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May 10, 2023

Consolidated Financial Results for the Three Months Ended March 31, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange (Securities code: 4971)
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 Scheduled date for submitting quarterly reports: May 12, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors, securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the Three Months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2023	2,765	-30.1	168	-83.9	223	-81.2	82	-89.6
March 31, 2022	3,955	12.8	1,051	8.0	1,186	14.5	793	6.9

Note: Comprehensive income For the three months ended March 31, 2023: ¥297 million [-72.8%]
 For the three months ended March 31, 2022: ¥1,096 million [-1.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	4.32	-
March 31, 2022	41.76	-

(2) Financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2023	26,820	23,144	86.3
December 31, 2022	27,499	23,325	84.8

Reference: Equity

As of March 31, 2023: ¥23,144 million
 As of December 31, 2022: ¥23,325 million

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	-	20.00	-	25.00	45.00
FY2023	-				
FY2023 (Forecast)		20.00	-	25.00	45.00

(Note) Revision of recently announced dividends forecast: None

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(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	%	Millions of yen
1st half	6,000	-26.2	450	-78.4	500	-78.9	300	-81.9	15.85
Full year	13,500	-17.3	1,800	-55.1	1,900	-55.3	1,350	-55.9	71.71

(Note) Revision of recently announced earnings forecast: Yes

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in 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 “Specific accounting treatments applied in the preparation of quarterly consolidated financial statements” on page 8 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	20,071,093 shares
As of December 31, 2022	20,071,093 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2023	1,060,144 shares
As of December 31, 2022	1,060,144 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2023	19,010,949 shares
Three months ended March 31, 2022	19,003,950 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

-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.

In addition, for matters concerning the above forecasts, please refer to “1. Qualitative information regarding consolidated results for this quarter (3) Statement of forward looking” on page 3 of the attachment.

- We are planning to hold financial results briefing for institutional investors and analysts on Wednesday, May 10, 2023. 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 relating to the operating results

During the first quarter of the current fiscal year (January 1, 2023 to March 31, 2023), although economic activity was moving toward normalcy as a result of the easing of the restrictions on activities caused by the novel coronavirus, the market remained subject to high global inflation, monetary tightening, and geopolitical risks, which remain highly strained.

In the electronics industry, demand for consumer electronics remained sluggish, as was the case last year, and investment in data centers, which had been strong on the back of investments in digital transformation (DX) and in response to new lifestyles, was also suppressed.

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.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates.

Compared with the same period of the previous fiscal year, sales of key products decreased across the board, as a result of weak demand for related electronic substrates and parts, including the CZ Series of super-roughening agents for use with package substrates on which semiconductors are mounted, the V-Bond Series of adhesion improvers for multilayer electronic substrates, the SF Series for displays, and the EXE Series.

As a result, total consolidated sales for the first quarter amounted to 2,765 million yen (down 1,189 million yen year-on-year, or 30.1%). Selling, general and administrative expenses were 1,414 million yen (up 37 million yen year-on-year, or 2.7%), operating income was 168 million yen (down 882 million yen year-on-year, or 83.9%), and operating income to net sales was 6.1%, a decrease of 20.5 percentage points from the same period of the previous fiscal year. Ordinary income amounted to 223 million yen (down 963 million yen year-on-year, or 81.2%). Quarterly net income before income taxes amounted to 219 million yen (down 966 million yen year-on-year, or 81.5%), and quarterly net income attributable to owners of parent was 82 million yen (down 711 million yen year-on-year, or 89.6%).

Looking at a breakdown of sales, sales of chemicals were 2,712 million yen (down 1,185 million yen year-on-year, or 30.4%), machinery sales were 34 million yen (down 2 million yen year-on-year, or 6.2%), sales of materials were 16 million yen (down 1 million yen year-on-year, or 10.2%), and other sales were 1 million yen (down 0 million yen year-on-year, or 6.5%).

The overseas sales ratio was 63.7%, up 2.3 points compared with the 61.4% in the same period last year. When sales to overseas customers sold through domestic distributors in Japan are included in the overseas sales ratio, the ratio is 72.5% (down 6.5 points compared with the same period last year).

