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November 10, 2023

## Consolidated Financial Results for the Nine Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: MEC COMPANY LTD.  
 Listing: Tokyo Stock Exchange (Securities code: 4971)  
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 Scheduled date for submitting quarterly reports: November 13, 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 Nine Months ended September 30, 2023 (From January 1, 2023 to September 30, 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	%
Nine months ended								
September 30, 2023	9,981	-19.3	1,671	-46.4	1,878	-45.4	1,707	-28.4
September 30, 2022	12,364	10.8	3,118	-1.1	3,438	6.8	2,382	4.3

Note: Comprehensive income For the Nine months ended September 30, 2023: ¥2,652 million [-9.3%]  
 For the Nine months ended September 30, 2022: ¥2,922 million [3.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2023	90.39	-
September 30, 2022	125.35	-

#### (2) Financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2023	27,780	24,220	87.2
December 31, 2022	27,499	23,325	84.8

Reference: Equity

As of September 30, 2023: ¥24,220 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	-	20.00	-		
FY2023 (Forecast)				25.00	45.00

(Note) Revision of recently announced dividends forecast: None

### 3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (From 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
Full year	13,800	-15.5	2,250	-43.8	2,500	-41.1	2,150	-29.8	114.07

(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 September 30, 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 September 30, 2023	1,346,202 shares
As of December 31, 2022	1,060,144 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2023	18,884,336 shares
Nine months ended September 30, 2022	19,007,638 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 Friday, November 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

For the first nine months of the year under review (January 1, 2023 to September 30, 2023), global inflation, continued monetary tightening, and geopolitical risks remained high.

In the electronics industry, the inventory adjustments of personal computers, smartphones, and other electronic devices appears to have bottomed out, but demand remained sluggish due to weak consumer spending. In the datacenter sector, as a response to advances in cloud computing, IoT, and AI, investments in cutting-edge fields have been prioritized over traditional fields.

The electronic substrate and parts industry, which is a market related to the Group, is generally affected by the electronics industry, and orders for our related products remained low. While inventory adjustments in the industry seem to have bottomed out, recovery has been gradual.

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

Looking at the sales trends for major products compared to the same period of the previous year, effects of the external environment could be seen. The EXE Series for displays was almost flat, and although there is a recovery trend, its continuity is uncertain. While sales of the V-Bond Series of adhesives for multilayer substrates decreased, production of related automobiles is on a recovery trend. The CZ Series of super-roughened adhesion improvers which have a high market share for semiconductor-mounted package substrates and the SF Series of displays declined due to weak demand for related electronic substrates and components. Our business performance has also been on a recovery trend since bottoming out in the first three months, but recovery has been gradual.

As a result, total consolidated sales for the first nine months amounted to 9,981 million yen (down 2,382 million yen year-on-year, or 19.3%). Selling, general and administrative expenses were 4,214 million yen (down 81 million yen year-on-year, or 1.9%), operating income was 1,671 million yen (down 1,446 million yen year-on-year, or 46.4%), and operating income to net sales was 16.8%, a decrease of 8.4 percentage points year-on-year. Ordinary income amounted to 1,878 million yen (down 1,560 million yen year-on-year, or 45.4%). Quarterly net income before income taxes amounted to 2,422 million yen (down 988 million yen year-on-year, or 29.0%), and quarterly net income attributable to owners of parent was 1,707 million yen (down 675 million yen year-on-year, or 28.4%).

Looking at a breakdown of sales, sales of chemicals were 9,834 million yen (down 2,379 million yen year-on-year, or 19.5%), machinery sales were 83 million yen (up 15 million yen year-on-year, or 23.0%), sales of materials were 59 million yen (down 17 million yen year-on-year, or 22.7%), and other sales were 3 million yen (down 1 million yen year-on-year, or 30.6%).

The overseas sales ratio was 62.4%, up 0.6 percentage points compared with the 61.8% in the same period last year. The overseas sales ratio becomes 76.5% (down 3.1 percentage points year-on-year) when sales to overseas customers sold through agents in Japan are included.

