

Start of the Medium-term Management Plan “Vision for 2030 Phase 2”. MEC will steadily pursue technological development so that we can be a forerunner in the electronics industry, which is undergoing remarkable technological innovation, such as the diversification of AI and next-generation communication networks.

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Business Environment

Looking Back at FY2024

In FY2024, as the prolonged COVID-19 pandemic was brought under control and social activities returned to normal, the Japanese economy was on a gradual recovery, although it was showing some signs of being at a standstill. Overseas, while monetary tightening began to ease, the outlook remained uncertain due to rising geopolitical risks caused by the protracted situation between Russia and Ukraine, tensions in the Middle East and other factors. In addition, there are concerns about the uncertainties surrounding the Chinese economy going forward, as well as new uncertainties such as U.S. policy shifts and tariff actions.

Looking back at the business environment, in the electronics industry, there were active efforts toward technological innovation in AI, 5G, and

other next-generation communication networks, and investment was strong in cutting-edge fields, especially those driven by generative AI-related products. In-vehicle related products, which are undergoing a technological shift to autonomous driving, also performed favorably in general, and PCs and smartphones, for which inventory adjustments appear to have run their course, showed a recovery trend, albeit with weak momentum. These factors led to an increase in sales trends for major products compared to the performance in the previous fiscal year, and MEC posted record-high net sales for the fiscal year ended December 2024.

Particularly in the electronics industry, which we are associated with, while generative AI-related products drove growth, MEC worked on the development and sales of products for high-density electronic substrates to respond to the increasing speed and performance of electrical signals, and also established technology that help

lay the groundwork for growth.

Medium-term Management Plan

Prospects and Key Issues for Phase 2

In these circumstances, the MEC Group completed the “Vision for 2030 Phase 1 Medium-term Management Plan (2022-2024)” and launched “Phase 2 (2025-2027)” of the medium-term management plan in 2025. In order to increase corporate value over the medium to long term, we positioned Phase 1 as a period to reinforce our core businesses under the guiding principle of “Create and Transform” and worked on our business activities. In order to improve capital efficiency, we set the improvement of operating margin and ROE as quantitative targets, and while strengthening our business structure and checking our portfolio, we made efforts aimed at achieving an “operating margin of 20% or higher” and “ROE

of 10% or higher” at a minimum. As a result, both revenue and operating profit reached record highs, with an operating profit margin of 25.0%, for FY2024. On the other hand, ROE fell short of our target at 8.9% due to a decrease in net income resulting from group restructuring that took business rationality and management efficiency into consideration toward our corporate vision for 2030.

Phase1(2022-2024)
Quantitative Goals and Results

Consolidated operating margin



ROE



Setting Phase 2 as a period to “build the foundations for growth”, we are developing new technological areas in the field of high-frequency communication technology, which is expected to grow at a high rate globally, in parallel with semiconductor package substrates. In this way, we believe that we must always be at the forefront of the market by developing our own unique technological areas and setting new products and services as the de facto standards.

For example, we have identified two key objectives in our business areas: “establish de facto standards in new technology areas” and “build business applying existing technologies”. In our first objective of “establishing de facto standards in new technology areas”, we will focus on “chemical adhesion (a non-roughening technology for making copper adhere to resin in a smooth state without physically roughening the copper

surface)”, which we have been working on since Phase 1. This is a technology that enables even faster processing of large amounts of data and reduced power consumption in digital high-speed networks such as AI servers and 5G, since non-roughening allows electric signals to flow efficiently.

MEC takes pride in holding a leading position in the upstream of this “chemical adhesion” process in the field of advanced package substrates. We are working to make this technology the de facto standard, and plan to deploy it in high-frequency and PCB substrates, which are becoming increasingly important, to capture the market. In our second key objective, we will strive to build businesses in areas where existing core technology is applied and developed. Through working on these key objectives and maintaining and strengthening profitability, MEC will aim to

achieve the numerical targets set forth in Phase 2 of the medium-term management plan.

Growth Strategy

Environmental Initiatives and Human Resource Development

During Phase 1 when we strengthened our core business and expanded our growth business, we were able to generally achieve our quantitative targets, partly due to the impact of the yen’s depreciation. It is from now on that the true worth of our 2030 Vision will be tested. We organized issues such as R&D to create new business areas, stable procurement and supply, and environmentally friendly products, and incorporated them into our growth strategy under Phase 2.

