.62	138.87	152.30

The exchange rates for Revision to Earnings Forecast in August 8, 2024 is the average rate during Q2 FYE12/2024.

- 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.

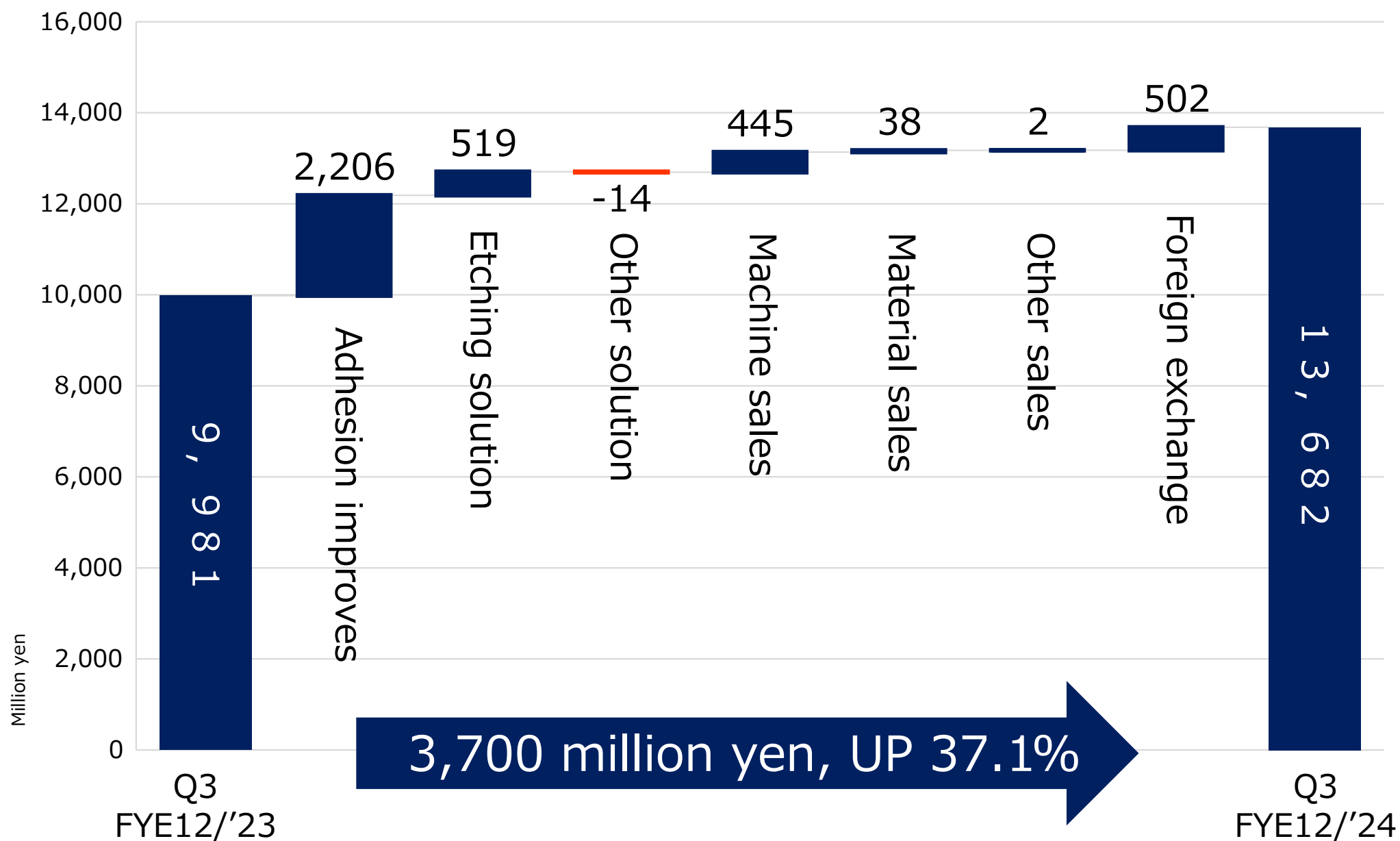
Exchange sensitivity	NTD:	(Sale)	52	(Operating income)	39
(9 months conversion)(million yen) :	RMB:	(Sale)	20	(Operating income)	12

# Q3 FYE12/2024 Results

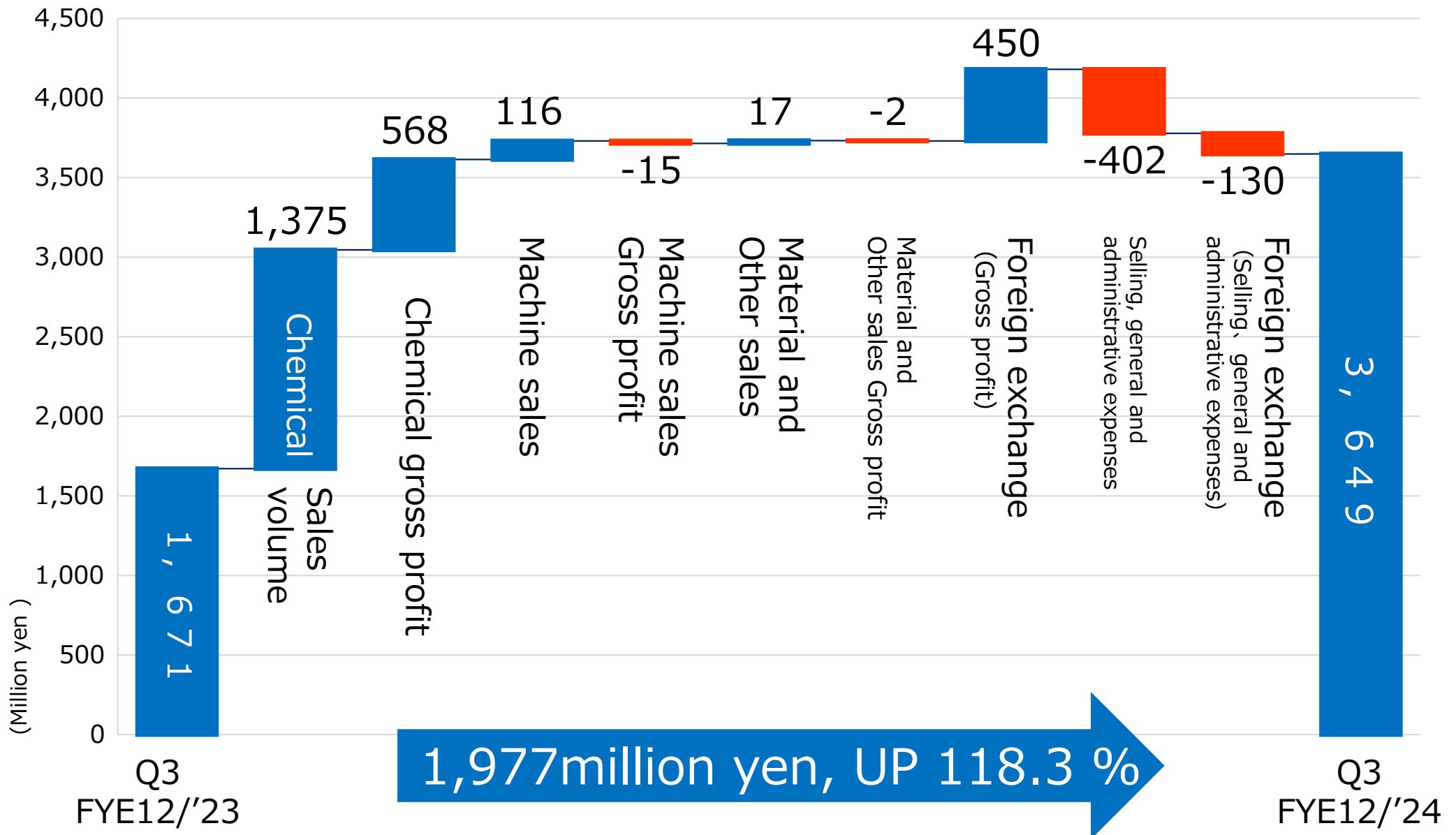
Unit : million yen

	Q3						Full-year		
	FYE12/2023		FYE12/2024				FYE12/2023	FYE12/2024	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)		Results	(Forecast)	YOY (%)
Net sales	9,981	71.2%	13,682	74.0%	3,700	37.1%	14,020	18,500	32.0%
Chemical sales	9,834	-	13,041	-	3,206	32.6%	13,764	-	-
Gross profit	5,886	-	8,397	-	2,510	42.7%	8,316	-	-
Gross profit margin	59.0%	-	61.4%	-	-	-	59.3%	-	-
SGA	4,214	-	4,747	-	533	12.7%	5,824	-	-
Sales ratio	42.2%	-	34.7%	-	-	-	41.5%	-	-
Operating income	1,671	67.1%	3,649	74.5%	1,977	118.3%	2,492	4,900	96.6%
Operating profit margin	16.8%	-	26.7%	-	-	-	17.8%	-	-
Ordinary income	1,878	70.0%	3,700	71.2%	1,821	97.0%	2,683	5,200	93.8%
Ordinary profit margin	18.8%	-	27.0%	-	-	-	19.1%	-	-
Profit before tax	2,422	-	3,695	-	1,273	52.6%	3,219	-	-
Net income	1,707	74.1%	2,627	73.0%	920	53.9%	2,304	3,600	56.2%
EBITDA	2,991	-	4,296	-	1,305	43.6%	3,993	-	-
EPS	90.39	-	140.32	-	-	-	122.29	192.26	-
ROE	7.2%	-	10.3%	-	-	-	9.6%	14.0%	-

