

TOP Message

Together with employees who support MEC's original technologies, we will contribute to the creation of a prosperous and environmentally friendly society.

Kazuo Maeda
CEO & President



Looking ahead to post-COVID19

Creating new values and pursuing MEC-ness

In order for a prosperous and affluent society to develop sustainably, each of us must consider initiatives to solve global environmental issues such as SDGs and decarbonization. When I think about what MEC can do, I think about the corporate image to be achieved, as announced in the medium-term management plan "Vision for 2030" (hereinafter referred to as the "medium-term management plan"). It is because I believe that speedy efforts to achieve the corporate image can contribute to a prosperous and sustainable society while transforming risks

into opportunities for growth and creating new value.

As part of these efforts, we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), an initiative to address climate change, which is a pressing issue in the international community. We are working to identify risks and opportunities, and are also undertaking research and development to reduce the environmental impact of MEC, our customers, and society as a whole by placing decarbonization and environmental impact reduction at the core of our management. Uncertainties will remain for the foreseeable future, with geopolitical risks advancing and energy costs rising, but we will overcome this situation with the entire MEC Group, including the supply chain, while taking advantage of "MEC-ness".

Business environment

Review of financial results for the fiscal year under review

FY2022 was a year in which the impact of COVID-19 gradually subsided and economic activity gradually recovered, but there were also many periods in which the economy stagnated, such as Russia's prolonged invasion of Ukraine, high global inflation, monetary tightening, and a shortage of semiconductors. Therefore, flexible responses to market changes were required. We as the MEC Group continued to identify medium- and long-term issues and work to resolve them on a daily basis, such as a review of raw material procurement due to soaring raw material and energy costs, the

yen's depreciation, and geopolitical risks. In 2022, the first year of the medium-term management plan, demand for consumer electronic devices such as personal computers, smartphones, and displays remained weak due to sluggish consumer spending amid COVID-19. Demand for data centers, which had remained strong due to infrastructure investment in line with advances in 5G and digital transformation (DX), also entered a phase of cyclical inventory adjustment. Although MEC was also affected by market conditions, its main products, the CZ series of super-roughening adhesion improvers, contributed to an increase in sales due to technological changes in the use of large and highly multilayered organic package substrates equipped with semiconductors.

Overseas sales remained strong and while some products slowed down depending on the region, we ended the year with the realization that capital investment in a plant in Thailand, which started operating in September 2019, was bearing fruit. The overseas sales ratio was 60.7%, up 3.2 percentage points from the previous year. Including sales to overseas customers sold by agents in Japan, the ratio was 78.8%, up 2.2 percentage points from the previous year.

Ending the first year of the medium-term management plan

In order to realize a sustainable and prosperous society, we focused on human resource development and ESG in the first year of the medium-term management plan. First of all, we thought about how to spread the guidelines of the medium-term management plan to our employees, and I believe that each employee was able to voluntarily pay attention to the medium-term management plan and take actions in accordance with the plan.

In addition, it seems to have served as a guideline for expanding the business area, and I felt that it will lead to the creation of a new business in the near future, as employees came up with creative ideas for the horizontal development of core technologies, which had been my issue for many years. We have already launched a small new business, which we believe will be one of the stepping stones to future growth.

Issues and prospects for the second year of the medium-term management plan

As the procurement environment has become severe due to heightened geopolitical risks after the medium-term management plan was established, we are considering revising the plan. The semiconductor market is in an inventory adjustment phase, but on the other hand, demand for semiconductors is expected to increase dramatically due to advances in communication infrastructure and the IoT, the subsequent expansion of data centers,

and autonomous driving, and MEC's related technologies are also in increasing demand. In anticipation of such market conditions, we are working to revamp our production capacity, including the establishment of new factories. For example, in March 2023, we acquired land in the city of Kitakyushu, and we are moving forward with plans to construct a new factory.

With an investment of approximately 4 billion yen, a factory is scheduled to start operation during 2025 as a plant with a production capacity of approximately 30,000 tons, roughly equivalent to the Nagaoka Factory. We aim to create a highly efficient factory that takes into consideration the environment and workers.

Phase 1 Medium-term Management Plan (2022-2024) 2024 Numerical targets (consolidated)

Operating margin **At least 20%** | ROE **At least 10%**

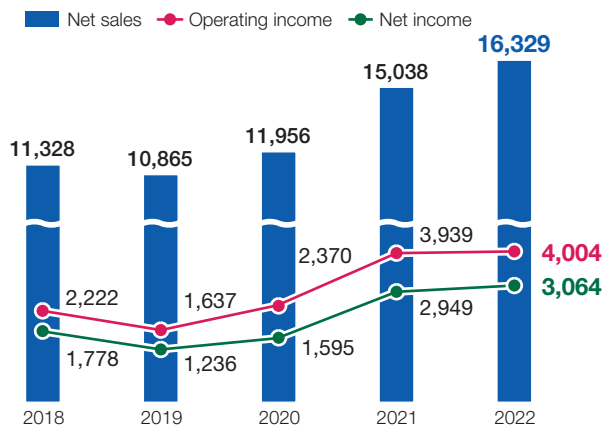
Results for FY2022: Operating margin **24.5%** | ROE **13.8%**

