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# Financial Results Briefing for FYE 12/2023

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February 14, 2024



Securities code: 4971

<https://www.mec-co.com/en/>

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# FYE12/2023 Key factors

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1

Sales: 14,020 million yen(YOY change: Down 14.1%)  
Operating income: 2,492 million yen(YOY change: Down 37.7%)

2

Exchange rate impact (YOY change)  
Sales: Up 305 million yen,  
Operating income: Up 111 million yen.

3

Chemicals  
Sales: 13,764 million yen (YOY change: Down 14.2%)  
Shipments: 35,398 t (YOY change: Down 21.3%)

4

Major products sales (YOY change)

EXE: Up 3.1%

V-Bond: Down 5.6%

CZ: Down 16.3%

SF: Down 37.7%

# Exchange rate

	Initial forecast	23Q4	22Q4	23Q3
NTD	4.37	4.52	4.40	4.48
RMB	19.33	19.81	19.39	19.66
HKD	16.34	17.96	16.70	17.73
THB	3.69	4.04	3.73	4.01
EUR	136.04	152.27	137.93	150.22
USD	128.03	140.55	130.78	138.87

- Overseas subsidiaries are basically transactions denominated in local currency, and are affected by the yen / local currency rate when converting to yen in consolidated accounting.
- Our major foreign currencies are the Taiwan dollar (NTD) and the Chinese yuan (RMB). Both use the average rate during the period.

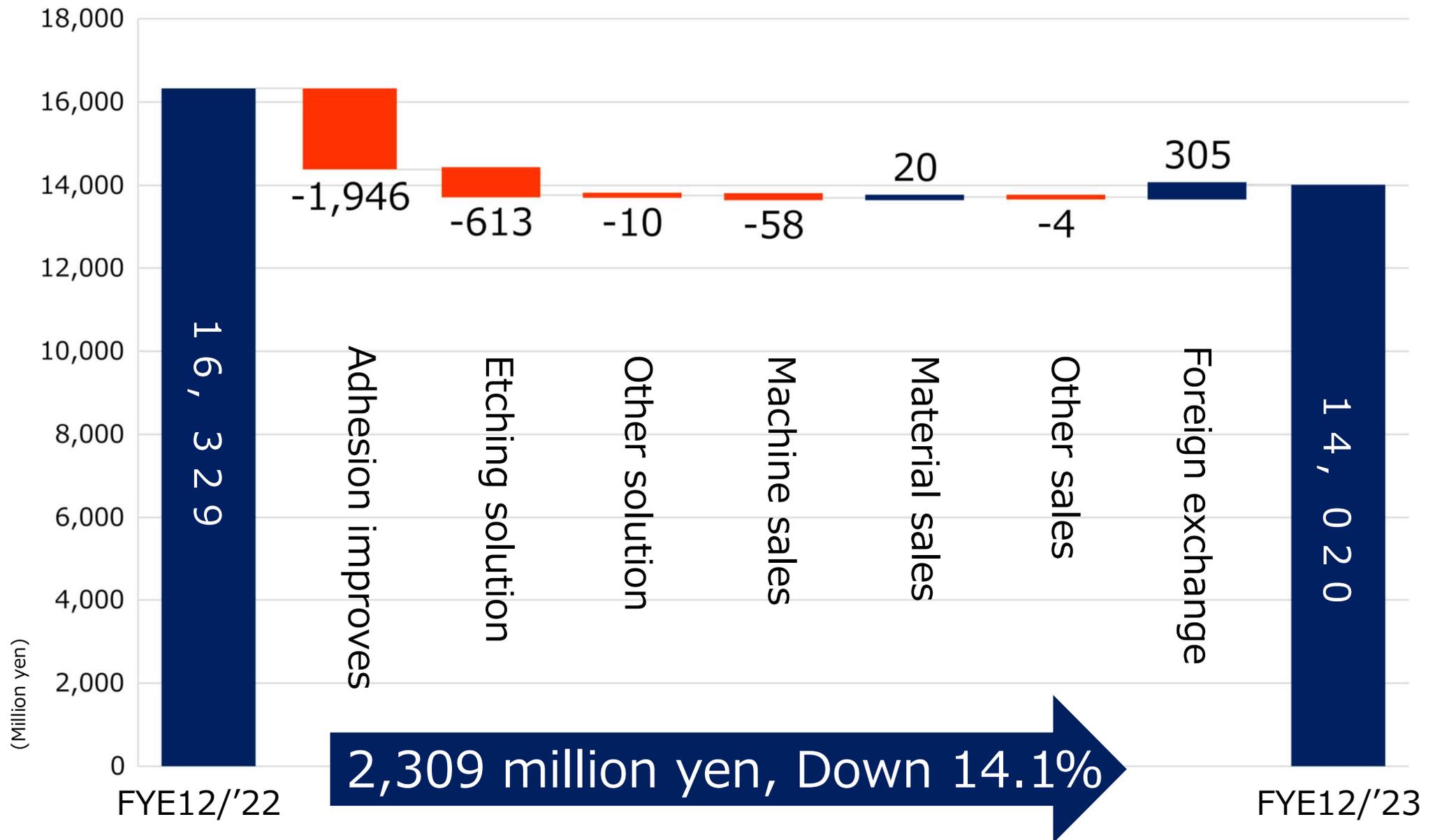
Exchange sensitivity (12 months conversion)(million yen) : NTD: (Sale) 57 (Operating income) 33  
RMB: (Sale) 22 (Operating income) 10