# Net sales YOY

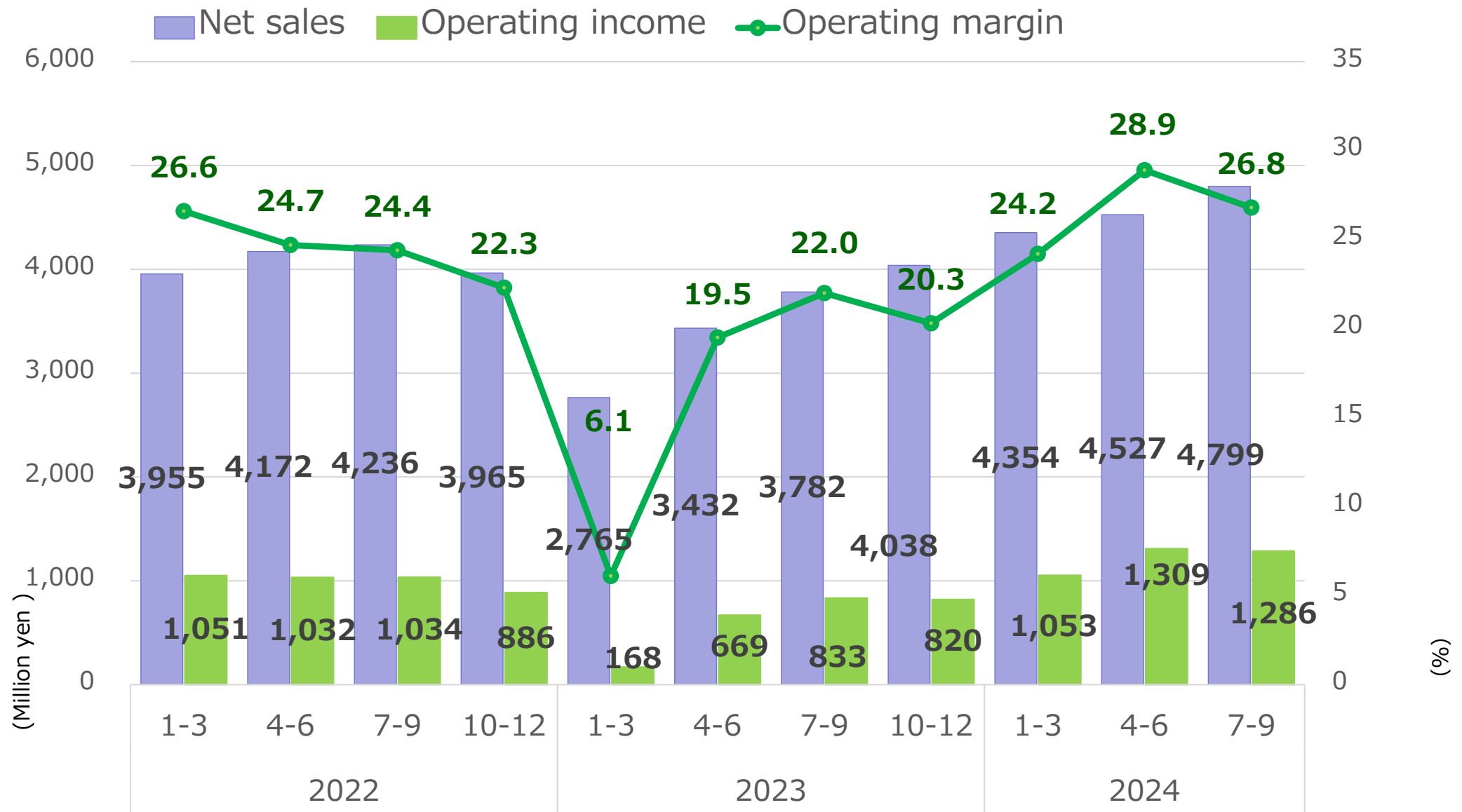


# Operating income YOY

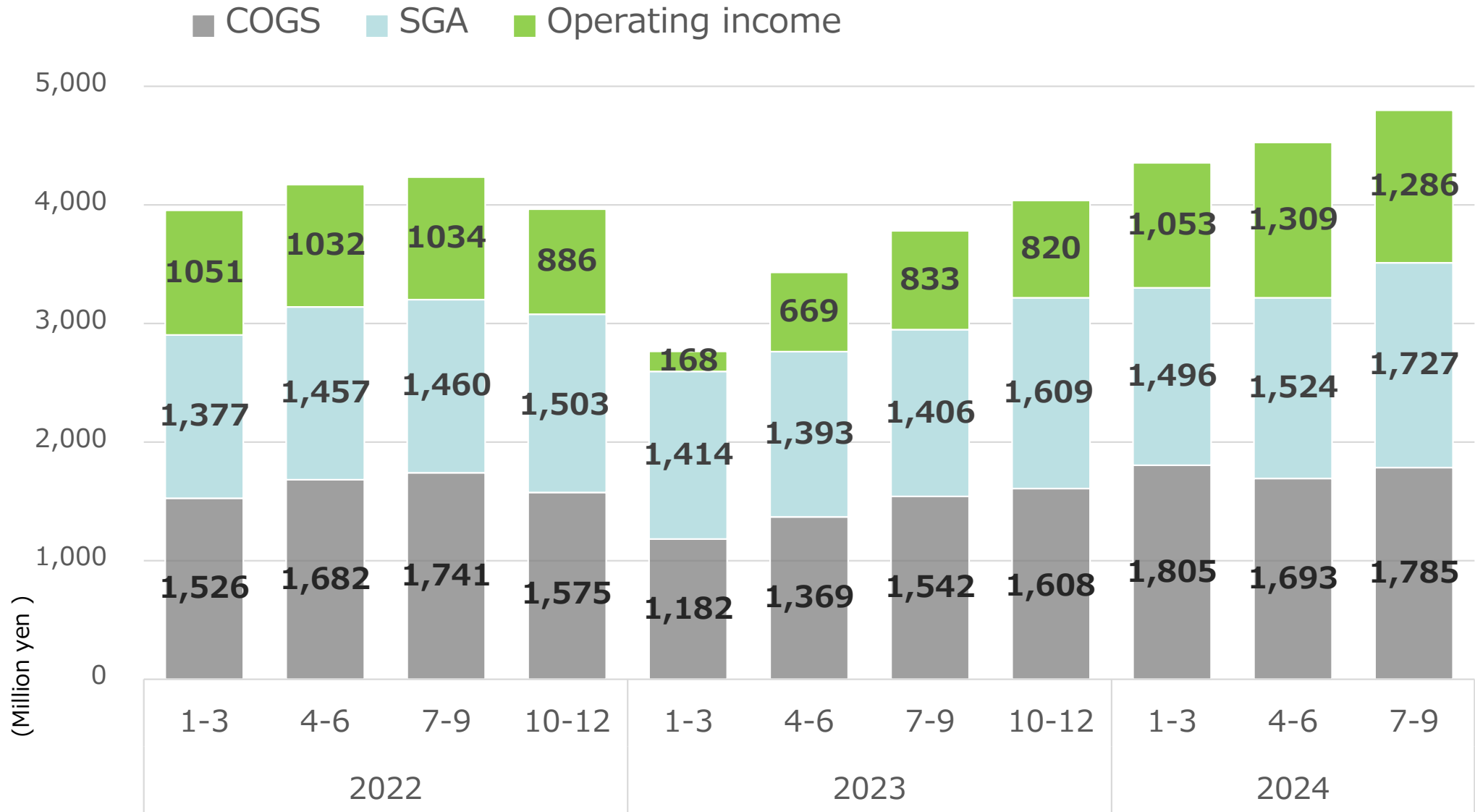


# Quarterly performance:

## Sales, Operating income, Operating margin (Consolidated)

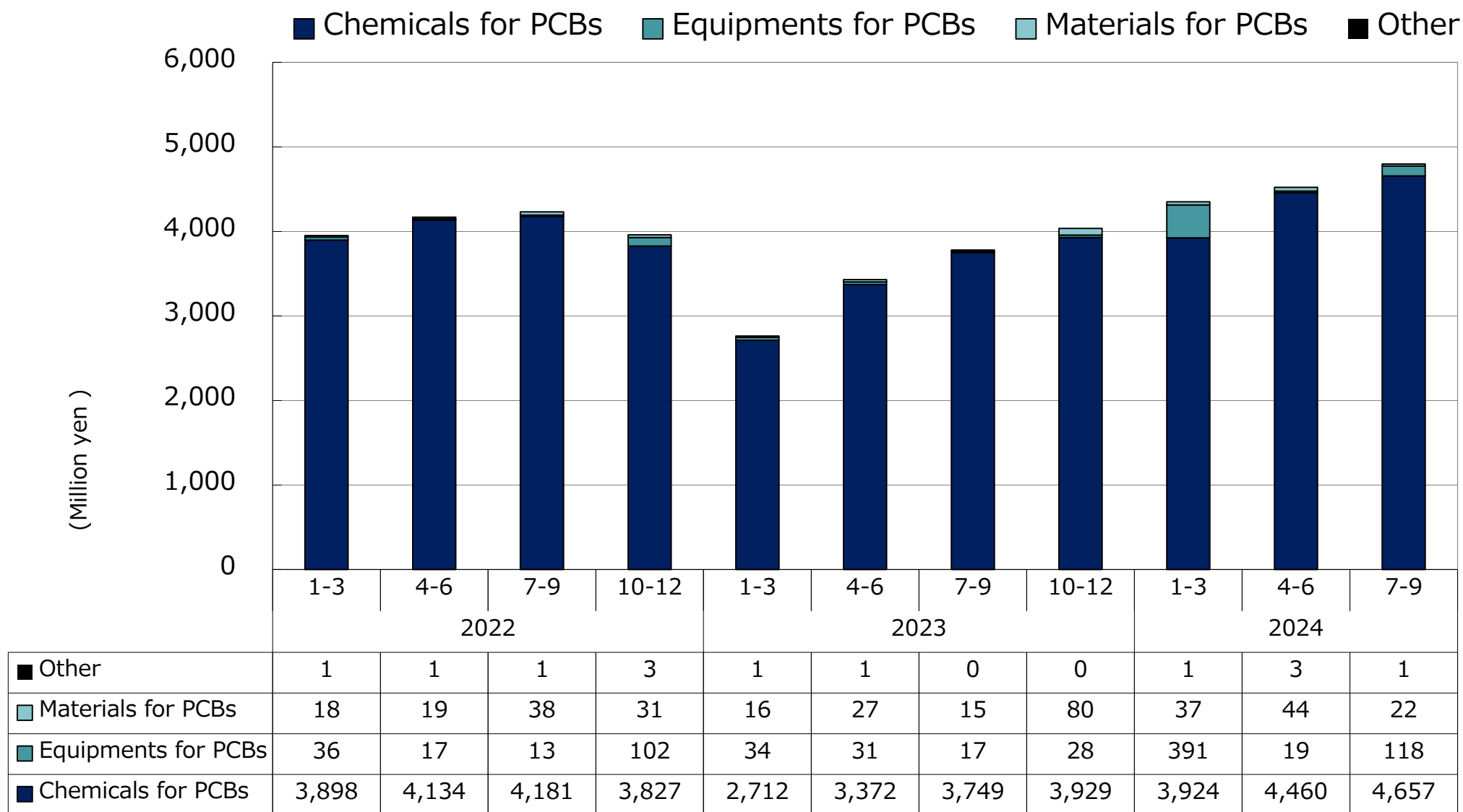


