

TOP Message

Provision of new value to the market through unique technology that contributes to energy and resource conservation. We intend to continue to be a company that is sought by the world for our creation of a rich, prosperous, and sustainable society and environment.

Kazuo Maeda

CEO & President



Business Environment

Growth through technology that only we can provide in the post-COVID-19 age

We would like to express our deepest sympathies to all those affected by the 2024 Noto Peninsula Earthquake and we pray for a speedy recovery.

The business environment surrounding the Company has been changing drastically on a daily basis, both in the semiconductor industry

and in peripheral areas.

Looking back at FY2023, in the electronics industry, there was a drop-off in inventory adjustments of electronic devices such as PCs and smartphones, but demand was sluggish against a backdrop of weak consumer spending. The electronic substrate and component industries were also affected by the electronics industry in general, and orders for related products that we offer were at low levels. As society moves toward digitalization and a more green approach, we worked to develop and sell products for high-density electronic substrates that support higher speed and performance,

and to expand sales channels for automotive-related products.

As for sales trends of major products, sales of the “EXE Series” for displays showed a slight increase due to the progress of inventory adjustments of related electronic equipment. Sales of the “V-Bond Series” of adhesion enhancers for multilayered substrates decreased, although there was a trend toward recovery in related automobile production. Sales of the “CZ Series” of ultra-roughening adhesion improvers, which has a high share in the market for package substrates equipped with semiconductors, were affected by the electronics industry and

declined, but are on a gradual but steady recovery trend. Sales of the “SF Series” for displays declined significantly due to weak demand for related electronic components. However, after bottoming out in the first quarter of 2023, both sales and profits gradually began to show signs of recovery, and we felt that investors are excited about the Company’s growth potential, including our P/B ratio reaching 3.3 times in December. In order to achieve sustainable growth, we will accurately assess profitability and capital efficiency, and continue to engage in business activities while further strengthening our “earning power”.

Business Activities

Taking on the challenge of new growth through horizontal deployment of core technologies

Business confidence has been trending upward in 2024 since the world emerged from the COVID-19 pandemic, but on the other hand, we believe that various factors, including rapidly rising geopolitical risks, soaring raw material costs, and yen depreciation, could exceed our expectations, and the situation remains unpredictable.

Even in the midst of such rapidly changing times, the MEC Group is steadily making progress on the “Vision for 2030 Phase 1 Medium-term Management Plan (2022-2024)”, implementing various measures to achieve business growth and expansion, speeding up development to create new products, and working to expand sales.

Based on the assumption that demand for semiconductors will continue to expand and grow amid advances in information and communication technology driven by AI, self-driving vehicles, and other trends, we have seen results in the development of technologies for use in semiconductor packaging processes. Focusing on the development and sale of products for high-density electronic substrates to address the increasing speed and performance of electrical signals, we have also been focusing on new businesses such as development incorporating AI-based technologies.

Our main business is the development, manufacture, and sale of chemicals for the manufacture of electronic substrates and components. Our products, developed based on the concept of “Creating and Fostering Value at Various Interfaces”, represent the crystallization of technologies and knowledge that other companies lack, and our “strength” is that we possess value and technology that are essential for a digital and sustainable society that will

continue to develop in the future. One feature of the products produced by this unique technology is environmentally friendly processes that make it possible to save energy and resources. Electronic substrates and components produced by our customers with these processes are extremely compact, yet can incorporate many functions in detail, contributing greatly to reducing power consumption. Although we

have yet to quantify these effects, we are proud that we are providing technology that indirectly contributes to solving social issues, since the adoption of our products will enable a reduction in environmental impact.

The number of new customers using our products increased from last year to this year, and we feel that potential demand is materializing.

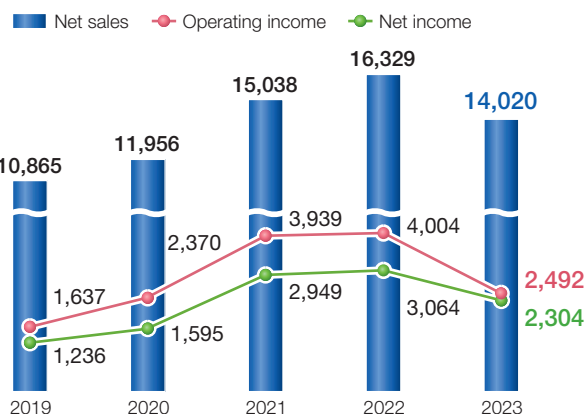
Status of Progress of the Medium-term Management Plan

Regarding results for FY2023, the second year of our Medium-term Management Plan, as announced in “Financial Results for the Fiscal Year Ended December 31, 2023” on February 14, the recent stagnation and decline of the semiconductor market resulted in a slight deviation from what we envisioned in the current Medium-term Management Plan.