Results by segment are as follows:

In Japan, orders for our related products also declined due to the influence of the electronics industry. In the display sector, demand for electronic components is on a recovery trend despite the sluggish performance. For sales to Korea, which are handled through agents in Japan, although inventory adjustments between customers and distributors have almost been completed, orders for our products have been slow to recover due to the impact of the external environment. As a result, net sales for the first nine months were 3,898 million yen (down 997 million yen year-on-year, or 20.4%) and segment profit was 678 million yen (down 1,390 million yen year-on-year, or 67.2%).

Taiwan was in a similar situation as Japan, with net sales of 1,917 million yen (down 731 million yen year-on-year, or 27.6%) and a segment profit of 185 million yen (down 168 million yen year-on-year, or 47.6%) for the first nine months of the year under review.

In Hong Kong (Hong Kong, Zhuhai), although there are signs of recovery, demand for electronic

substrates and parts related to smartphones and automobiles remained sluggish, and orders for our related products were also affected, resulting in net sales of 1,215 million yen (down 347 million yen year-on-year, or 22.2%) and a segment profit of 204 million yen (down 93 million yen year-on-year, or 31.4%) in the first nine months of the year under review.

In China (Suzhou), although some customers showed signs of recovery, demand for electronic substrates and parts related to personal computers and smartphones was weak, and orders for our related products were also affected, resulting in net sales of 1,906 million yen (down 272 million yen year-on-year, or 12.5%) and a segment profit of 210 million yen (down 80 million yen year-on-year, or 27.5%) in the first nine months of the year under review.

In Europe, although customer production activities are at a low level amidst high inflation, net sales were 630 million yen (up 18 million yen year-on-year, or 3.1%) and segment profit was 17 million yen (down 38 million yen year-on-year, or 68.4%) for the first nine months of the year under review.

In Thailand, amidst increased capital investment by electronic substrate manufacturers in Southeast Asia, factors such as delays in the start-up of production by new customers and a decline in customer production and inventory adjustments resulted in net sales of 413 million yen (down 52 million yen year-on-year, or 11.3%), and segment loss was 9 million yen (compared to a profit of 78 million yen year-on-year) for the first nine months of the year under review.

(2) Analysis relating to the financial situation

Despite a decrease in cash and deposits, assets increased by 281 million yen year-on-year to 27,780 million yen, mainly due to an increase in investment securities and land.

Liabilities came to 3,559 million yen, down 613 million yen year-on-year, mainly due to a decrease in notes and accounts payable, electronically recorded monetary obligations and in corporate taxes payable.

Despite a decrease due to the acquisition of treasury stock, net assets rose by 894 million yen year-on-year to a total of 24,220 million yen, mainly due to an increase in retained earnings and foreign currency translation and adjustment.

As a result of the above, the equity ratio reached 87.2%.

(3) Statement of forward looking

We have revised the full-year consolidated earnings forecast, initially released on May 23, 2023, as announced today (November 10, 2023) in the “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 September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,443,157	8,323,683
Notes and accounts receivable - trade	4,357,179	4,443,052
Electronically recorded monetary claims	346,137	281,222
Merchandise and finished goods	662,232	652,050
Work in process	170,245	119,316
Raw materials and supplies	835,868	898,324
Other	177,391	179,633
Allowance for doubtful accounts	-5,052	-5,643
<b>Total current assets</b>	<b>15,987,160</b>	<b>14,891,638</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,043,776	7,916,119
Accumulated depreciation	-3,482,196	-3,371,397
Buildings and structures, net	4,561,580	4,544,722
Machinery, equipment and vehicles	3,350,569	3,367,446
Accumulated depreciation	-2,566,484	-2,546,432
Machinery, equipment and vehicles, net	784,084	821,014
Tools, furniture and fixtures	1,558,675	1,629,959
Accumulated depreciation	-1,163,597	-1,245,552
Tools, furniture and fixtures, net	395,077	384,406
Land	3,043,312	3,650,503
Right-of-use asset	72,624	78,899
Accumulated depreciation	-29,098	-23,967
Right-of-use asset, net	43,526	54,932
Construction in progress	132,264	255,156
<b>Total property, plant and equipment</b>	<b>8,959,846</b>	<b>9,710,735</b>
Intangible assets	146,952	153,831
Investments and other assets		
Investment securities	1,258,288	1,865,634
Retirement benefits assets	1,006,614	1,035,028
Deferred tax assets	4,546	2,682
Other	135,758	120,661
<b>Total investments and other assets</b>	<b>2,405,208</b>	<b>3,024,007</b>
<b>Total non-current assets</b>	<b>11,512,007</b>	<b>12,888,574</b>
<b>Total assets</b>	<b>27,499,168</b>	<b>27,780,213</b>

