



February 13, 2020

To Whom It May Concern:

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### **Halt to establishment of a subsidiary in China**

We hereby notify you that at a meeting of the board of directors held today on February 13, 2020, the Company resolved to halt the establishment of a subsidiary in China. This matter was announced in “Establishment of a subsidiary in China” released on September 20, 2018. The details are as follows.

1. Reason for halting the establishment of the subsidiary

We anticipate an increase in demand for our chemicals due to the expansion of the electronic substrate industry in China. Hence, we decided to establish a subsidiary that would have about three times the production capacity of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY LTD. However, as we proceeded to investigate the construction of a plant that would be owned by the subsidiary to be established, we found that the construction cost seemed likely to greatly exceed our initial assumption.

Therefore, we decided to suspend the establishment of a subsidiary in China.

2. Future policy

In response to the above, our Group will handle the expanding Chinese market with the following policies.

- (1) The Company has two bases in China (MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY LTD. and MEC FINE CHEMICAL (ZHUHAI) LTD.), and they share the role of supplying products to customers' bases. For the time being, we will increase the supply of products from MEC FINE CHEMICAL (ZHUHAI) LTD., which has some leeway regarding its real output, regardless of the region from which demand comes.
- (2) In the Chinese market as a whole, we will propose switching to high-value-added, new products that can offer the same performance with less of them being used, and reduce production quantity while maintaining sales.
- (3) Based on a medium- to long-term perspective, we will consider establishing new production bases regardless of location, whether in China or abroad, to meet growing demand in the Chinese market.

3. Future outlook

We believe the impact that this establishment would have on the earnings forecast for the current consolidated fiscal year is insignificant at this time. In addition, we will promptly disclose information about whether an amendment is necessary from now on and any matters that should be disclosed.