Our main business is the development, manufacture, and sale of chemicals for the manufacture of electronic substrates and components, which are strongly connected with the electronics market. As an R&D-oriented company, MEC provides the world with high value-added products that meet market needs based on the concept of “creating and fostering value at various interfaces”. Therefore, it is no exaggeration to say that the key to our growth strategy lies in our R&D capabilities. To this end, we value active investment in R&D and make it our policy to invest approximately 10% of consolidated net sales. We will develop technology that only we can provide and commercialize it. We will strengthen our business domains so that customers will recognize the value of our products not only as goods but also as products that come with ancillary information and services. MEC develops products taking into consideration the environment, and our products’ environmentally-friendly features can be useful in

our customers’ production. In Phase 2, we will steadily proceed with the development of technology that reduces environmental impact and provide added value in the form of safety, high quality, and enhanced technical services.

With the aim of contributing to the creation of a prosperous and affluent society and environment through its businesses, the MEC Group has been taking initiatives to solve social issues. Under 2030 Vision Phase 2, we will similarly work on initiatives to address climate change in connection with the TCFD Declaration and environmental conservation. We have established CO₂ reduction targets and are implementing energy conservation initiatives.

Specifically, we have set a goal to reduce domestic Scope 1 and 2 total emissions by substantially 50% by fiscal year 2030 (with fiscal year 2017 as the baseline), and we have also disclosed figures for domestic supply chain Scope 3 emissions.

The next important factor is human resource development. In Phase 2, we intend to place an even greater emphasis on investment in human capital as a pillar of strengthening the foundations of management. While training useful developers is essential for our visionary technology, we are also making comprehensive efforts to develop not only engineers but also human resources who will lead MEC in the next generation through management training and other programs within the framework of human capital management. One of our ideal images in developing human resources is to nurture “human resources who demonstrate self-reliance, self-discipline and solidarity”. If we assume that people are on the vertical axis, then departments are on the horizontal axis, and in Phase 2, we also incorporated our concept of human resource development so as to break down departmental boundaries and create ways of working that suit the new era.



Organizational Reform

Reorganization and Stakeholder Engagement

In FY2025, MEC will promote organizational reforms to achieve sustainable growth. This organizational change is implemented on two axes. The first is to improve operational efficiency by integrating production and logistics. Conventionally, our sales and logistics were placed under a single management system, but this time the production and logistics departments were integrated, and chemical substance management was also consolidated into the production division. Based on this reorganization we will work to improve human and organizational efficiency and create functional synergy between departments. We also believe that the entire supply chain will be optimized.

The second axis is the establishment of a new business division for the purpose of creating innovation. We will make businesses that are centered on new technology developed by the R&D division independent and promote divisionalization as new business areas. With this structure in place, we will continue to develop products that adapt to changing market needs and contribute to our customers' productivity improvements, such as higher yields, and higher performance and reliability of their equipment.

Through these organizational reforms, we will concurrently strengthen the competitiveness of our core business, expand markets and develop new business areas, and build a sustainable business foundation that can respond to the social transformation associated with the accelerating shift to more digital and green technology.

MEC hopes to be a company that continues to contribute to society through the application and deployment of the latest technology and organizational reforms. This is something we will build together with all our stakeholders, including employees, partner companies, shareholders, customers, and local communities that support our business. Our employees are valuable assets

(human resources) of MEC, and it gives me the greatest pleasure to see them taking on challenges and being happy. MEC also values distributing returns to our shareholders. We will respond to our shareholders by maintaining and increasing the annual dividend per share with a view to achieving a consolidated dividend payout ratio of 30%.

MEC's goal is to have its technology and information be used effectively in the near future when cutting-edge technology is deployed in the market. We will continue to contribute as a behind-the-scenes force that supports a prosperous and sustainable society. We sincerely appreciate the continued support of our stakeholders.

Diagram of Our Company's Ideals

Since our founding, we have not only focused on chemicals for the manufacture of electronic substrates and components that have supported the development of the electronics industry, but we also aim to provide various values to the world. In 2025, we organized and reviewed our company's philosophy system in conjunction with Phase 2 of our "2030 Vision" and newly established it.