# FYE12/2023 Results

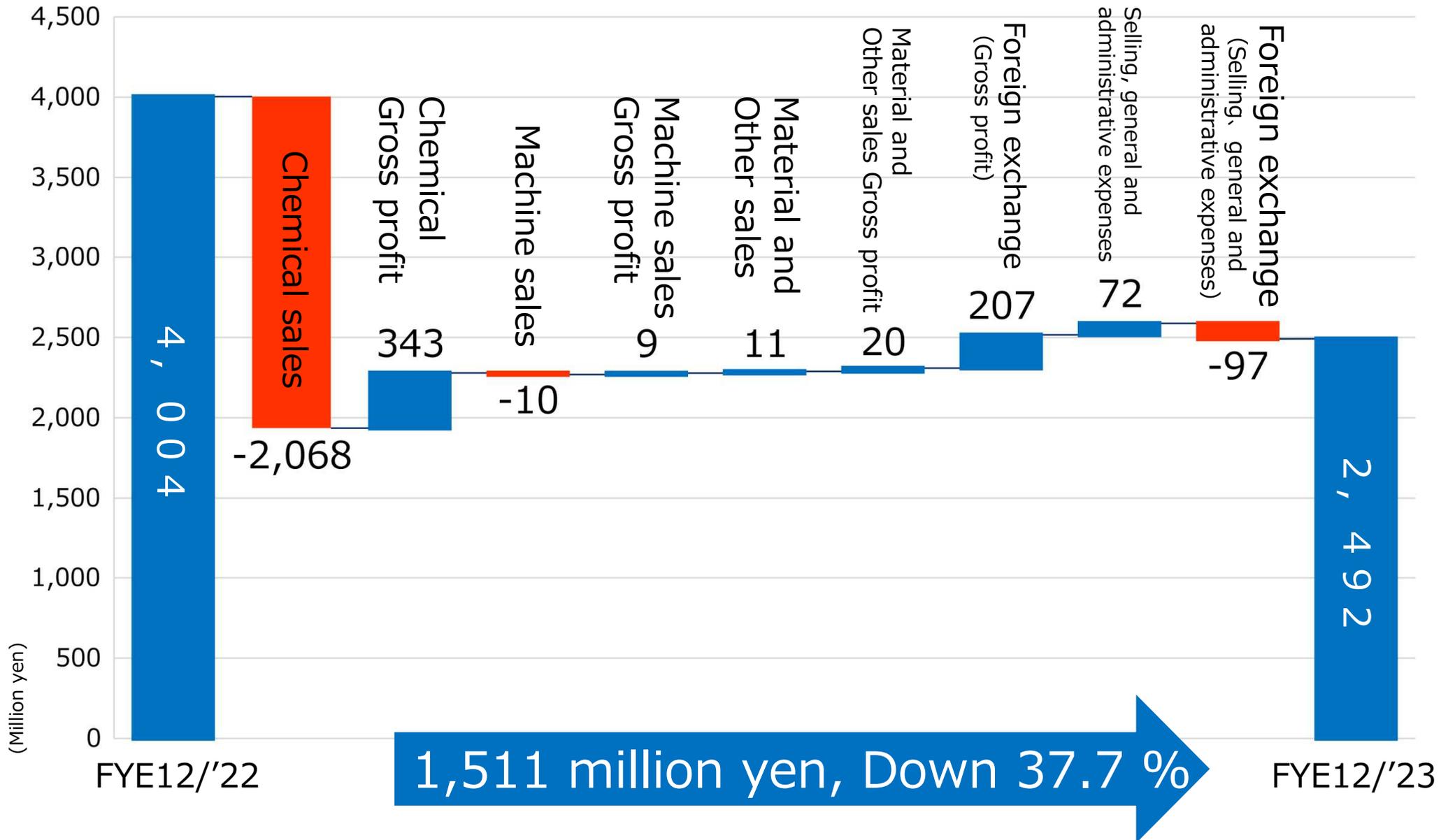
Unit : million yen

	FYE12.2022	FYE12.2023		
	Results	Results	YOY (%)	
Net sales	16,329	14,020	-2,309	-14.1%
Chemical sales	16,042	13,764	-2,277	-14.2%
Gross profit	9,803	8,316	-1,487	-15.2%
Gross profit margin	60.0%	59.3%	-0.7ppt	-
SGA	5,799	5,824	24	0.4%
Sales ratio	35.5%	41.5%	6.0ppt	-
Operating income	4,004	2,492	-1,511	-37.7%
Operating profit margin	24.5%	17.8%	-6.7ppt	-
Ordinary income	4,246	2,683	-1,563	-36.8%
Ordinary profit margin	26.0%	19.1%	-6.9ppt	-
Profit before tax	4,224	3,219	-1,005	
Net income	3,064	2,304	-759	-24.8%
EBITDA	4,989	3,993	-996	-20.0%
Net income per share	161.22	122.29	-	-
ROE	13.8%	9.6%	-4.2ppt	-

# Net sales YOY



# Operating income YOY



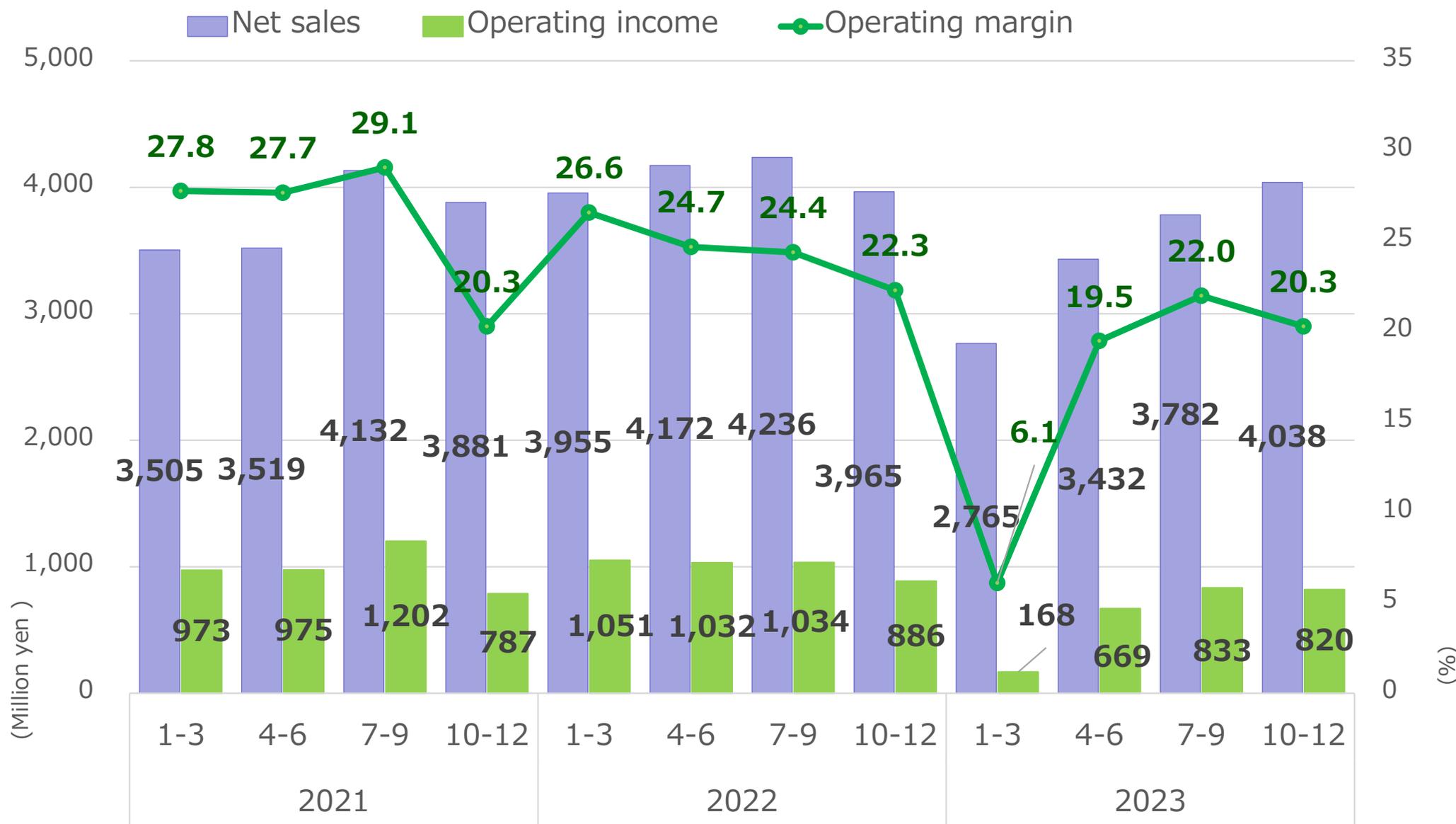
# Consolidated B/S (Assets)

	FYE12/'22	FYE12/'23	Topics
<b>Current assets</b>	15,987	15,492	Acquisition of new factory Site, etc.
<b>Non-current assets</b>	11,512	13,172	–
<b>Property, plant and equipment</b>	8,959	9,820	Acquisition of land for new factory, sale of Nishinomiya factory, etc.
<b>Intangible assets</b>	146	160	–
<b>Investments and other assets</b>	2,405	3,191	Increase stock price, etc.
<b>Total assets</b>	27,499	28,665	–