Results by segment were as follows.

In Japan, orders for the Company's related products were sluggish due to weak demand for electronic substrates and parts for PCs, smartphones, displays, and servers. Sales to South Korea in particular, which are handled through Japanese distributors, showed a rather weak demand trend, with net sales of 1,046 million yen (down 533 million yen year-on-year, or 33.7%) and a segment loss of 52 million yen (compared with a profit of 556 million yen in the same period last year) for the period under review.

Taiwan is in a similar situation to Japan, with net sales of 615 million yen (down 237 million yen year-on-year, or 27.9%) and a segment profit of 61 million yen (down 23 million yen year-on-year, or 28.0%) for the period under review.

In Hong Kong (Hong Kong, Zhuhai), demand for smartphone-related electronic substrates and parts remained sluggish, and orders for the Company's related products remained weak amid the impact of semiconductor shortages, despite a recovery trend in automobiles. As a result, sales in Hong Kong were 317 million yen (down 192 million yen year-on-year, or 37.8%) and segment profit was 24 million yen (down 70 million yen year-on-year, or 74.1%) for the period under review.

In China (Suzhou), weak demand for electronic substrates and parts related to servers and smartphones affected orders for the Company's related products, resulting in net sales of 450 million yen (down 222 million yen year-on-year, or 33.1%) and a segment loss of 3 million yen (compared with a profit of 99 million yen in the same period last year) for the period under review.

In Europe, despite high inflation, customers' production activities have been on the upswing, resulting in net sales of 195 million yen (down 12 million yen year-on-year, or 6.1%) and a segment profit of 0 million yen (down 31 million yen year-on-year, or 98.6%) for the period under review.

In Thailand, sales of 140 million yen (up 9 million yen year-on-year, or 7.1%) and a segment loss of 0 million yen (compared with a profit of 28 million yen in the same period last year) were recorded for the period under review due to a decrease in production by customers and inventory adjustment, although new customer production is starting amid active capital investment in Southeast Asia by electronic substrate manufacturers.

(2) Analysis relating to the financial situation

Assets were 26,820 million yen, a decrease of 679 million yen from the previous consolidated fiscal year, primarily due to a decrease in cash and deposits and accounts receivable.

Liabilities were 3,675 million yen, a decrease of 497 million yen from the previous consolidated fiscal year, primarily due to a decrease in payables and accounts payable for equipment.

Net assets were 23,144 million yen, a decrease of 181 million yen from the previous consolidated fiscal year, primarily due to a decrease in retained earnings due to dividend payments and an increase in foreign currency translation adjustments due to the weak yen.

As a result of the above, the equity ratio reached 86.3%.

(3) Statement of forward looking

We revised the consolidated earnings forecast for the first and second quarters and for the full year initially released on February 14, 2023, as announced today (May 10, 2023) in our "Revision to Earnings Forecast." The forecasts mentioned in this material are determined based on the information available at this time. Actual results may differ from the earnings forecast due to various factors.

2. Consolidated quarterly financial statements and major notes

(1) Consolidated quarterly balance sheet

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,443,157	8,842,611
Notes and accounts receivable - trade	4,357,179	3,224,788
Electronically recorded monetary claims -	346,137	283,111
Merchandise and finished goods	662,232	642,204
Work in process	170,245	203,269
Raw materials and supplies	835,868	953,052
Other	177,391	198,627
Allowance for doubtful accounts	-5,052	-5,206
Total current assets	15,987,160	14,342,459
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,043,776	8,100,308
Accumulated depreciation	-3,482,196	-3,577,602
Buildings and structures, net	4,561,580	4,522,705
Machinery, equipment and vehicles	3,350,569	3,441,853
Accumulated depreciation	-2,566,484	-2,620,905
Machinery, equipment and vehicles, net	784,084	820,948
Tools, furniture and fixtures	1,558,675	1,567,534
Accumulated depreciation	-1,163,597	-1,187,659
Tools, furniture and fixtures, net	395,077	379,874
Land	3,043,312	3,990,448
Right-of-use asset	72,624	73,905
Accumulated depreciation	-29,098	-33,803
Right-of-use asset, net	43,526	40,102
Construction in progress	132,264	74,632
Total property, plant and equipment	8,959,846	9,828,713
Intangible assets	146,952	148,785
Investments and other assets		
Investment securities	1,258,288	1,354,678
Retirement benefits assets	1,006,614	1,015,863
Deferred tax assets	4,546	2,421
Other	135,758	127,157
Total investments and other assets	2,405,208	2,500,121
Total non-current assets	11,512,007	12,477,620
Total assets	27,499,168	26,820,079