Future outlook

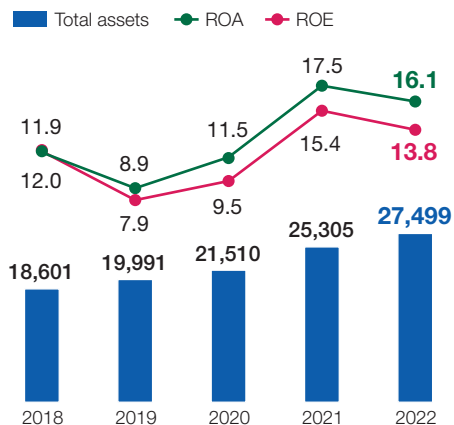
Over the medium and long term, with the progress of a digital revolution, demand for semiconductors is expected to grow on the back of social changes and transformations such as the IoT, AI, 5G, the electrification of vehicles, and the expansion of DX and GX. We at the MEC Group, which has strengths in the manufacturing process of package boards on which semiconductors are mounted, will accurately seize business opportunities and strive for further growth. (As of May 10, 2023)

Consolidated financial data

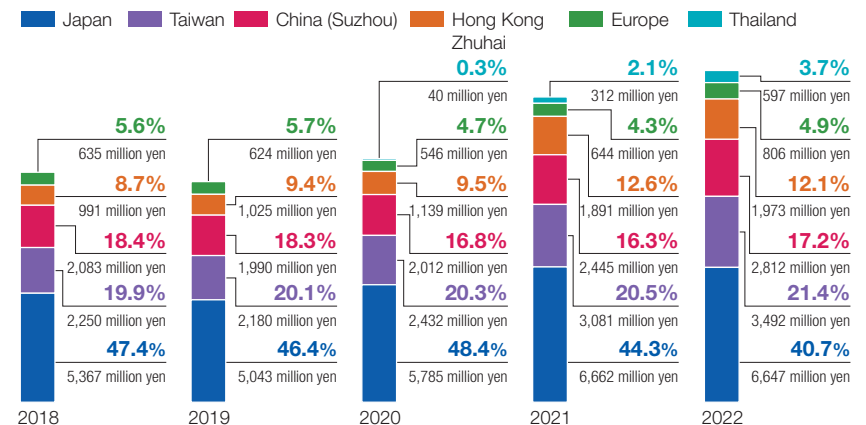
Net sales/ Operating income/ Net income (Million yen)



Total assets (Million yen)/ ROA (%) / ROE (%)



Sales by region (%) / Net sales (Million yen)



The originality of each employee is what gives MEC the ability to grow

MEC is strongly aware of the importance of human capital. We believe that our employees with a passion for creating MEC's original technologies are the foundation and important assets that support MEC.

MEC's corporate motto is "Enjoy your work". This reflects the attitude for all employees to enjoy working voluntarily and creatively. It is the most important duty of management to create this environment. To this end, we have utilized a



wide variety of human resources since the foundation and provided opportunities for both men and women since before the Equal Employment Opportunity Act of 1986. Although we have never set numerical targets, women make up about 26% of all managers, and female supervisors are not uncommon. We have also been making Company-wide efforts to ensure there is a good work-life balance. We have been promoting the idea on a company-wide basis that not only women, but also men, as a family, are responsible for raising children and doing housework, and this will contribute to the well-being and affluence of society. As a result, the percentage of men taking child-rearing leave increased from 0 in 2019 to 30% in 2020 and 66.7% in 2022. In the future, we will further invest in human capital, such as increasing human resources.

Opening up a niche world for the society MEC aspires to realize

Our products are materials that are not seen by the general public. However, in today's society, they play a very important role in the production process of infrastructure and various electronic devices.

MEC's strengths lies in adhesion improvers and copper surface treatment agents that improve the adhesion between copper and resin on electronic substrates. Creating and fostering value at various interfaces using MEC's core technologies has gained market shares in areas with higher technical difficulty. With the 5G era in full swing and data volumes expected to grow exponentially, our technologies are essential. It may be a niche area in the electronics industry,

but we believe we can open up a market with our technologies as a driver for growth because of the originality of our technologies. In addition

to existing business opportunities, new ones are emerging, for example in AI.

MEC's core technologies and areas of use

The source of MEC's value creation includes "Adhesion Enhancing Technology", "Micro-interconnect Patterning Technology", and "Selective Etching Technology". We will contribute to the sustainable development of society by creating new value through creating and fostering value at various interfaces technologies.



ESG Management

Initiatives to resolve social issues

The ESG Committee, which consists of all members of the Board of Directors and is chaired by me, deliberates our initiatives in the SG field, linking six material issues we have identified and SDGs. Based on the guide, "Create and Transform", we believe that by steadily implementing measures for material

issues with the aim of becoming a truly global company that continues to create visionary technology and grow, we will be closer to the corporate image to be achieved set forth in the Vision for 2030. Starting with the endorsement of the TCFD recommendations, we will continue to create new value by combining our originality and passion with a consistent perspective from the macro perspective of the earth to the world of a few microns of electronic substrates. We will continue to do so for the sake of the environment, society and the well-being of people.

To Our Stakeholders

These are tough times, but we will do our best to tackle the issues that need to be addressed in the future. Every day, we seek to find out how we can be of service to our stakeholders, including our employees, business partners, government and local communities, as well as our shareholders and investors. In addition to fostering a corporate culture and climate in which employees can freely and openly share ideas, we will strive to create high-quality products that contribute to reducing

environmental impact with everyone involved in MEC, so that we can be of even a little help. We would appreciate your continued support and encouragement.



Vision for 2030

Expanding the business, human resource, and ESG fields to achieve our 2030 Vision. To maximize sustainable growth and corporate value.