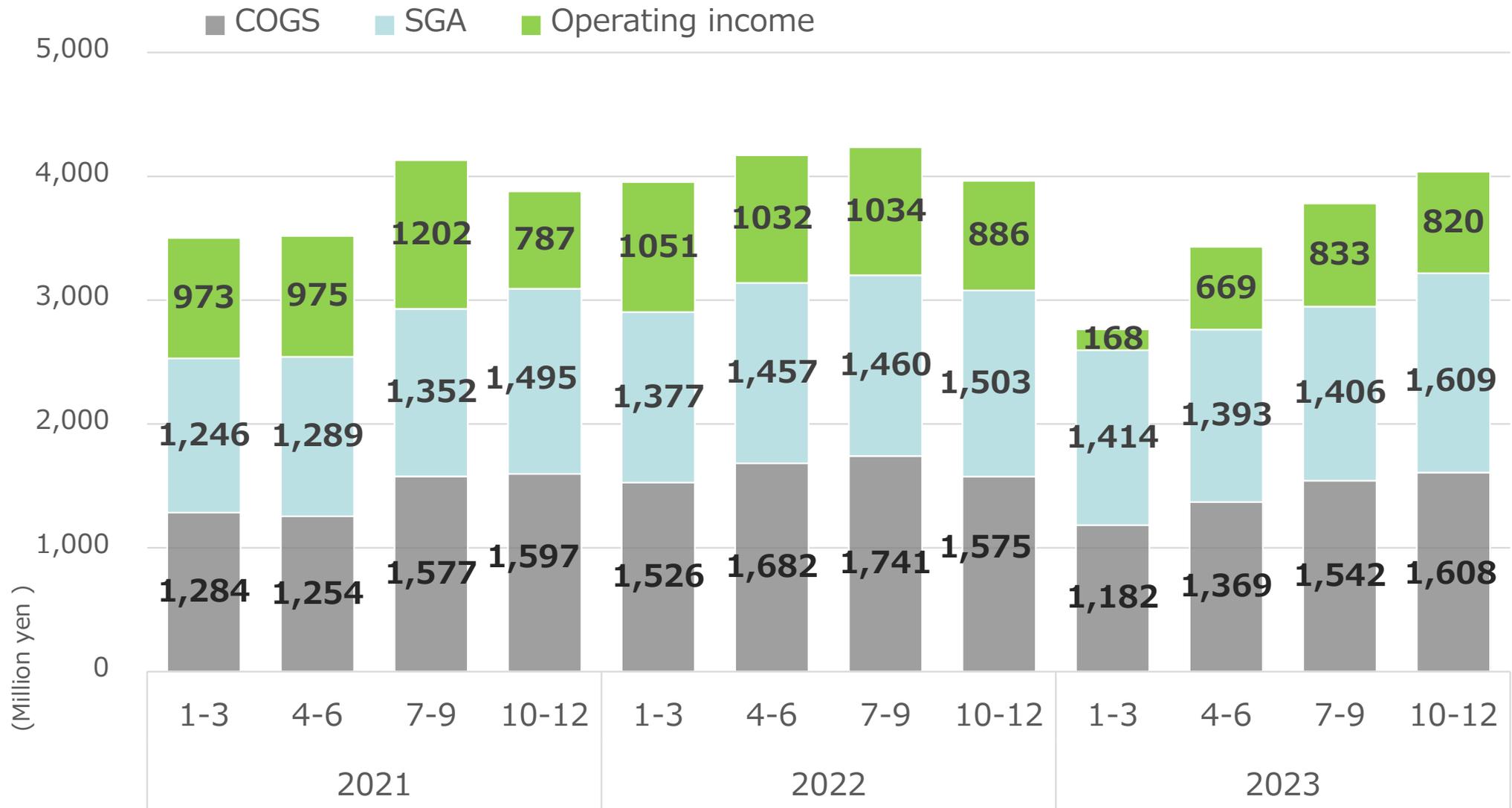
# Consolidated B/S (Liabilities and Net assets)

	FYE12/'22	FYE12/'23	Topics
<b>Current liabilities</b>	3,562	2,872	Decrease in electronic record debt, etc.
<b>Non-current liabilities</b>	611	1,015	–
<b>Total liabilities</b>	4,173	3,887	–
<b>Shareholders' equity</b>	21,278	21,826	Increase in retained earnings, etc.
<b>Total accumulated other comprehensive income</b>	2,047	2,951	Increase in foreign exchange adjustment account and valuation difference on marketable securities, etc.
<b>Total net assets</b>	23,325	24,777	–
<b>Total liabilities and net assets</b>	27,499	28,665	–

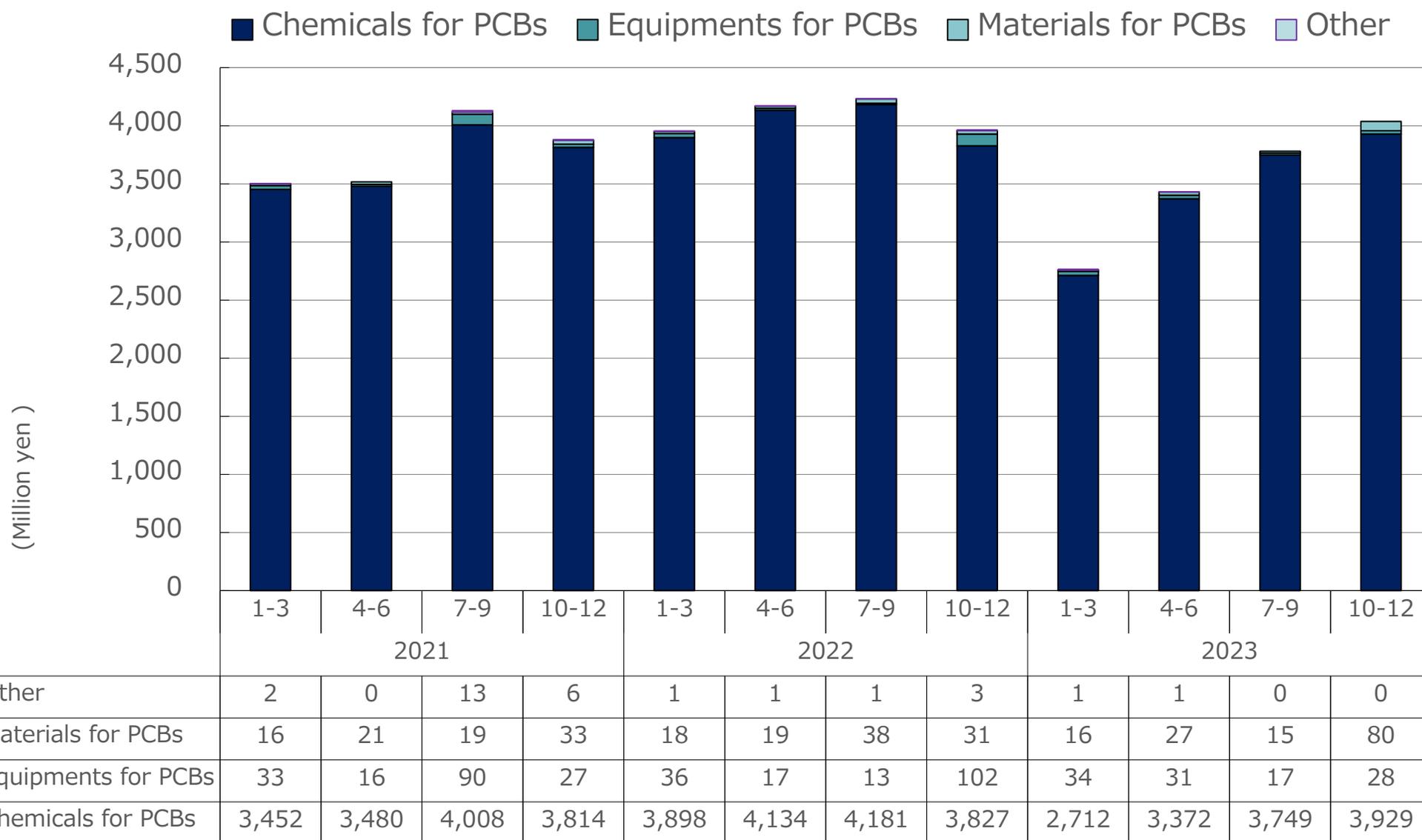
# Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