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	816,644	740,731
Electronically recorded monetary obligations- operating	851,092	525,383
Accounts payable - other	443,340	350,960
Accrued expenses	159,207	129,124
Income taxes payable	398,874	118,547
Provision for bonuses	330,439	364,459
Provision for directors' bonuses	48,156	20,457
Accounts payable - facilities	216,996	73,879
Other	297,262	350,178
Total current liabilities	3,562,013	2,673,723
Non-current liabilities		
Deferred tax liabilities	481,519	733,959
Retirement benefit liability	2,036	4,169
Provision for Share-based compensation	89,465	98,992
Other	38,154	48,563
Total non-current liabilities	611,175	885,684
Total liabilities	4,173,189	3,559,408
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	541,273	541,273
Retained earnings	21,274,593	22,124,471
Treasury shares	-1,131,394	-2,031,451
Total shareholders' equity	21,278,614	21,228,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	336,141	642,815
Foreign currency translation adjustment	1,514,627	2,183,332
Remeasurements of defined benefit plans	196,595	166,221
Total accumulated other comprehensive income	2,047,364	2,992,369
Total net assets	23,325,978	24,220,804
Total liabilities and net assets	27,499,168	27,780,213

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

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	12,364,067	9,981,097
Cost of sales	4,949,982	4,094,635
Gross profit	7,414,084	5,886,461
Selling, general and administrative expenses	4,295,653	4,214,548
Operating income	3,118,431	1,671,913
Non-operating income		
Interest income	22,743	38,233
Dividend income	6,899	7,344
Proceeds from sales of prototypes	5,910	5,268
Gain on investments in partnership	10,900	—
Foreign exchange gains	217,984	148,853
Other	61,122	14,263
Total non-operating income	325,561	213,962
Non-operating expenses		
Interest expenses	528	351
Sales discounts	3,564	—
Loss on investments in partnership	—	3,723
Other	1,413	3,448
Total non-operating expenses	5,507	7,523
Ordinary income	3,438,486	1,878,353
Extraordinary income		
Gain on sales of non-current assets	1,081	556,919
Gain on sales of investment securities	19	344
Total extraordinary income	1,101	557,264
Extraordinary losses		
Loss on retirement of non-current assets	28,744	13,237
Loss on sales of investment securities	333	—
Total extraordinary losses	29,077	13,237
Net income before income taxes	3,410,510	2,422,380
Income taxes	1,027,831	715,335
Net income	2,382,679	1,707,044
Net income attributable to owners of parent	2,382,679	1,707,044



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(Consolidated quarterly statement of comprehensive income)  
(Consolidated third quarter)

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	2,382,679	1,707,044
Other comprehensive income		
Valuation difference on available-for-sale securities	-302,883	306,673
Foreign currency translation adjustment	878,987	668,705
Remeasurements of defined benefit plans	-36,240	-30,373
Total other comprehensive income	539,863	945,004
Comprehensive income	2,922,542	2,652,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,922,542	2,652,049
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)

Based on the resolution of the Board of Directors meeting held on May 10, 2023, the Company is repurchasing 286,000 shares of treasury stock.

As a result, treasury stock increased by 900,056,000 yen, including an increase due to the purchase of less-than-one-unit shares, during the second quarter consolidated cumulative period, and treasury stock amounted to 2,031,451,000 yen at the end of the second quarter consolidated accounting period.

(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.