# Quarterly composition: Operating income, SG&A, COGS (Consolidated)

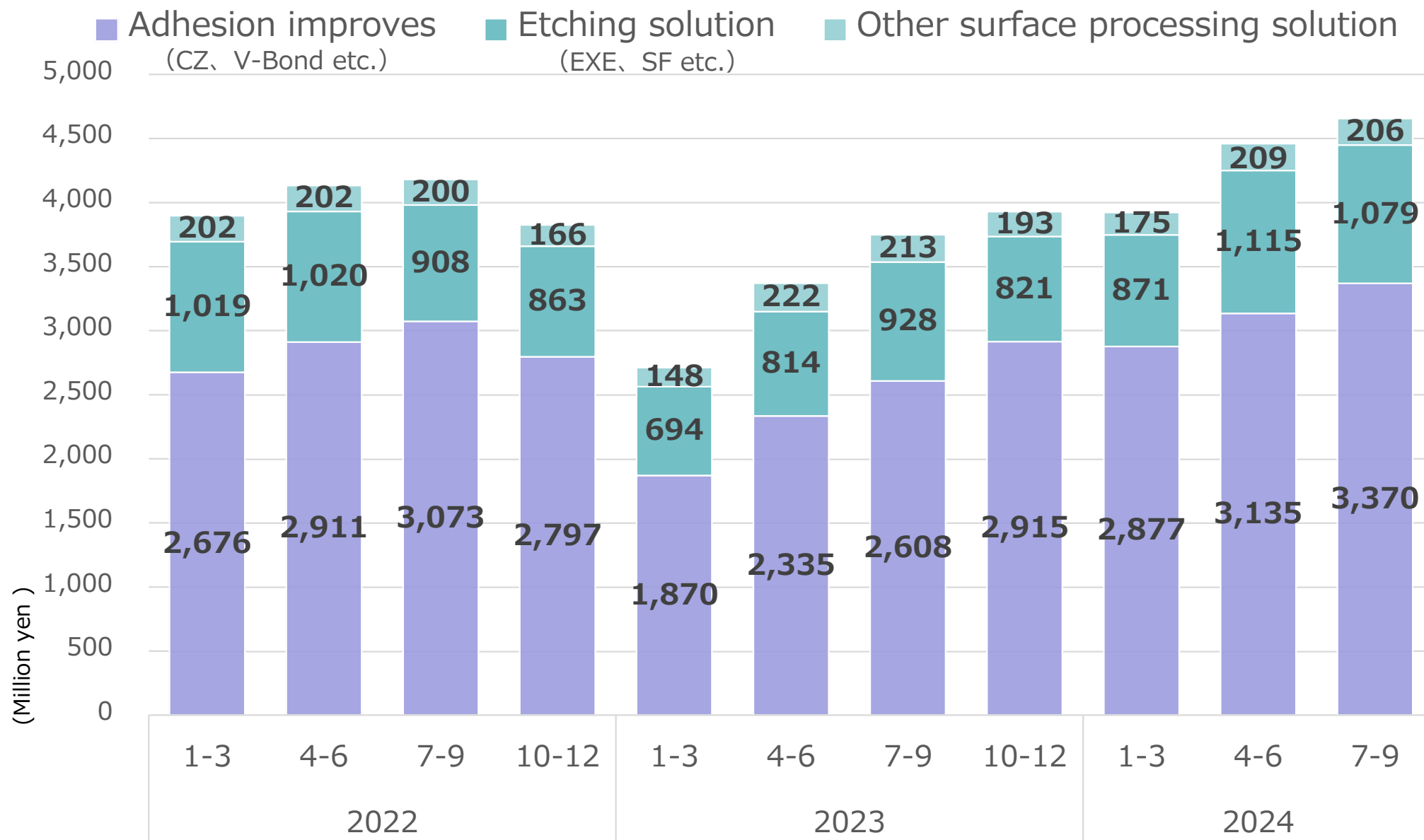




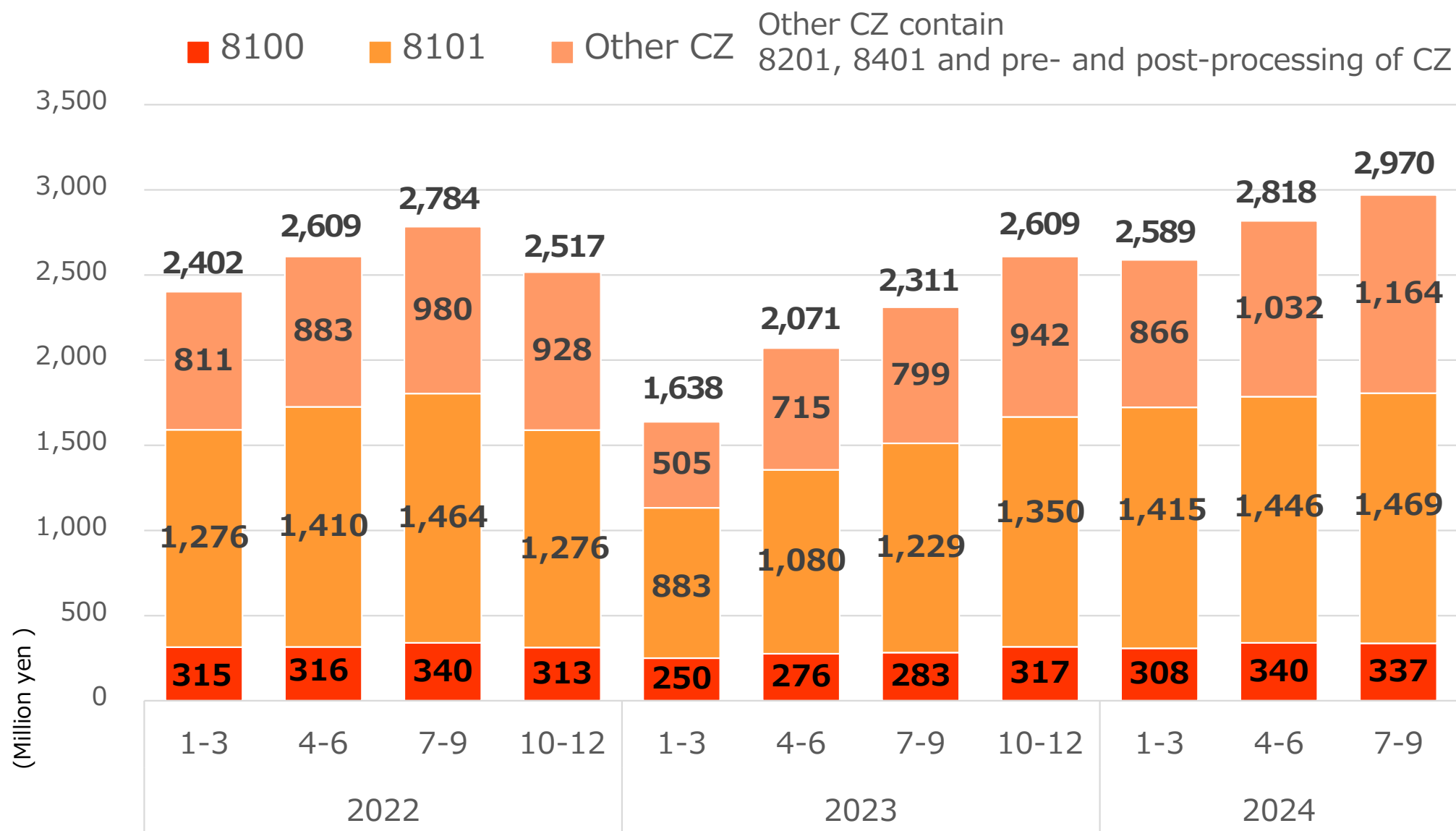
# Quarterly performance : Product-specific sales (Consolidated)