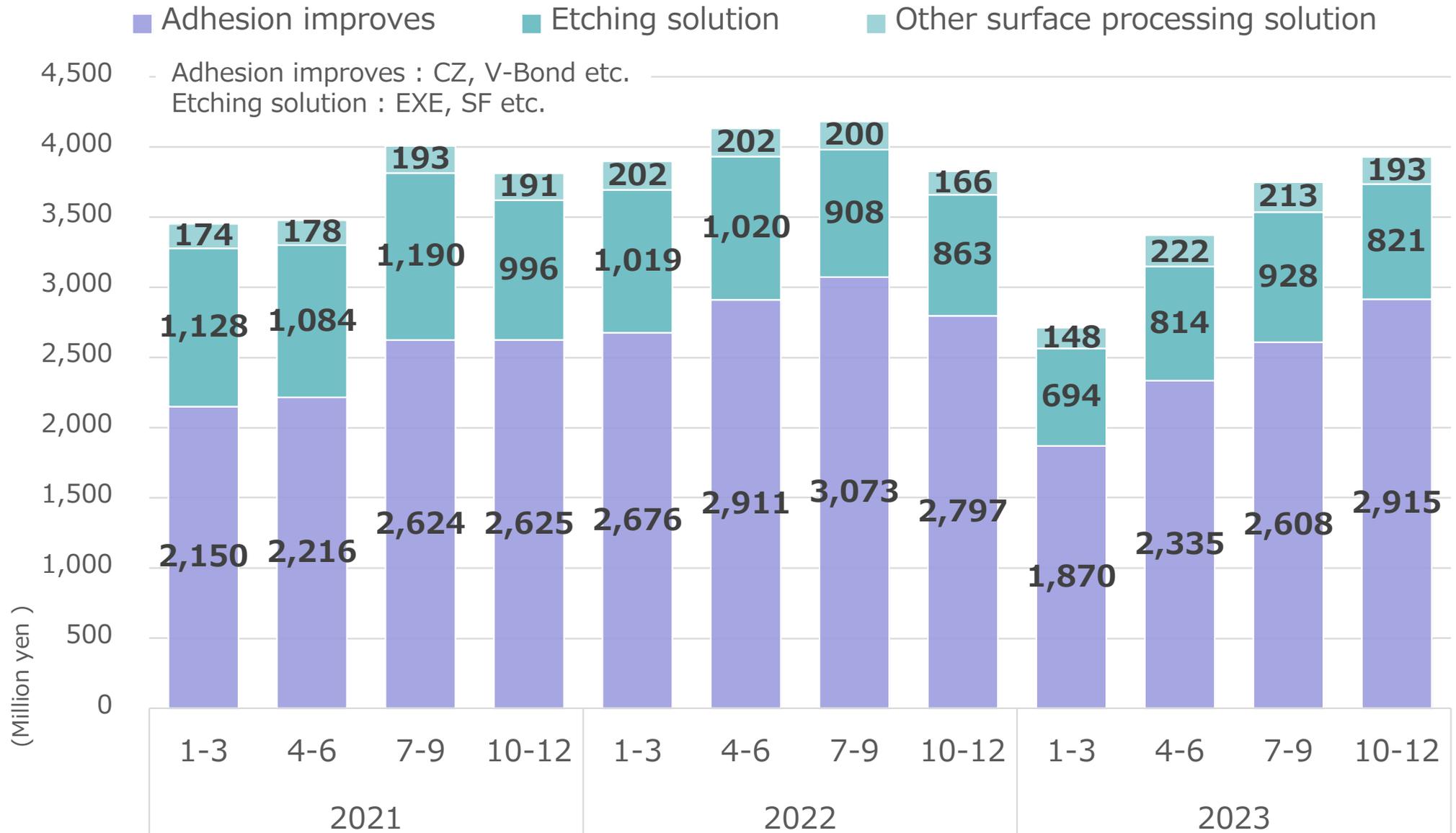
# Quarterly composition: Operating income, SG&A, COGS (Consolidated)



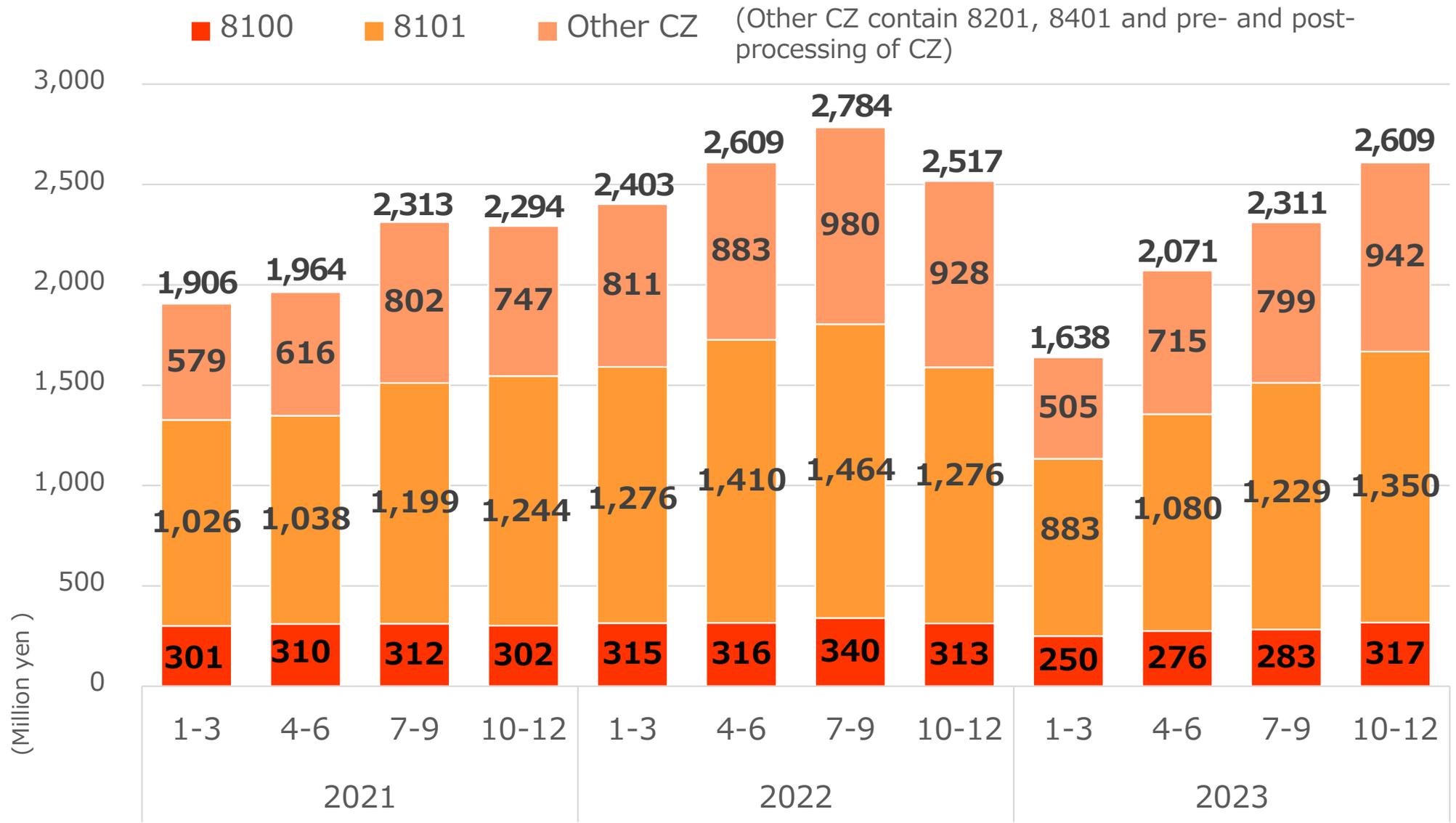
# Quarterly performance : Product-specific sales (Consolidated)



