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## Summary of Consolidated Financial Results for the First Quarter Ending December 31, 2021 [JA-GAAP]

May 12, 2021  
Stock exchange listing: Tokyo Stock Exchange

Company Name: MEC COMPANY LTD.

Stock Code No.: 4971 Company URL: <https://www.mec-co.com/en/>

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Scheduled date for submitting quarterly reports: May 13, 2021

Commencement Date of Dividend Payment (Scheduled): -

Creation of reference materials supplementary to the results: Yes

Holding of briefing sessions regarding the results: Yes (for institutional investors)

(Amounts less than one million yen have been disregarded.)

### 1. Consolidated financial results (January 1, 2021 to March 31, 2021)

#### (1) Results of operations

(% represent annual changes over the preceding year unless otherwise stated.)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2021	3,505	24.7	973	95.5	1,036	123.4	742	133.9
Three months ended March 31, 2020	2,809	20.7	498	142.1	463	92.9	317	100.0

Note: Comprehensive income: Three months ended March 31, 2021: 1,107 million yen (891.6%); Three months ended March 31, 2020: 111 million yen (-52.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended March 31, 2021	39.11	-
Three months ended March 31, 2020	16.72	-

#### (2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2021	22,516	18,309	81.3
As of December 31, 2020	21,510	17,470	81.2

(Reference) Shareholder's equity: As of March 31, 2021: 18,309 million yen; As of December 31, 2020: 17,470 million yen

### 2. Dividends

	Annual dividend				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	-	12.00	-	14.00	26.00
Fiscal year ending December 31, 2021	-				
Fiscal year ending December 31, 2021 (Forecast)		14.00	-	14.00	28.00

(Note) Revision of recently announced dividends forecast: None

### 3. Consolidated earnings forecasts for the fiscal year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(Percentages indicate changes from previous fiscal year for full-year figures, and year-on-year changes for quarterly changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st half	6,900	21.0	1,750	54.4	1,850	64.2	1,300	63.7	68.47
Full year	13,600	13.7	3,100	30.8	3,200	34.0	2,250	41.0	118.46

(Note) Revision of recently announced earnings forecast: Yes

\* Notes

(1) Changes in important subsidiaries during this quarter (changes to specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of concise accounting procedures or particular accounting procedures in the creation of consolidated financial statements during this quarter: Yes

Note: For details, please see "Application of accounting procedures specified to create consolidated financial statements for quarter" on page 8 of the attached materials.

(3) Changes of principles, procedures, presentation methods, etc., in accounting procedures

- 1) Changes that accompany amendment of accounting standards, etc.: None
- 2) Changes other than those of (1): None
- 3) Expected changes to accounting standards: None
- 4) Restatements: None

(4) Number of shares outstanding (Common stock)

1) Number of shares outstanding (including treasury stock) issued as of:	As of December 31, 2021	20,071,093 shares	As of December 31, 2019	20,071,093 shares
2) Number of shares of treasury stock:	As of December 31, 2021	1,093,341 shares	As of December 31, 2019	1,093,341 shares
3) Average number of shares during the period:	Three months ended December 31, 2021	18,977,752 shares	Three months ended December 31, 2020	18,977,767 shares

\* Quarterly financial results are not covered by the quarterly review.

\* Explanation of appropriate use of earnings forecasts. Other points of note.

- The business forecasts and such like stated in this material are based on the information currently available to the Company and certain assumptions that are judged to be rational. Actual results may vary significantly from the forecasts due to various factors. For details of the earnings forecasts, refer to "Analysis of forward-looking information, such as the consolidated earnings forecast" on page 3 of the attachment.
- We are planning to hold financial results briefing for institutional investors and analysts on Wednesday, May 12, 2021. Materials of financial results briefings are posted on our website.

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## 1. Qualitative information regarding consolidated results for this quarter

## (1) Analysis of results of operations

The world economy during the current first consolidated cumulative quarter (January 1, 2021 to March 31, 2021) saw continued uncertainties due to the COVID-19 pandemic (hereinafter, "Pandemic") while some countries experienced improved business confidence thanks to increasing vaccination rates and policy support. Japan's economy continues to face severe conditions, and while there is continued improvement in capital expenditures and production activities, there are weaknesses in some areas such as consumer spending.

While the IMF expects the global and Japanese economies to return to positive growth rates of 6.0% and 3.3% respectively in 2021, compared to 2020, when both experienced negative growth, things remain highly uncertain.

In the electronics industry, sales of PCs, tablets, monitors continued to be strong because of the increasing trend in many countries for working/studying from home and adaptations to new lifestyles. In addition, demand for servers remained strong, driven by increasing data traffic and the switch to 5G. Though there had been concerns due to a semiconductor shortage, the automotive sector remained strong on the whole. As the global shortage of semiconductors continues, the industry as a whole is investing positively.

Due to the effect of the electronics industry, the electronic circuit board/component industry, a related market for the Group, saw demand for servers, PCs, tablets, and monitors remaining strong. In particular, demand expanded for chip-mounting package substrates, which are closely related to the Company.