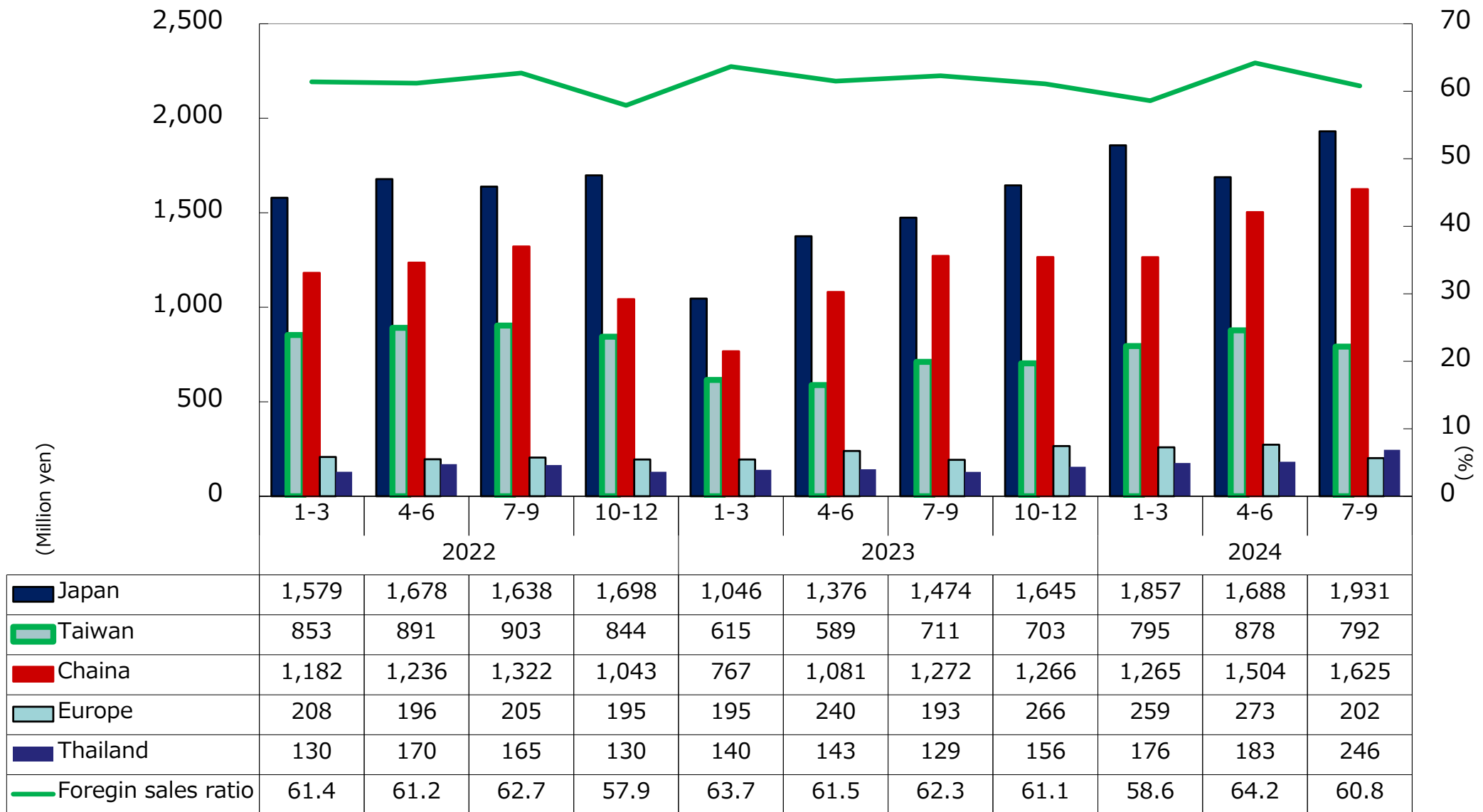
# Quarterly performance : Chemical sales (Consolidated)



# Quarterly performance : CZ series sales



# Quarterly performance : Region-specific sales and overseas sales ratio

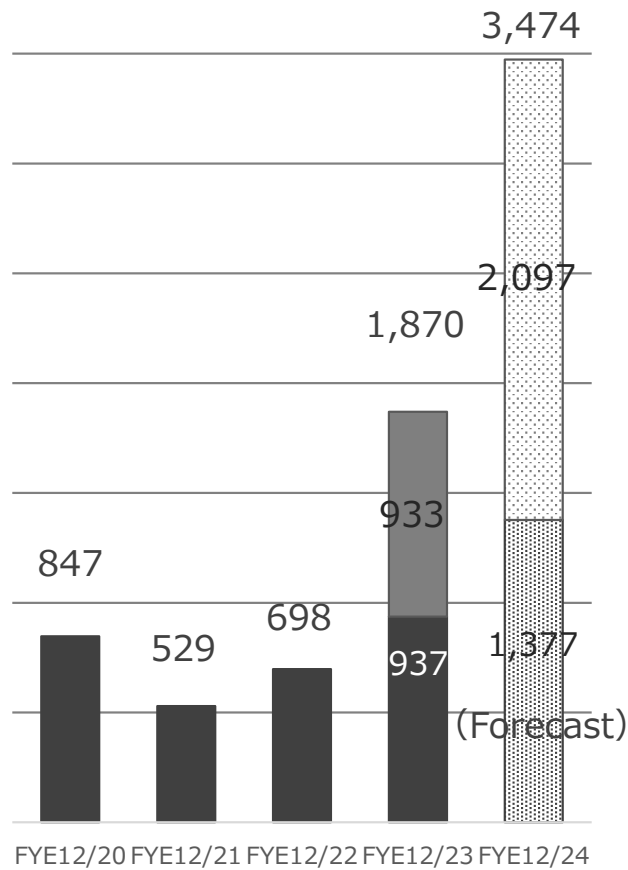


Overseas sales ratio is 77.8%(same period of the previous year: 78.3%)  
including sales to overseas customers through agents in Japan.

# Capital investment, Depreciation expenses and R&D expenses

## Capital investment

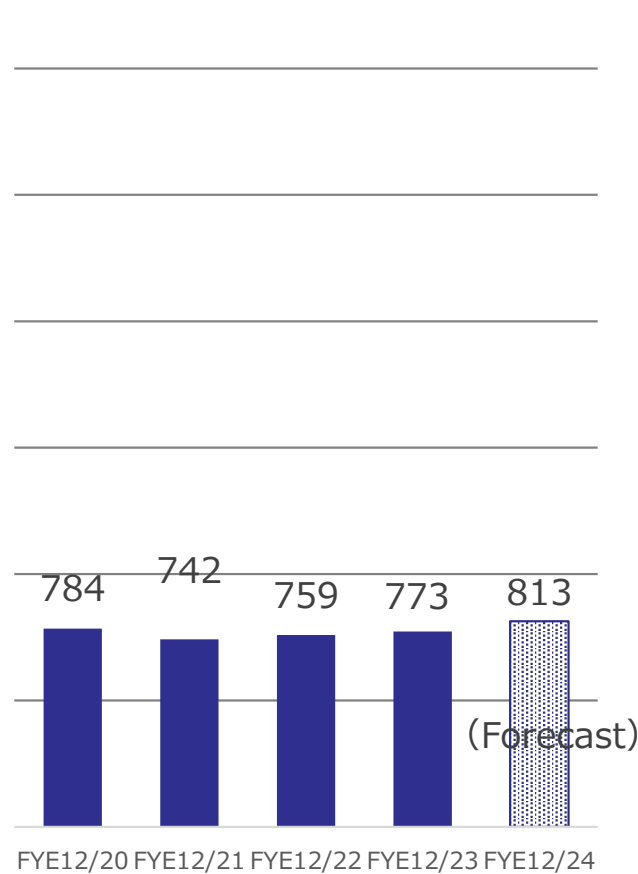
(million yen)



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

## Depreciation expenses

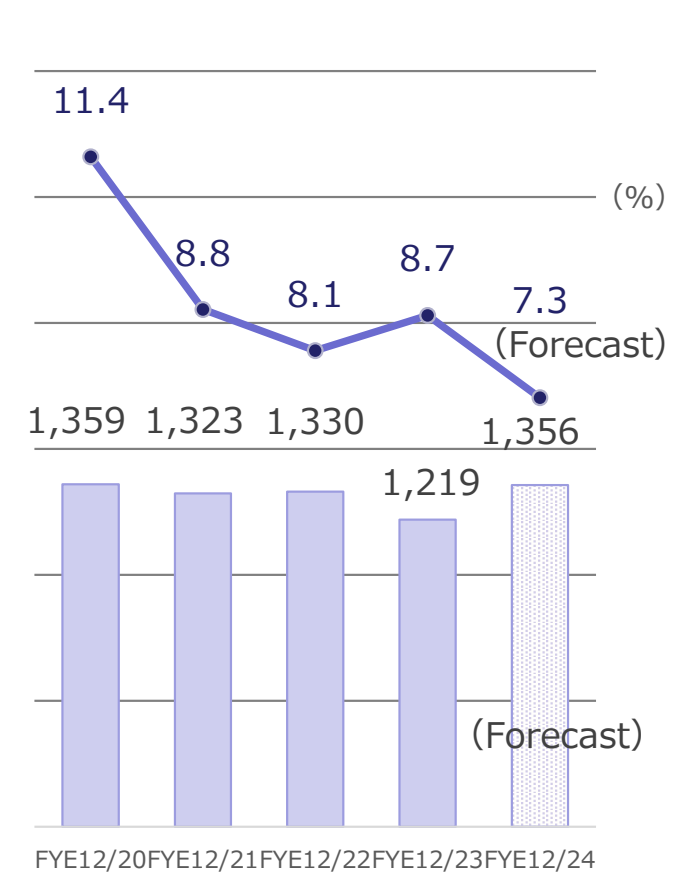
(million yen)