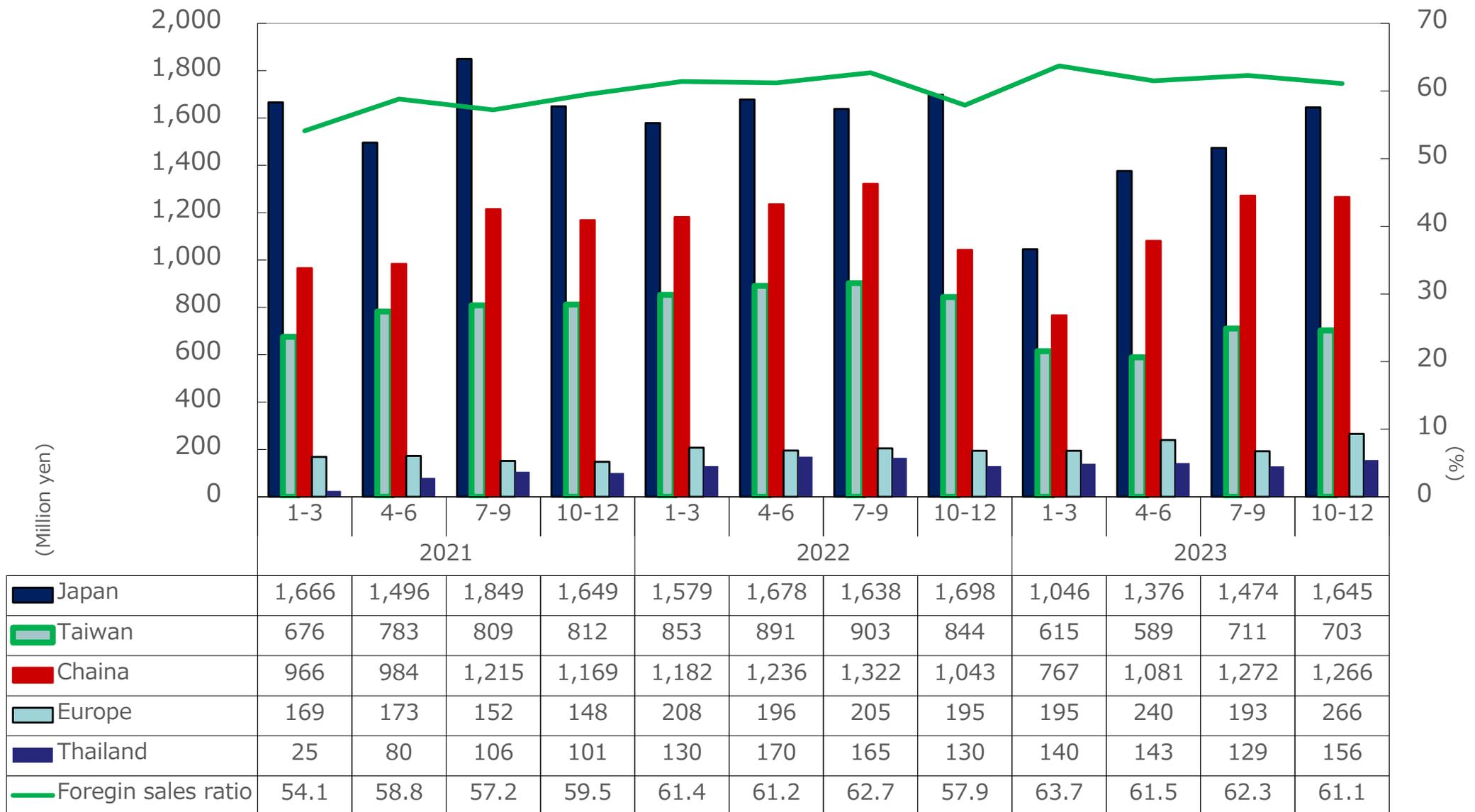
# Quarterly performance : Chemical sales (Consolidated)



# Quarterly performance : CZ series sales



# Quarterly performance : Region-specific sales and overseas sales ratio

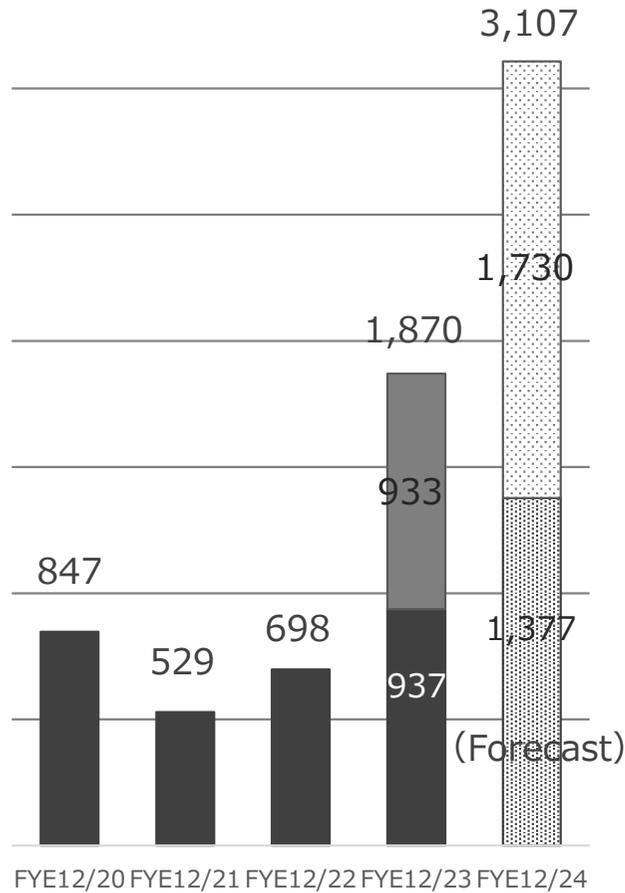


Overseas sales ratio is 79.7%(same period of the previous year: 77.4%) including sales to overseas customers through agents in Japan.