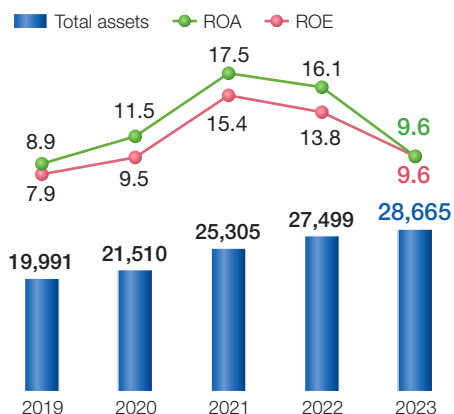
On the other hand, we also made upward revisions to full-year earnings forecasts for FY2024 on May 10, in light of the global trend of gradual recovery and expansion of demand in the semiconductor market. We will continue to contribute to society, our customers, and other stakeholders through the creation of new customer value, and strive to achieve the trajectory we envisioned in our Medium-term Management Plan.

Consolidated Financial Data

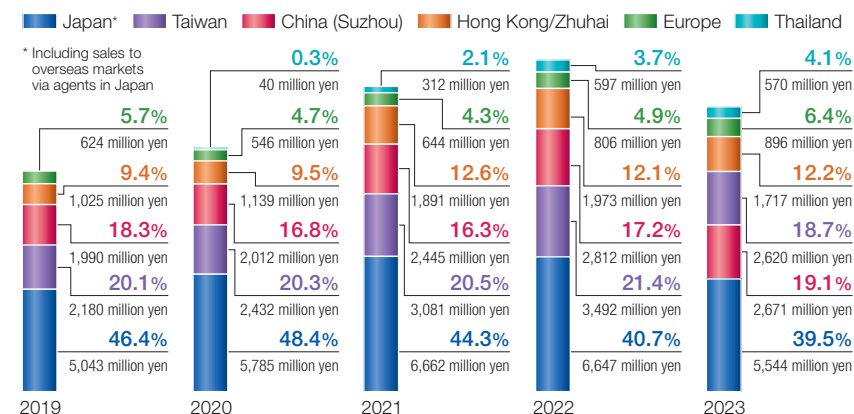
Net Sales/ Operating Income/ Net Income (Million yen)



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



Sales by Region (%) / Net Sales (Million yen)



Medium-term Management Plan

Toward the final fiscal year of Phase 1 of the Vision for 2030

We consider this year, the final fiscal year of “Vision for 2030 Phase 1”, as the stage for laying the groundwork for more concrete growth for our next stage, “Vision for 2030 Phase 2”. Through the process of organizing and analyzing issues in Phase 1, we have identified areas where we were lacking and

areas that we need to strengthen. Today, the industries that we are associated with are in the midst of rapid technological innovation. In order to contribute to the evolution of IoT devices and other high-performance, high-quality electronic equipment and communication infrastructure technologies, we must develop a system that enables us to respond quickly to market needs and have a perspective of constantly exploring our own technologies. Internally, we are working in a cross-departmental manner to develop strategies to expand new possibilities, such as the horizontal deployment of core technologies we have previously cultivated into different fields.

At the same time, we must further strengthen our efforts by strategically incorporating outside forces and collaborating with outside parties. We believe this is the time to determine such things.