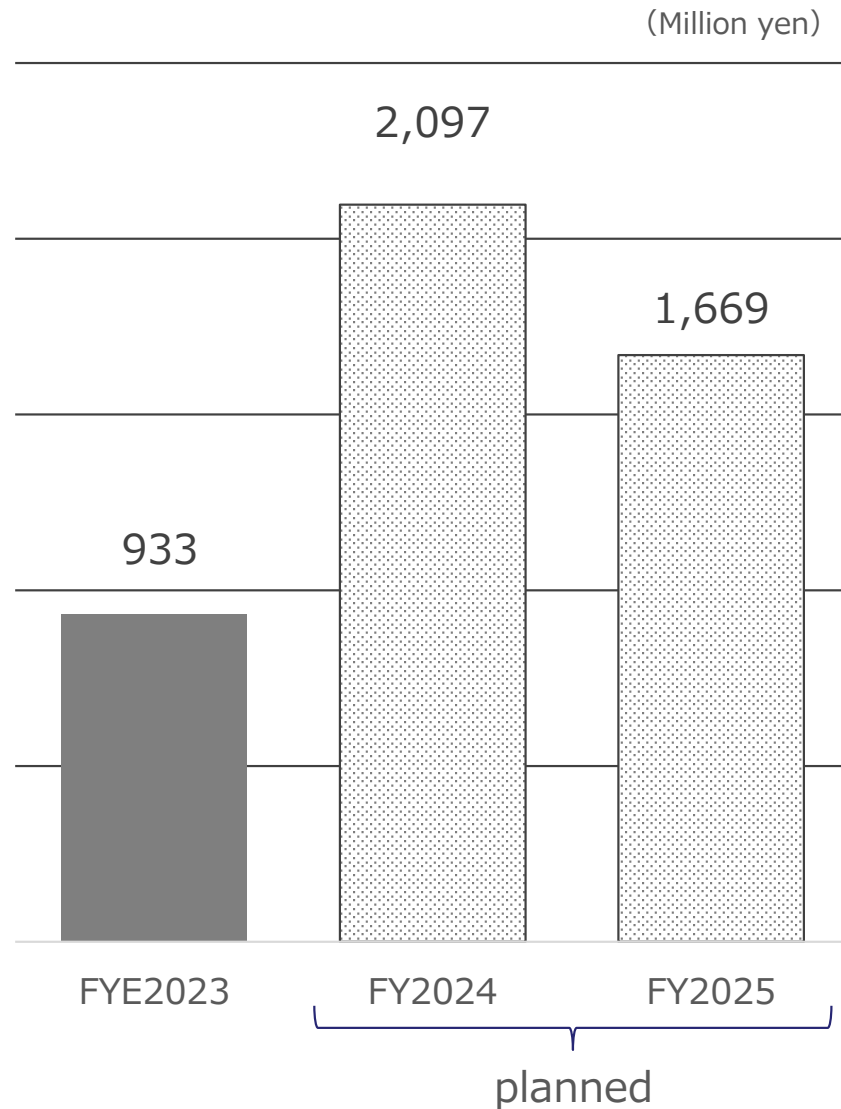
Depreciation expenses for new production base  
 200-250 million/year

## 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 m<sup>2</sup>

### Production capacity Approx.

30,000 t/year (planned)

### Total investment Approx.

4.7 billion yen (including land acquisition costs)

### 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 <b>CZ series</b>	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 <b>V-Bond series</b>	A copper surface treatment agent that enhances adhesion between copper and resin. Adhesion improver mainly for multilayer substrates. Not used for PKG substrates.	Automobile, smartphones, etc.
Anisotropic etchant <b>EXE series</b>	Fine wiring can be formed through subtraction. Etching agent for COF substrates.	TV and PC monitors, etc.
Selective etchant <b>SF series</b>	Etching agent with selectivity to copper.	Tablet PCs, etc.



# Our future plans

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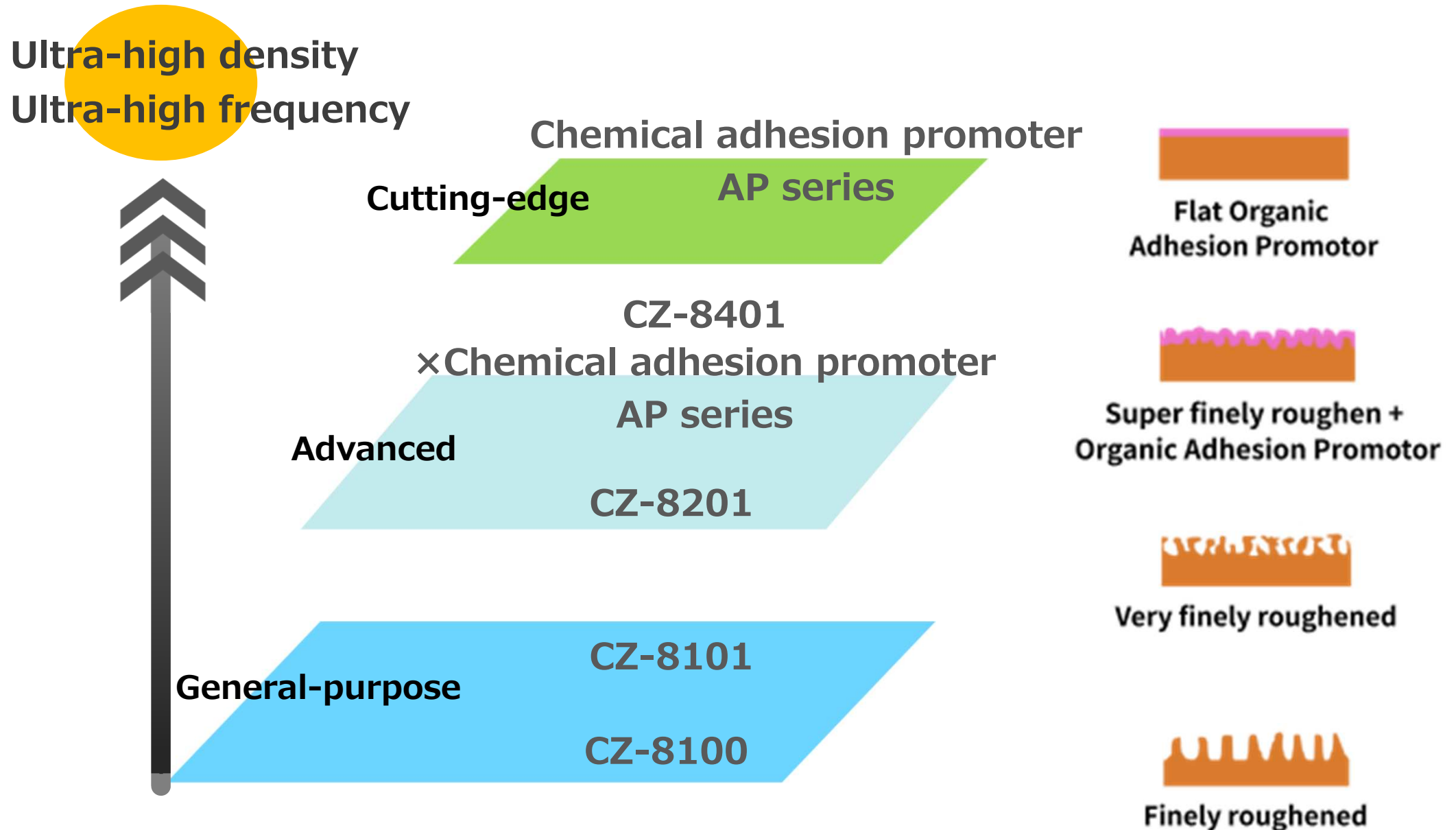
## Business environment

- In the short term, it will be affected by the semiconductor market, which is in a recovery phase.
- 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.

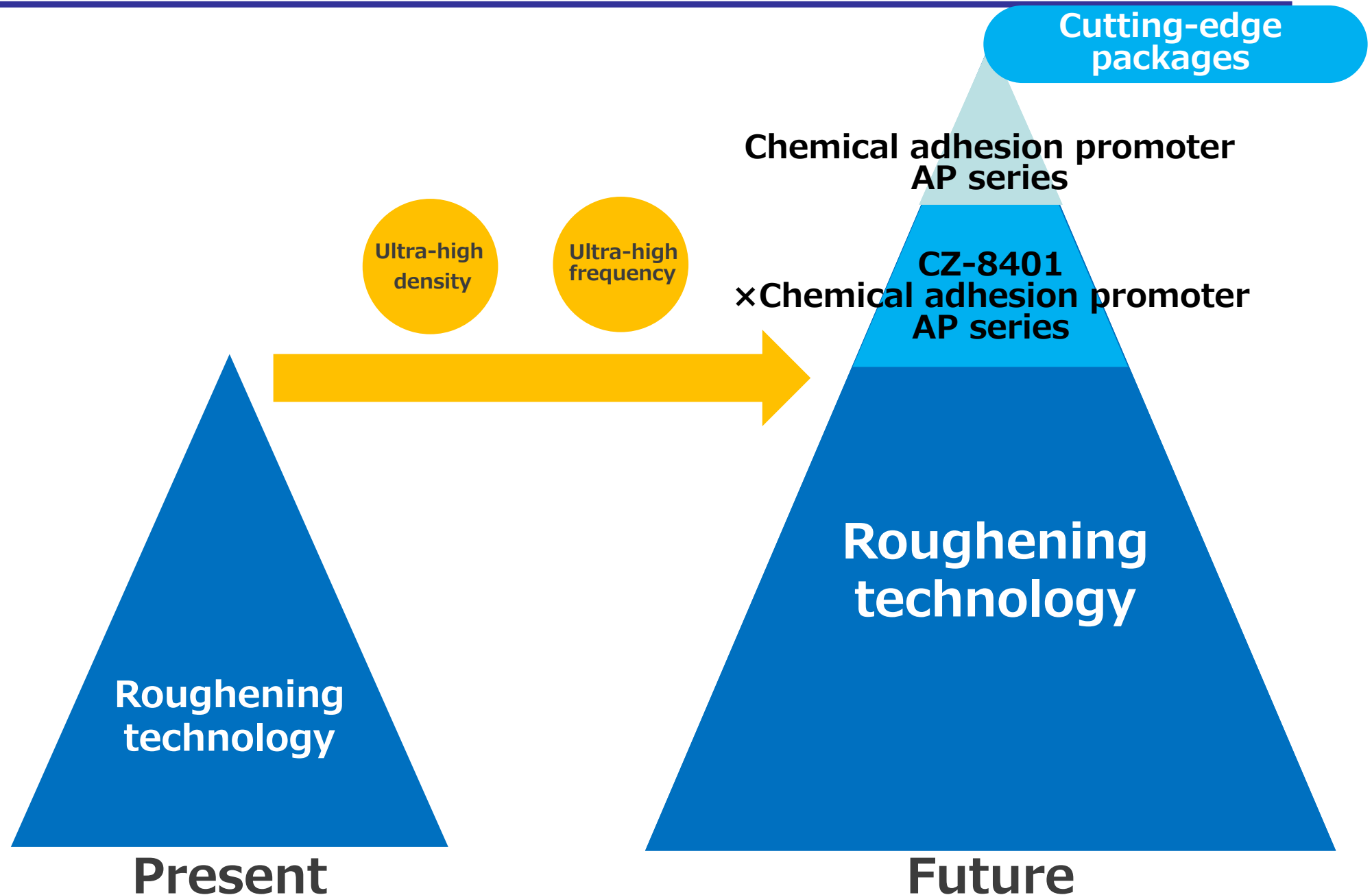
## Major chemical

- 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 will be affected by the demand trend for tablet PCs.