# Capital investment, Depreciation expenses and R&D expenses

## Capital investment

(million yen)



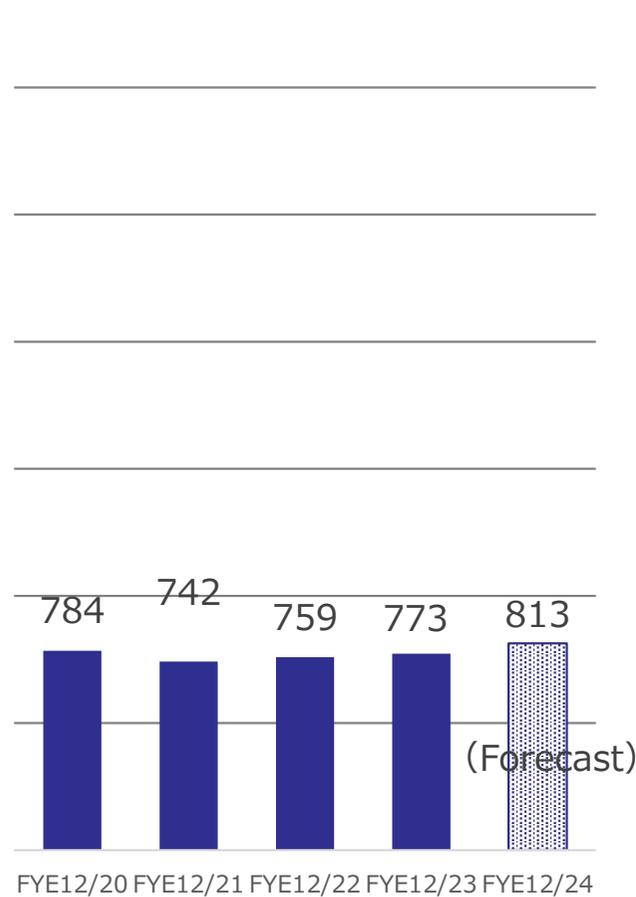
Capital investment for new production base

■ FY2023 933 million yen

▨ FY2024 1,730 million yen (Forecast)

## Depreciation expenses

(million yen)

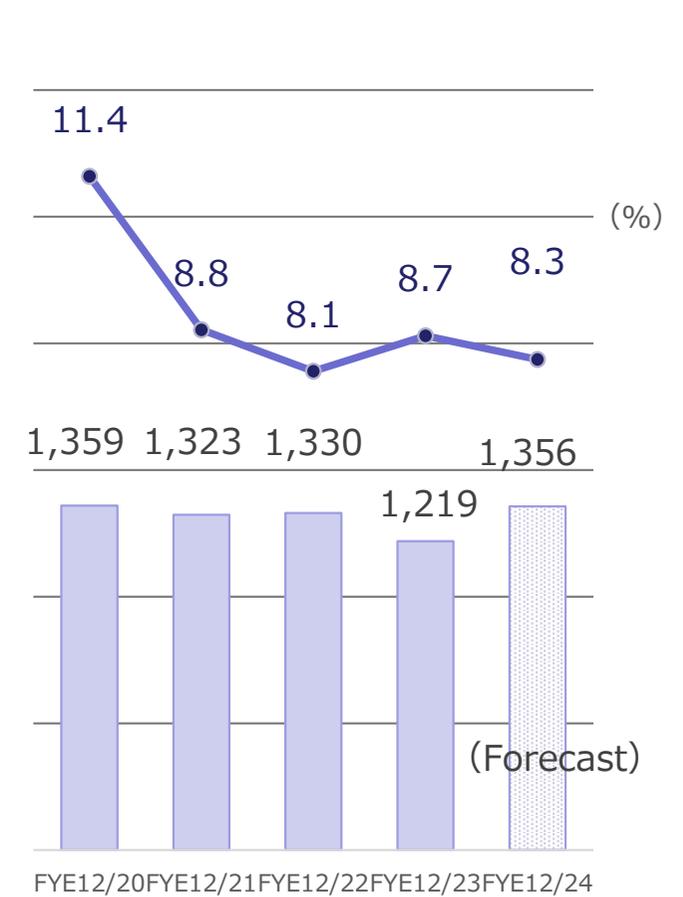


Depreciation expenses for new production base

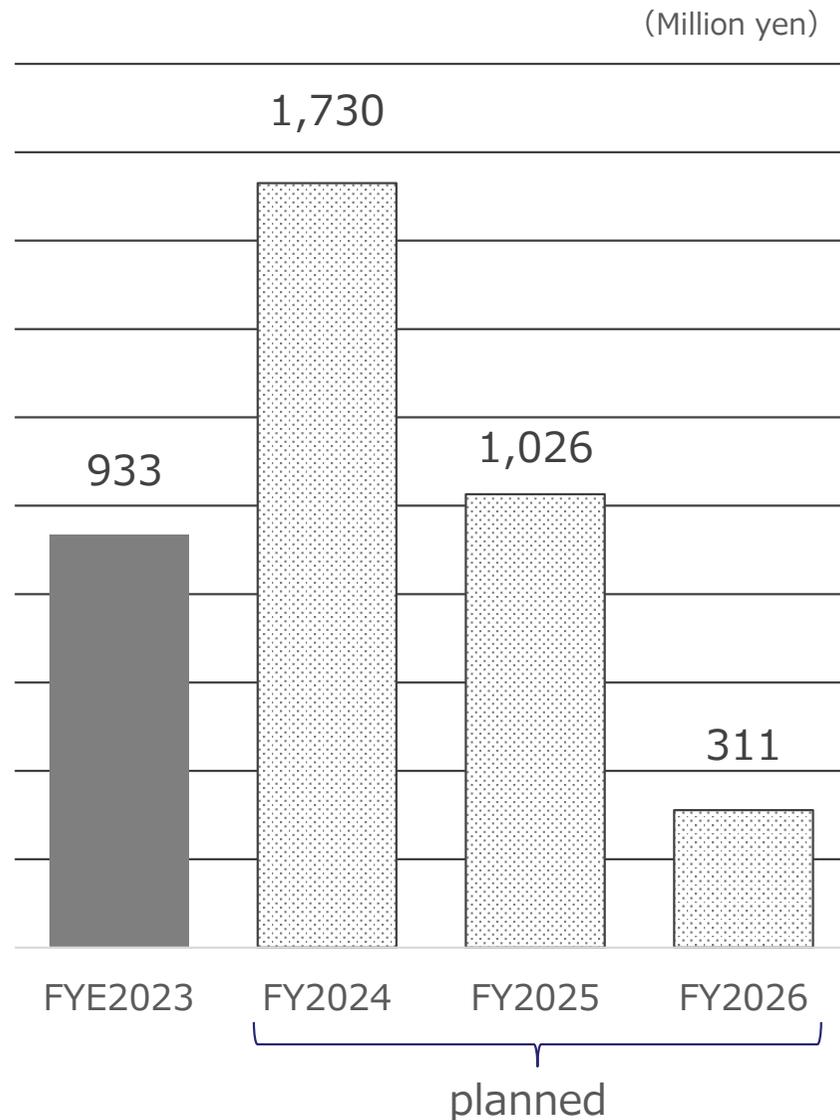
150-200 million/year

## R&D expenses and Ratio of consolidated sales

(million yen)



# Capital investment new production base Kitakyushu Plant (tentative name)



Depreciation expenses for new production base  
150-200 million/year

## Kitakyushu Plant (tentative name)



### Location

Wakamatsu-ku, Kitakyushu City,  
Fukuoka Prefecture

### Site area

29,889 m<sup>2</sup>

### Production capacity Approx.

30,000 t/year (planned)

### Total investment Approx.

4 billion yen (including land acquisition costs)

### Start of construction

April 2024 (planned)

### Commencement of operations

July 2025 (planned)

# **Our future plans**

# Examples of major chemical applications and final products

Major chemical	Characteristic	Final products
Super-roughening type adhesive enhancement <b>CZ series</b>	Adhesion improver mainly for PKG substrates. A copper surface treatment agent that enhances adhesion between copper and resin.	Infrastructure (5G-related, data centers, etc.) and high-function devices (PCs, smartphones, tablet PCs, etc.)
Adhesion improvers for multilayer substrates <b>V-Bond series</b>	Adhesion improver mainly for multilayer substrates. A copper surface treatment agent that enhances adhesion between copper and resin. Not used for PKG substrates.	Smartphones, cars, etc.
Anisotropic etchant <b>EXE series</b>	Etching agent for COF substrates. Fine wiring can be formed through subtraction.	TV and PC monitors, etc.
Selective etchant <b>SF series</b>	Etching agent with selectivity to copper.	Tablet PCs, etc.