Against a backdrop of technological expansion including IoT, AI, and 5G, the density of electronic substrates has become higher and technological innovation is progressing. These related markets are expected to continue to see high growth, and efforts for switching the mobile communications system to the faster and higher-capacity 5G as well as promoting it are accelerating. Furthermore, investment in equipment to strengthen production systems for high-performance package substrates related to next-generation data centers has been increasing.

Under these circumstances, the Group focused on developing and selling products for high-density electronic substrates.

In terms of sales trends for our mainstay products, sales of the SF Series and EXE Series increased significantly due to demand for related electronic devices, and sales of the CZ Series super-roughening agent for chip-mounting package substrate applications, which holds a large market share, climbed significantly on a year-on-year comparison thanks to demand for servers and PCs and package substrates becoming larger and multi-layered. Sales of the V-Bond Series, an adhesion booster for multilayer boards, recovered significantly from the same period last year when it was impacted by the sluggish automotive market.

As a result, consolidated net sales for the first quarter of the current year totaled 3,505 million yen (up 695 million yen or 24.7% year-on-year). Selling and general and administrative expenses came to 1,246 million yen (up 8 million yen or 0.7% year-on-year), operating income was 973 million yen (up 475 million yen or 95.5% year-on-year), and the operating profit margin was 27.8%, up 10.1 points year-on-year. Ordinary income came to 1,036 million yen (up 572 million yen or 123.4% year-on-year). Quarterly net income before income taxes was 1,036 million yen (up 589 million yen or 131.9% year-on-year), and quarterly net income attributable to owners of the parent company amounted to 742 million yen (up 424 million yen or 133.9% year-on-year).

In terms of sales breakdown, sales of chemicals were 3,452 million yen (up 791 million yen or 29.7% year-on-year), machine sales were 33 million yen (down 96 million yen or 74.1% year-on-year), material sales were 16 million yen (down 1 million yen or 8.6% year-on-year), and others were 2 million yen (up 1 million yen or 346.8% year-on-year).

The overseas sales ratio was 54.1%, up 6.1 points year-on-year. The overseas sales ratio becomes 75.8% (up 3.1 points year-on-year) if sales to overseas customers through domestic agencies in Japan are included.

The results by segment are as follows.

In Japan, sales of PCs, tablets, and server-related products remained strong. Net sales for the current first consolidated cumulative quarter were 1,666 million yen (up 168 million yen or 11.3% year-on-year), and segment income came to 721 million yen (up 374 million yen or 108.3% year-on-year).

In Taiwan, sales of products related to servers and monitors remained strong. Net sales for the current first consolidated cumulative quarter were 676 million yen (up 115 million yen or 20.7% year-on-year), and segment income came to 61 million yen (up 27 million yen or 82.6% year-on-year).

In Hong Kong (Hong Kong and Zhuhai), due to the fact that many customers shortened their Chinese New Year holiday, main package customers were steady, as well as the transfer of production of

tablet-related products away from China (Suzhou), and the strong sales of automotive-related products, net sales for the current first consolidated cumulative quarter were 429 million yen (up 207 million yen or 93.5% year-on-year), and segment income came to 117 million yen (up 72 million yen or 160.9% year-on-year).

In China (Suzhou), while some customers continued to operate through the Chinese New Year period, the production of products for tablets was transferred to Japan and the Zhuhai region. As a result, net sales for the current first consolidated cumulative quarter were 537 million yen (up 166 million yen or 44.7% year-on-year), and segment income came to 126 million yen (up 80 million yen or 175.9% year-on-year).

In Europe, while the impact of the pandemic continued, there were signs of recovery in production activities, and net sales for the current first consolidated cumulative quarter were 169 million yen (up 11 million yen or 7.5% year-on-year), and segment income came to 33 million yen (up 0 million yen or 0.4% year-on-year).

In Thailand, to further develop the Southeast Asian market that will expand down the road, the Company established its sixth subsidiary on May 29, 2017, and launched operations in September 2019. Sales activities and the change of the Company's product production site from Japan to Thailand have finally started to make progress, resulting in net sales for the current first consolidated cumulative quarter of 25 million yen (0 million yen in the same period of the previous year) and a segment loss of 31 million yen (37 million yen loss in the same period of the previous year)

(2) Analysis relating to the financial situation

Assets grew 1,005 million yen from the previous consolidated FY to 22,516 million yen, which was mainly attributable to increases in cash and deposits, an increase in investment securities due to rising market prices, and trade receivables due to increased sales.

Liabilities increased 166 million yen from the previous consolidated FY to 4,206 million yen, which was mainly attributable to increases in trade payables on increased revenue and provision for bonuses, and a decrease in facility-related accounts payable.

Net assets grew 838 million yen from the previous consolidated FY to 18,309 million yen, which was attributable to increases in retained earnings and foreign currency translation adjustments due to the weaker yen

As a result of the above, the equity ratio was 81.3%.

(3) Analysis of forward-looking information, such as the consolidated earnings forecast

The Company revised the consolidated statement of income for the second quarter and full-year consolidated earnings forecast published on February 12, 2021, in the "Notice of Revision of Earnings Forecast" published today (May 12, 2021). The forecast figures in this document are determined based on currently available information, and actual results may differ from the forecast figures due to various factors.