# Our products & PKG Substrate trend



# Market trend



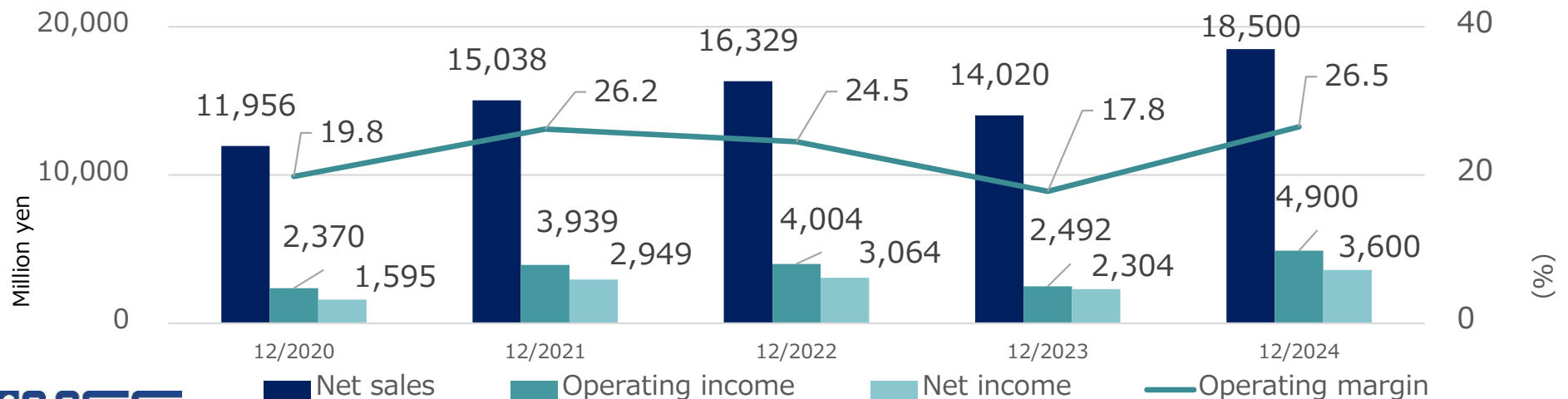
# New production base



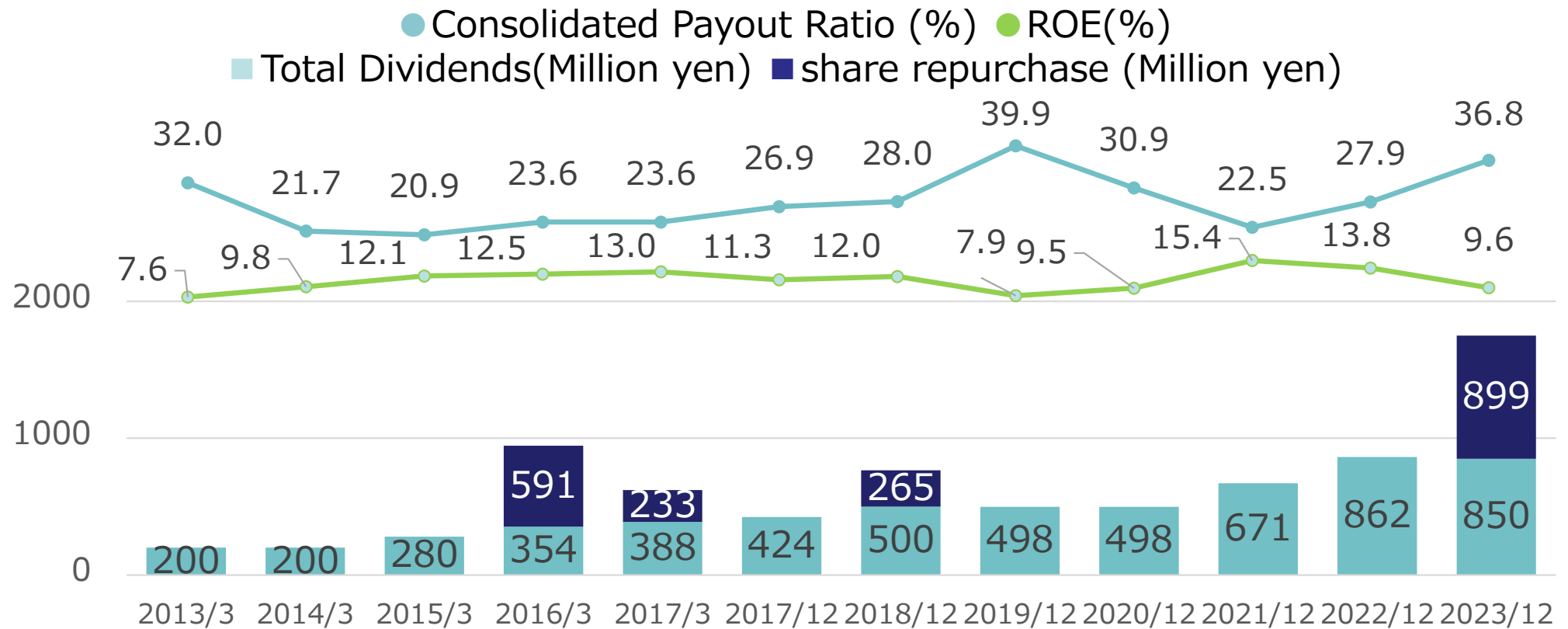
Location	10 Koyomachi, Wakamatsu-ku, Kitakyushu City, Fukuoka Prefecture
Site area	29,889 m <sup>2</sup>
Total investment	Approx. 4.7 billion yen (including land acquisition costs)
Investment plan	Own funds and debt financing (planned)
Production capacity	Approx. 30,000 t/year (planned)
Number of newly 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			August 8, 2024		
			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	14,020	-	17,000	-	21.3%	18,500	-	32.0%
Operating income	2,492	17.8	3,650	21.5	46.4%	4,900	26.5	96.6%
Ordinary income	2,683	19.1	3,800	22.4	41.6%	5,200	28.1	93.8%
Net income	2,304	16.4	2,650	15.6	15.0%	3,600	19.5	56.2%
Net income per share(yen)	122.29	-	141.52	-	-	192.26	-	-



# 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 20.0 yen, Fiscal year-end 25.0 yen,  
consolidated payout ratio:23.4%)

# ESG effort

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## Environment

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

## Social

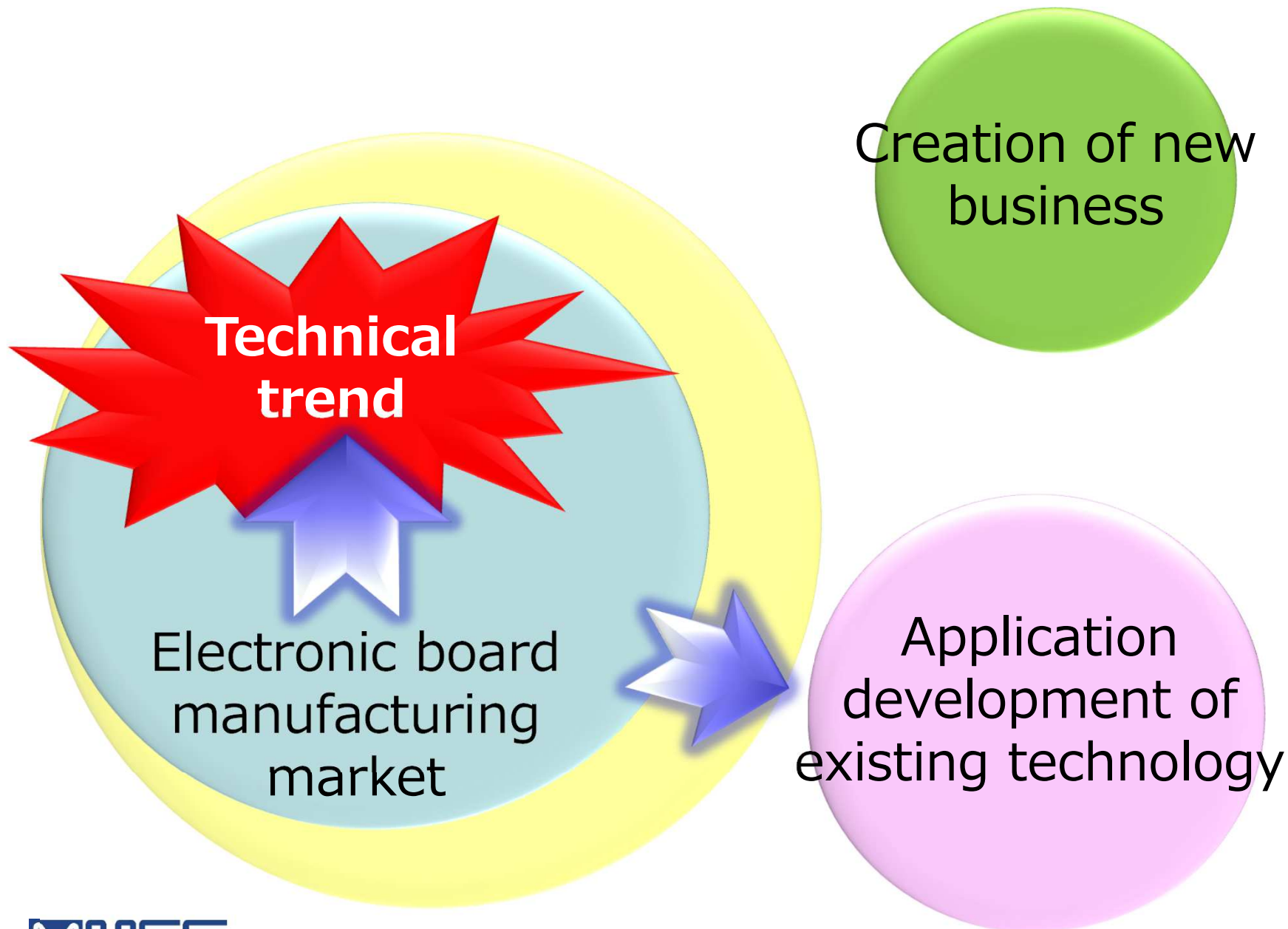
- Human Capital Strategy.
- Utilization of diverse human resources (empowerment of women, WLB, promotion of men taking childcare leave, etc.).
- Contribution to social development (5G, autonomous driving).