# Our future plans

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## Business environment

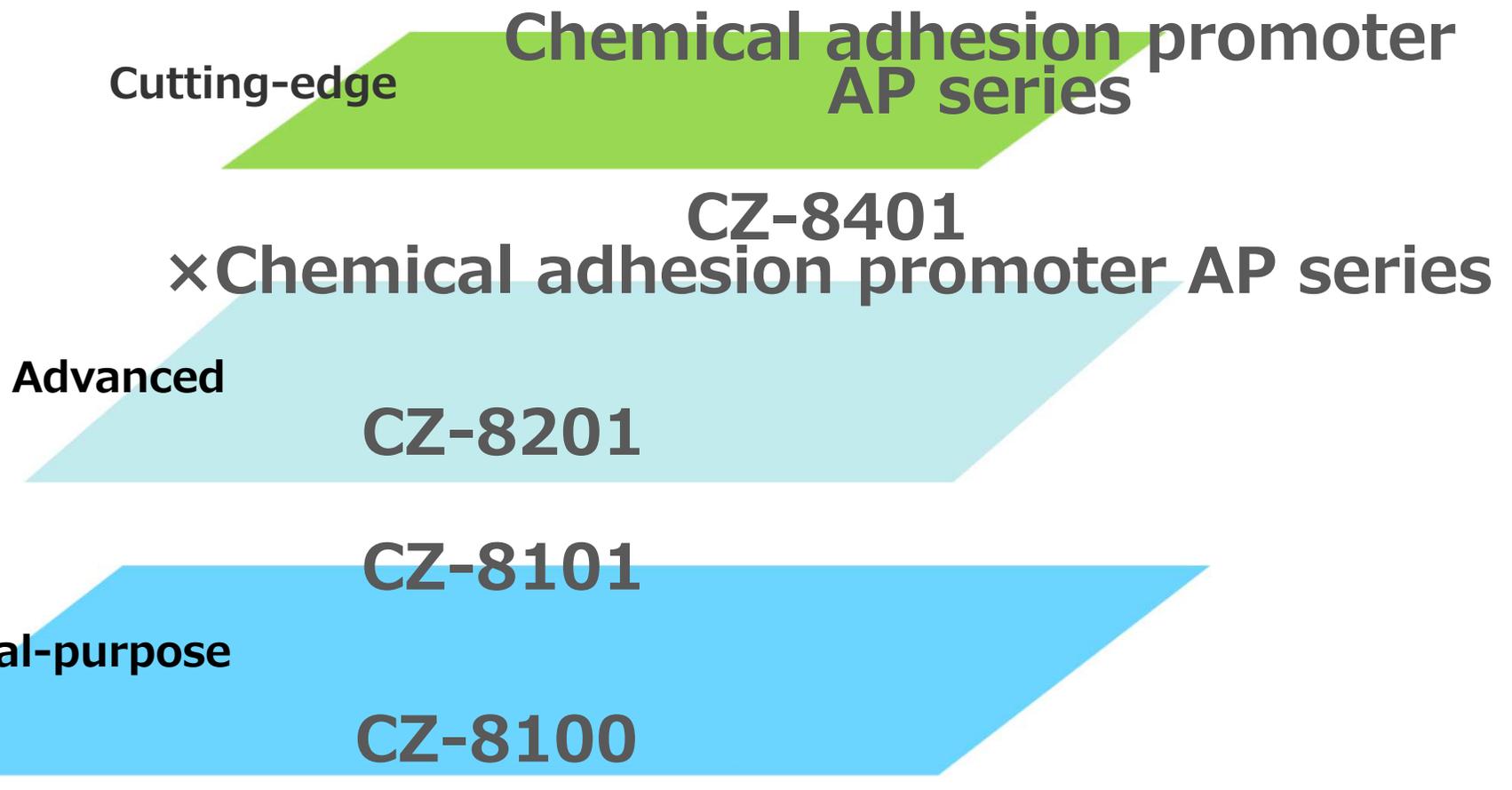
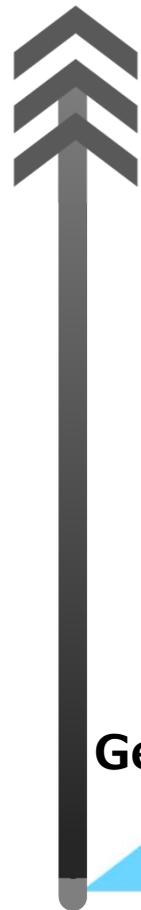
- In the short term, the market for semiconductors, which is in an adjustment phase, and sluggish consumer spending are expected to have a negative impact.
- In the medium to long term, technological innovation will advance against the backdrop of the spread of technologies such as IoT, AI, 5G, electrification of vehicles, and the promotion of DX and GX, and markets related to our company will continue expanding.
- Demand for the related CZ Series and Chemical adhesion promoter is expected to grow thanks to Ultra-high density, Ultra-high frequency and higher performance and increase in PKG substrates due to growing demand for semiconductors.

## Major chemical

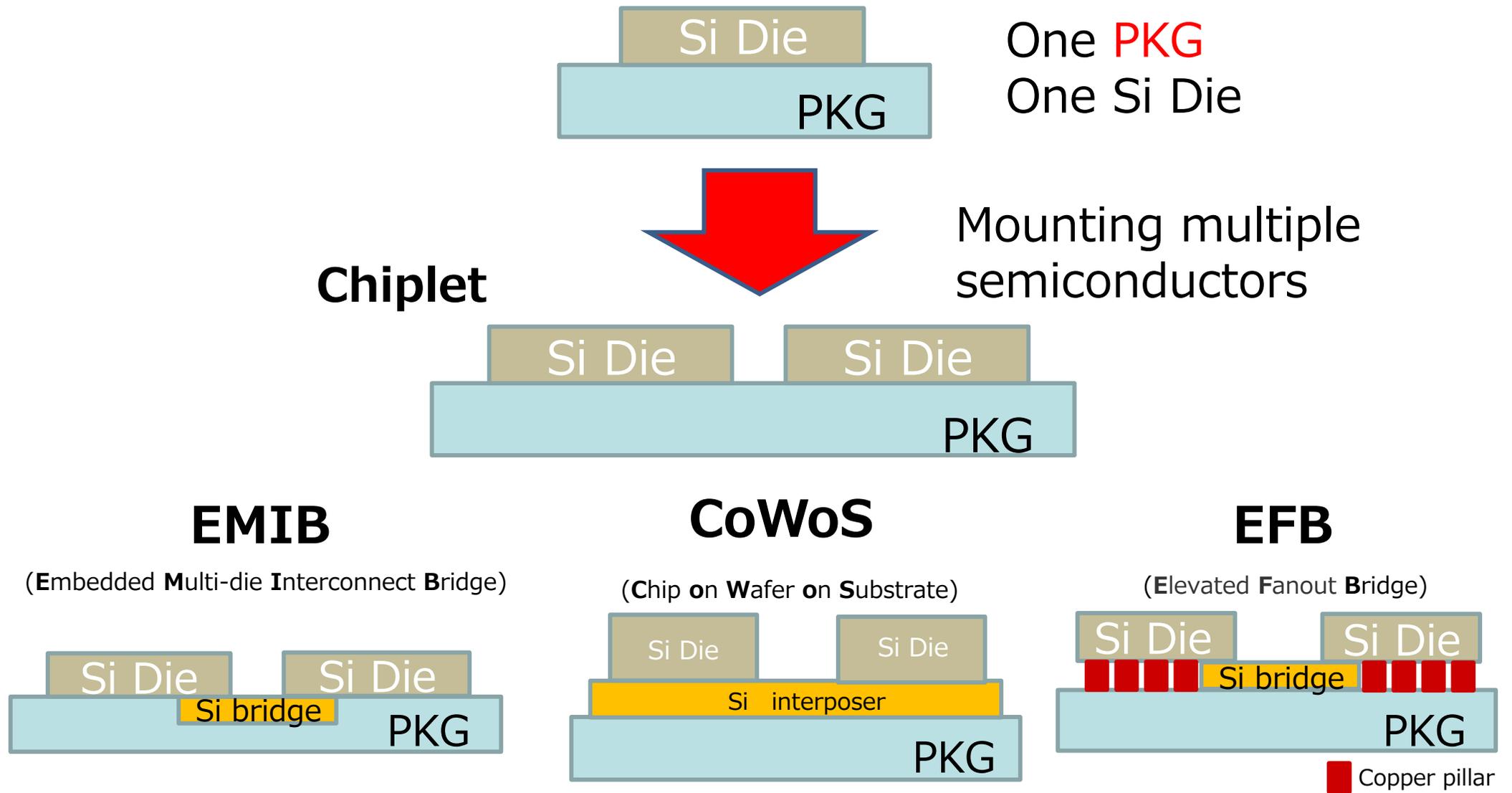
- CZ : In the short term, demand will be affected by the stagnation of the semiconductor market, but in the medium to long term, demand is expected to increase due to an increase in PKG substrates and an increase in size and multilayer structure.
- V-Bond : In the short term, the automotive industry is experiencing a relief in semiconductor shortages and showing signs of recovery. However, smartphones are being impacted by the prolonged replacement cycle.
- EXE : On a recovery trend, its sustainability is unclear.
- SF : Demand for smartphones is expected to decline due to technological changes, while demand for tablet PCs is expected to continue.