2. Consolidated quarterly financial statements and major notes  
 (1) Balance sheet

(Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	5,579,463	6,092,896
Notes and accounts receivable - trade	3,620,577	3,880,216
Electronically Recorded Monetary Claims	329,006	306,423
Merchandise and finished goods	415,861	496,747
Work in process	159,982	187,810
Raw materials and supplies	350,560	424,178
Other	123,606	134,063
Allowance for doubtful accounts	-3,558	-3,636
Total current assets	10,575,499	11,518,700
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,037,708	7,101,161
Accumulated depreciation	-2,805,486	-2,900,087
Buildings and structures (net)	4,232,222	4,201,073
Machinery, equipment and vehicles	3,074,090	3,084,981
Accumulated depreciation	-2,137,588	-2,190,697
Machinery, equipment and vehicles (net)	936,501	894,283
Tools, furniture and fixtures	1,277,402	1,310,520
Accumulated depreciation	-954,464	-973,221
Tools, furniture and fixtures (net)	322,938	337,299
Land	2,935,817	2,968,195
Right-of-use asset	60,811	53,534
Accumulated depreciation	-20,657	-12,475
Right-of-use asset (net)	40,153	41,059
Construction in progress	530,961	550,597
Total property, plant and equipment	8,998,594	8,992,509
Intangible assets	140,370	147,710
Investments and other assets		
Investment securities	859,665	906,314
Net defined benefit asset	809,578	816,279
Deferred tax assets	3,256	4,158
Other	123,788	130,870
Total investments and other assets	1,796,289	1,857,622
Total non-current assets	10,935,253	10,997,841
<b>Total assets</b>	<b>21,510,752</b>	<b>22,516,542</b>

(Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,263,258	1,464,116
Short-term loans payable	400,000	400,000
Accounts payable - other	477,481	425,325
Accrued expenses	143,020	117,849
Income taxes payable	362,044	380,036
Provision for bonuses	317,936	472,424
Provision for directors' bonuses	38,005	47,244
Accounts payable - facilities	247,948	29,300
Other	278,982	415,775
Total current liabilities	3,528,677	3,752,072
Non-current liabilities		
Deferred tax liabilities	369,916	359,797
Net defined benefit liability	24,997	1,455
Provision for Share-based compensation	79,699	55,619
Other	36,599	37,901
Total non-current liabilities	511,213	454,773
Total liabilities	4,039,890	4,206,845
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	541,273	541,273
Retained earnings	16,583,712	17,057,464
Treasury shares	-1,175,844	-1,175,844
Total shareholders' equity	16,543,283	17,017,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373,484	408,579
Foreign currency translation adjustment	363,902	703,685
Remeasurements of defined benefit plans	190,190	180,395
Total accumulated other comprehensive income	927,578	1,292,661
Total net assets	17,470,862	18,309,696
Total liabilities and net assets	21,510,752	22,516,542

(2) Statement of income and statement of comprehensive income  
(Consolidated quarterly statements of income)  
(Consolidated first quarter)

(Thousands of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net sales	2,809,922	3,505,037
Cost of sales	1,073,651	1,284,857
Gross profit	1,736,270	2,220,180
Selling, general and administrative expenses	1,238,130	1,246,374
Operating profit	498,140	973,805
Non-operating income		
Interest income	6,317	7,048
Trial products income	3,835	1,378
Foreign exchange gain	—	51,539
Other	6,658	3,650
Total non-operating income	16,812	63,616
Non-operating expenses		
Interest expenses	419	253
Sales discounts	863	712
Foreign exchange losses	49,607	—
Other	134	201
Total non-operating expenses	51,024	1,167
Ordinary profit	463,927	1,036,255
Extraordinary income		
Gain on sales of non-current assets	927	507
Total extraordinary income	927	507
Extraordinary losses		
Loss on retirement of non-current assets	17,894	100
Total extraordinary losses	17,894	100
Profit before income taxes	446,960	1,036,662
Income taxes	129,629	294,423
Profit	317,331	742,238
Profit attributable to owners of parent	317,331	742,238



(Comprehensive income)  
(Consolidated first quarter)

(Thousands of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Profit	317,331	742,238
Other comprehensive income		
Valuation difference on available-for-sale securities	-53,987	35,094
Foreign currency translation adjustment	-143,673	339,783
Remeasurements of defined benefit plans, net of tax	-7,996	-9,794
Total other comprehensive income	-205,657	365,082
Comprehensive income	111,673	1,107,321
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	111,673	1,107,321
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

N/A

(Notes on marked changes in the amount of shareholders' equity)

N/A

(Application of accounting procedures specified to create consolidated financial statements for quarter)

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after the application of tax effect accounting to net income before income taxes for the consolidated fiscal year and multiplying quarterly net income before income taxes by this estimated effective tax rate. However, in cases where the result of calculating using this estimated effective tax rate lacks reasonableness in a striking manner, the Company bases calculations on the effective statutory tax rate.