## Governance

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

# Aiming to expand the business domain

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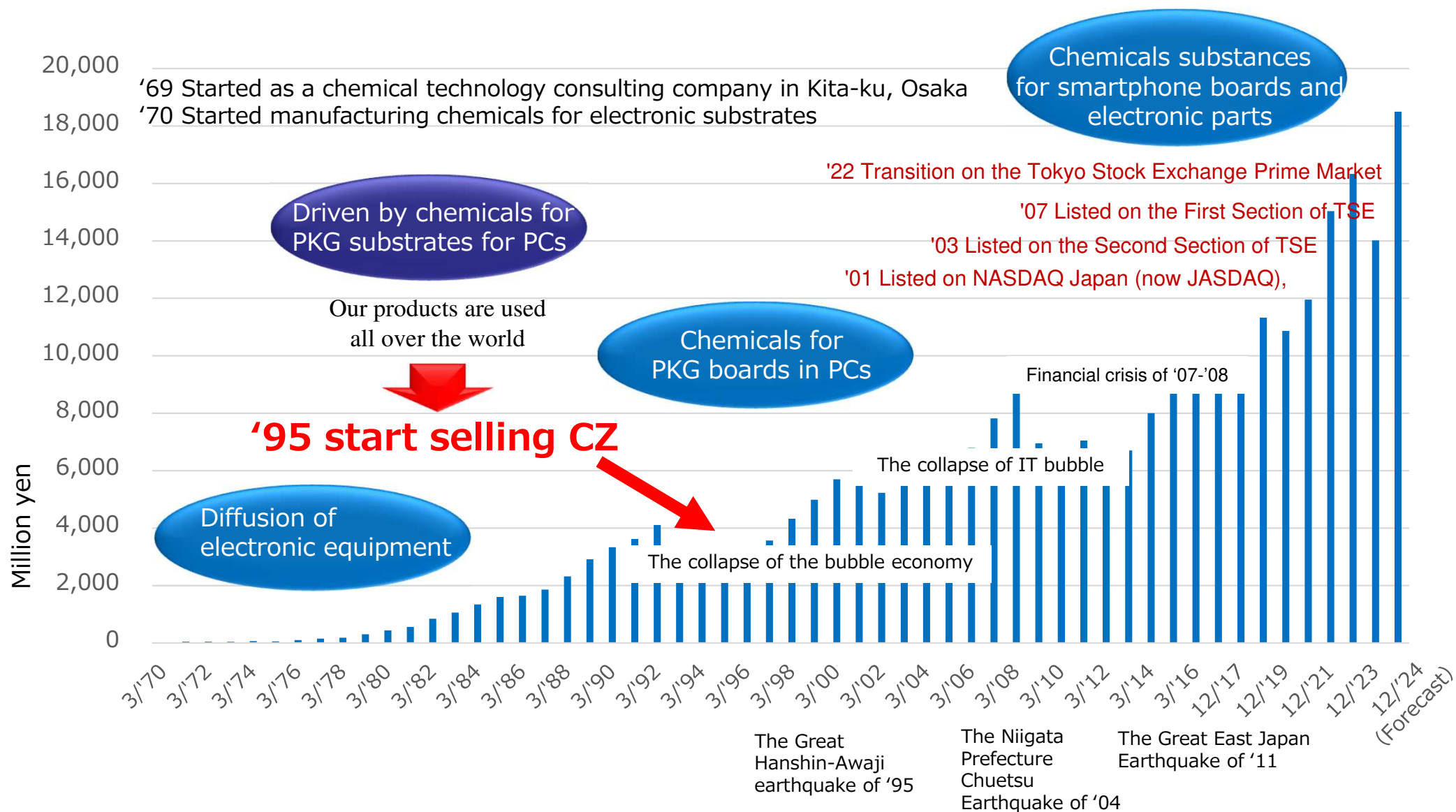
# Appendix

# Corporate profile

(As of December 31, 2023)

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

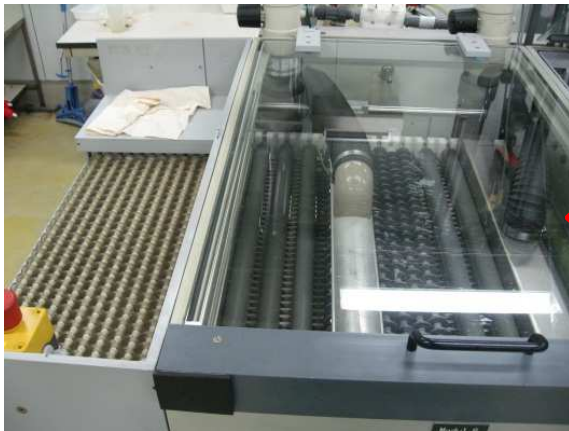


**Manufacturing ⇒ Quality inspection ⇒ Filling**

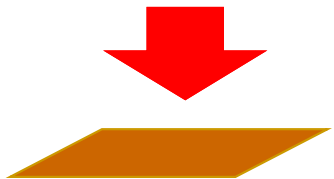


# Example of product usage process

«Drying»



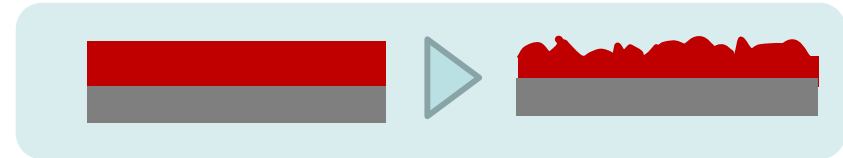
«Water Rinse» «Chemical Treatment»



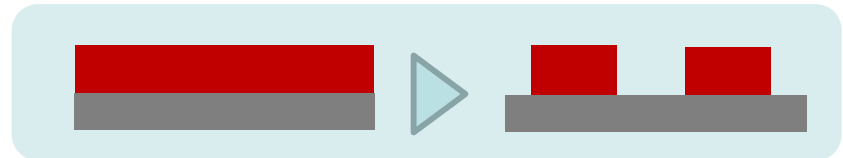
# MEC's core technologies

## *Creating and Fostering Value at Various Interfaces*

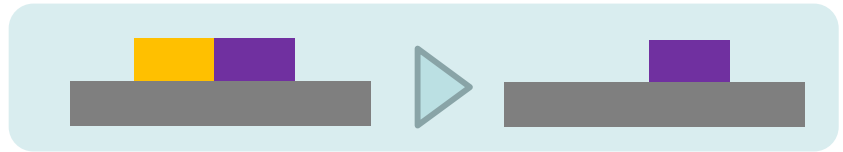
- **Roughen** the surface, and **physically improve adhesion**  
CZ, V-Bond