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	816,644	565,369
Electronically recorded monetary obligations- operating	851,092	858,609
Accounts payable - other	443,340	367,387
Accrued expenses	159,207	138,611
Income taxes payable	398,874	221,283
Provision for bonuses	330,439	491,028
Provision for directors' bonuses	48,156	59,122
Accounts payable - facilities	216,996	24,017
Other	297,262	321,368
Total current liabilities	3,562,013	3,046,798
Non-current liabilities		
Deferred tax liabilities	481,519	496,691
Retirement benefit liability	2,036	3,810
Provision for Share-based compensation	89,465	92,695
Other	38,154	35,713
Total non-current liabilities	611,175	628,910
Total liabilities	4,173,189	3,675,709
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	541,273	541,273
Retained earnings	21,274,593	20,877,408
Treasury shares	-1,131,394	-1,131,394
Total shareholders' equity	21,278,614	20,881,429
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	336,141	400,056
Foreign currency translation adjustment	1,514,627	1,676,413
Remeasurements of defined benefit plans	196,595	186,470
Total accumulated other comprehensive income	2,047,364	2,262,941
Total net assets	23,325,978	23,144,370
Total liabilities and net assets	27,499,168	26,820,079

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

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	3,955,159	2,765,804
Cost of sales	1,526,226	1,182,072
Gross profit	2,428,932	1,583,731
Selling, general and administrative expenses	1,377,135	1,414,850
Operating income	1,051,797	168,880
Non-operating income		
Interest income	6,627	14,362
Proceeds from sales of prototypes	1,827	1,484
Gain on investments in partnership	7,739	4,420
Foreign exchange gains	86,862	30,385
Other	33,551	6,184
Total non-operating income	136,608	56,836
Non-operating expenses		
Interest expenses	147	138
Sales discounts	1,037	762
Other	453	1,120
Total non-operating expenses	1,638	2,020
Ordinary income	1,186,767	223,696
Extraordinary income		
Gain on sales of non-current assets	206	1,688
Total extraordinary income	206	1,688
Extraordinary losses		
Loss on retirement of non-current assets	1,298	6,263
Total extraordinary losses	1,298	6,263
Net income before income taxes	1,185,676	219,121
Income taxes	392,032	136,924
Net income	793,643	82,196
Net income attributable to owners of parent	793,643	82,196

(Consolidated quarterly statement of comprehensive income)

(Consolidated first quarter)

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	793,643	82,196
Other comprehensive income		
Valuation difference on available-for-sale securities	-85,038	63,915
Foreign currency translation adjustment	400,240	161,786
Remeasurements of defined benefit plans	-12,080	-10,124
Total other comprehensive income	303,121	215,576
Comprehensive income	1,096,764	297,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,096,764	297,773
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

(Specific accounting treatments applied in the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

For tax expenses, the Company adopts 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 accounting 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 effective tax rate lacks reasonableness in a significant manner, the Company bases calculations on the legal tax rate.

(Changes in accounting policies)

The Company has applied Guidance on Application of Accounting Standards for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) from the beginning of the first quarter under review. Accordingly, the Company will apply new Guidance on Application of Accounting Standards for Fair Value Measurement and the like in the future in accordance with the provisional treatment stipulated in Paragraph 27-2 of Guidance on Application of Accounting Standards for Fair Value Measurement. This change has no impact on the consolidated quarterly financial statements.