ESG Management

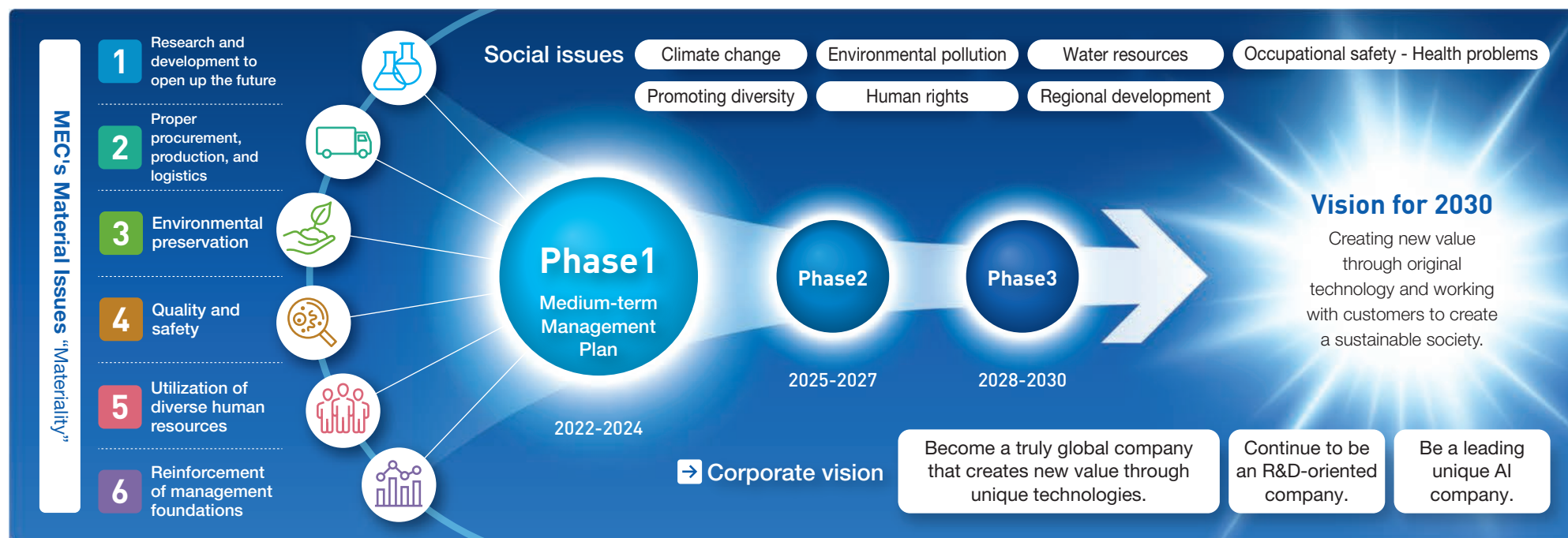
Efforts to solve social issues

Under our Vision for 2030, “Creating new value through unique technology and working with customers to create a sustainable society”,

the MEC Group aims to contribute to the creation of a prosperous and affluent society and environment. We have formulated six material issues (Materiality) for the promotion of sustainability management at the Company, and we are promoting initiatives with an eye toward perspectives from the SDGs in which our businesses are involved. Furthermore, we position decarbonization and climate change issues as important management issues, and we will strengthen our initiatives to address environmental issues.

We recognize our corporate responsibility from an ESG perspective, and we will contribute to a

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



sustainable society and achieve sustainable corporate growth by providing products and technologies that contribute to solving social issues.

We plan to start operation of a new plant in Kitakyushu City, Fukuoka Prefecture, in October next year. The new plant will have both production and technology development functions, to respond to the further expansion of demand and technological evolution of semiconductor package substrates, which are closely related to the Company. We also built this plant in Japan to “protect key technologies”, “strengthen the industry of Japan”, and “avoid geopolitical risks”. We will strengthen our production capabilities and establish an environmentally friendly manufacturing system, taking into consideration the strengthening of our capabilities for responding to increases in demand and BCP, as well as water conservation and the use of renewable energy. In addition, we will also promote automation based on the concept of “a plant with a diverse manufacturing system established that does not rely on human labor



and is not restricted by age or gender”, enabling personnel to concentrate on safety management.

/// Growth Strategy

Develop people, Develop technology

The MEC Group regards employees as the most important “capital” that supports the sustainable development of the Group. In February 2024, with the aim of creating human value from a medium- to long-term perspective, we formulated the “Human Resource and Internal Environment Development Policy”, in which we set forth five pillars of human capital management (see page 20). Our company motto is “enjoy your work”, and we have continued to grow based on a people-centered approach. We are utilizing a system that draws out the potential capabilities of people by assigning the right people to the right places, while also prioritizing the diversity of each and every employee (D&I), based on our understanding that our unique technology arises from a spirit of taking on new challenges and enjoying our work.

The existence of key personnel in each project is important for us to achieve our growth strategy. As an R&D-oriented company, we tend to emphasize “expertise”, but I believe we must also have “the ability to over view businesses as a whole”. It is important that we develop human resources with specialized skills and the ability to over view as key personnel. This year will mark the 55th anniversary of the founding of the Company. We are deeply grateful to all of our stakeholders, and we will redouble our efforts to provide superior products and services to our customers and the industry as a whole.

We hope to continue to be a company that delights all of our stakeholders by contributing to the further creation of value through the importance we place on our employees, including

human resources who advance our core technologies and those who are capable of providing even better services.

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.