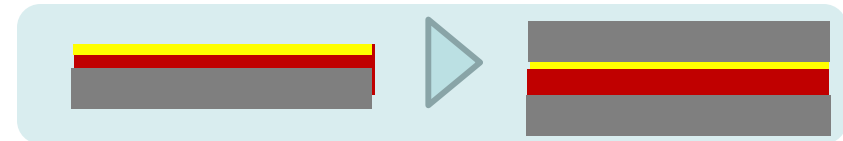
- **Pattern formation**  
EXE



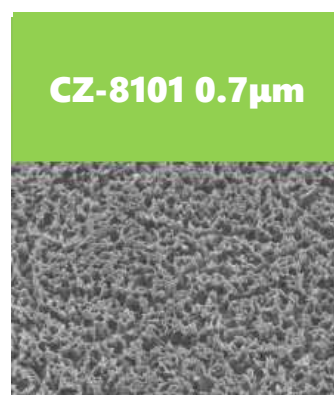
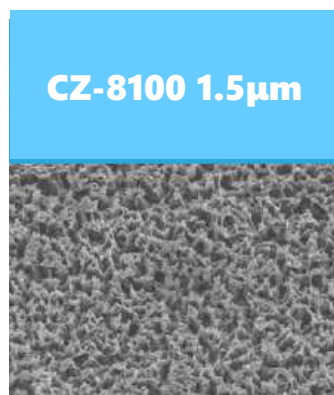
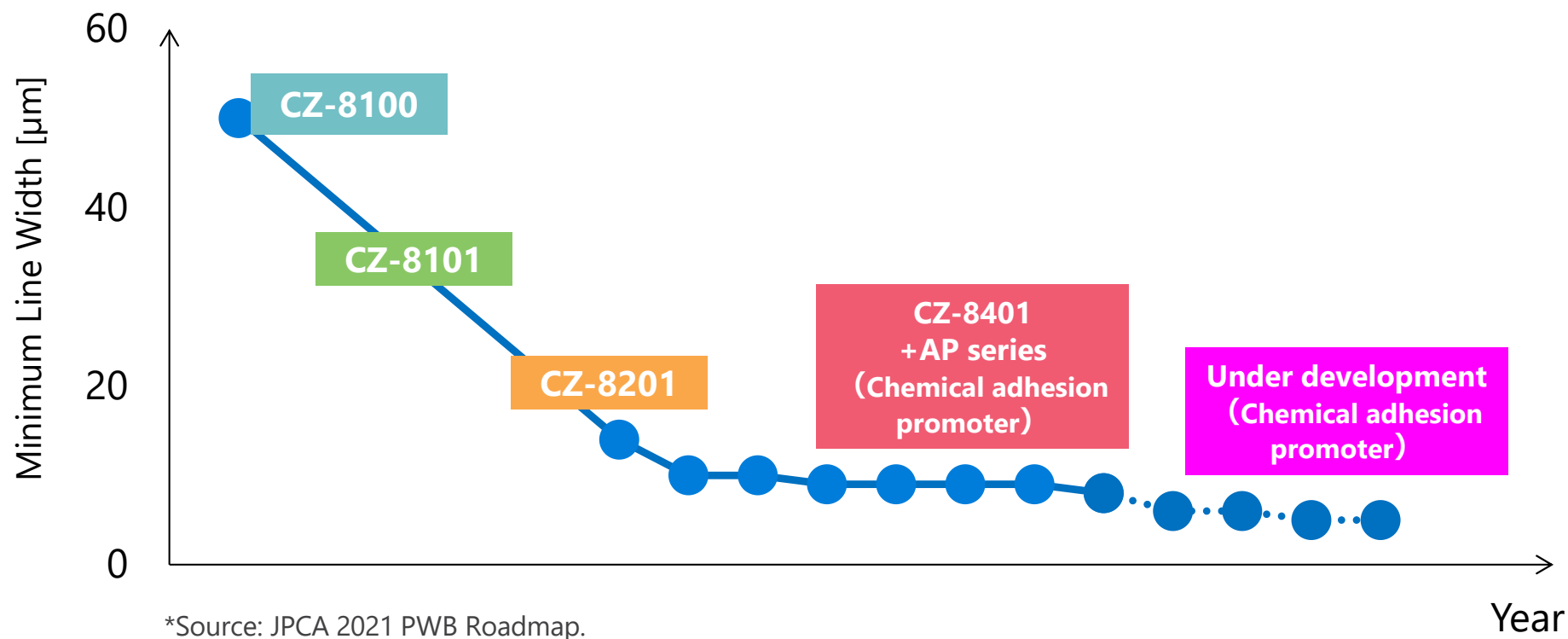
- **Selective etching**  
SF



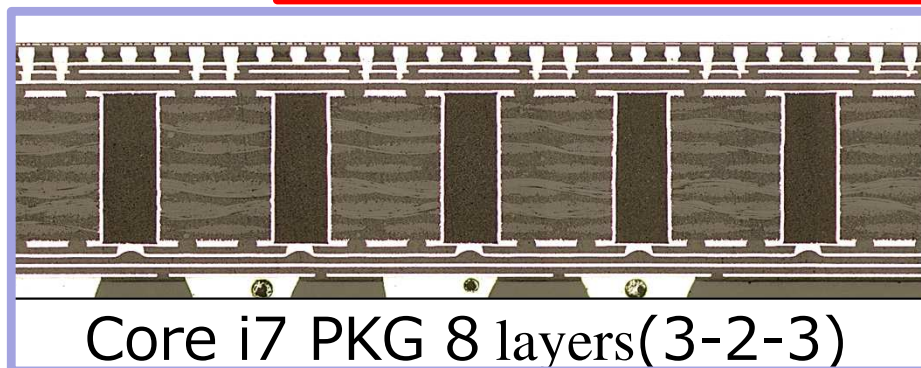
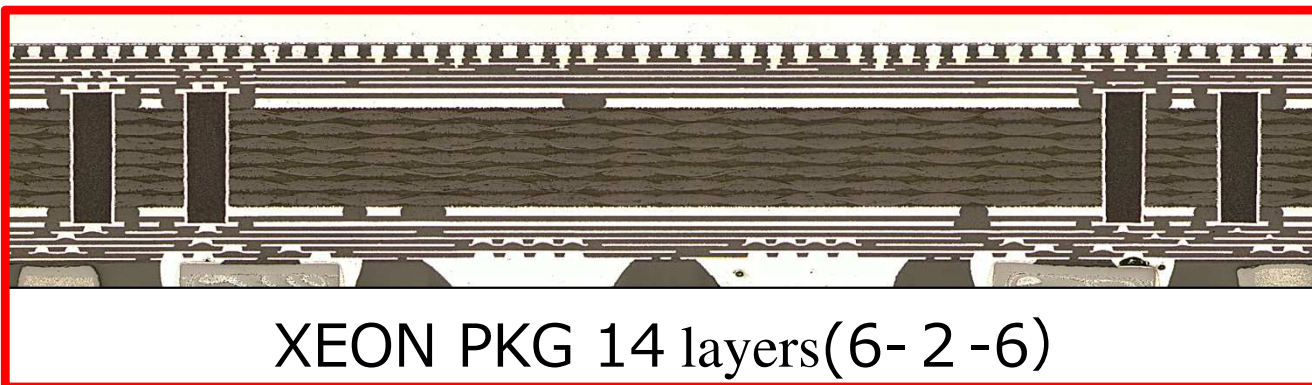
- **Treat** the surface, and **chemically adhesion promoter**



# CZ series roadmap



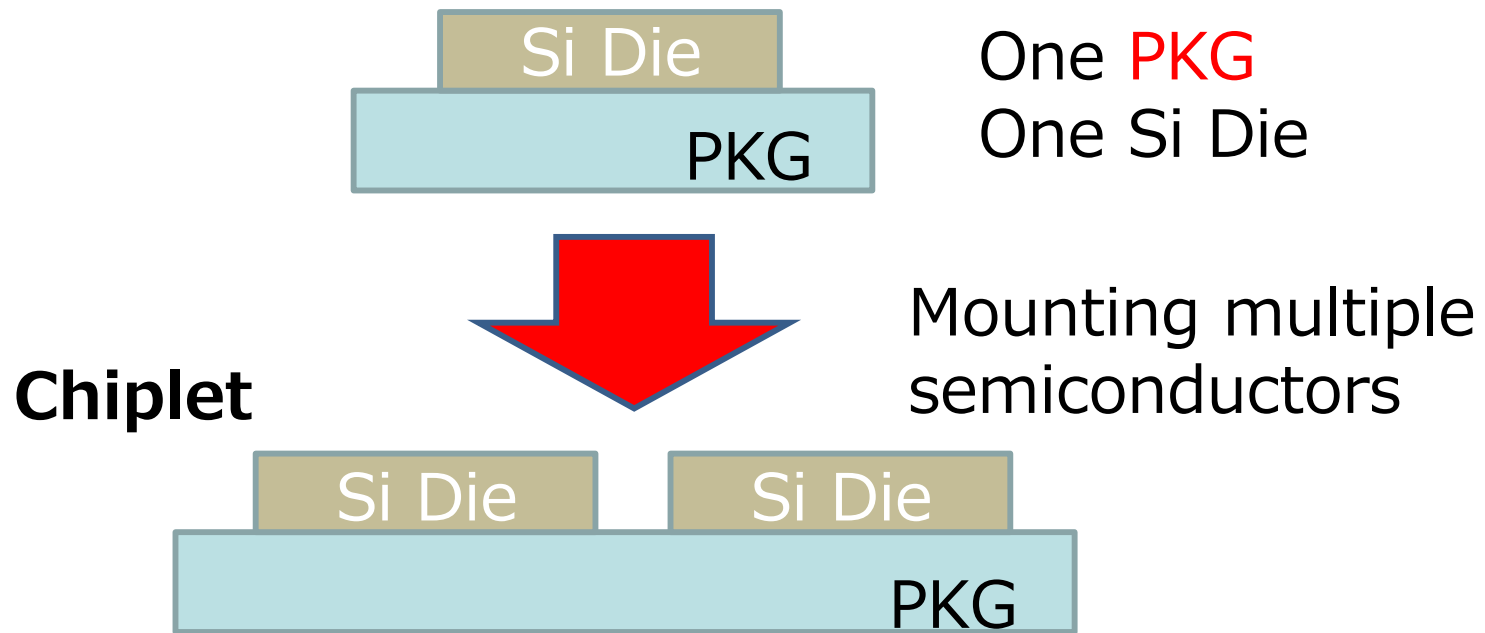
# Cross section observation



	cm <sup>2</sup>	Layers
<b>XEON</b>	<b>27.44</b>	<b>14</b>
<b>Core i7</b>	<b>14.44</b>	<b>8</b>
<b>Ryzen 7</b>	<b>16.00</b>	<b>12</b>



# Evolution of the PKG substrate



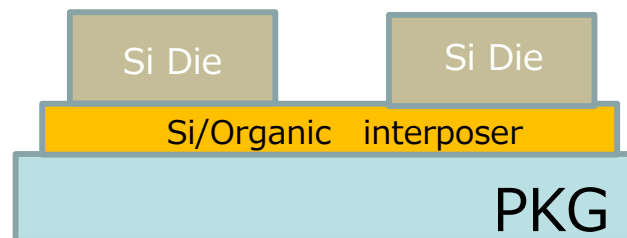
## EMIB

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



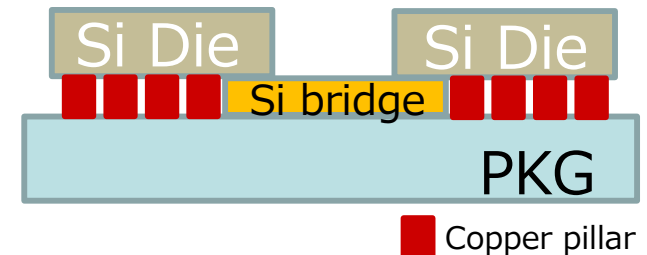
## CoWoS

(Chip **o**n **W**afer **o**n **S**ubstrate)



## EFB

(Elevated **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 November 11, 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.