# Our products & PKG Substrate trend

Ultra-high density  
Ultra-high frequency

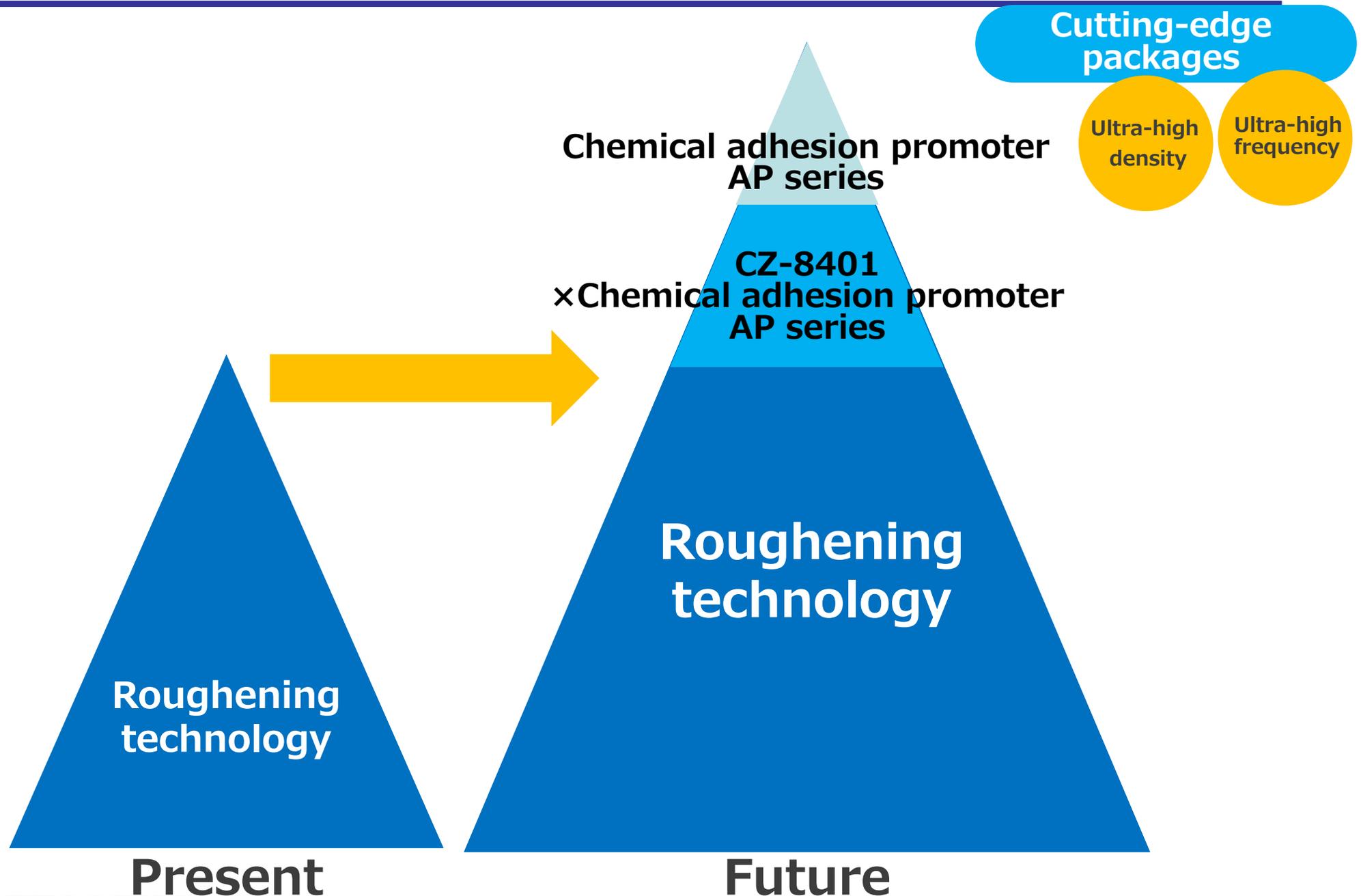


# Evolution of the PKG substrate

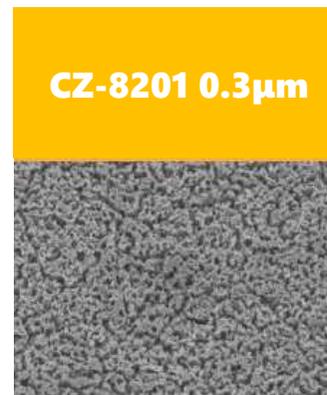
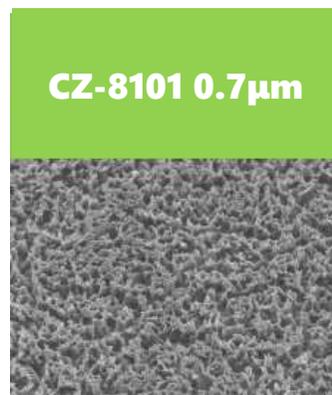
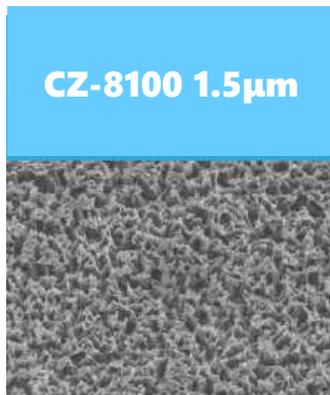
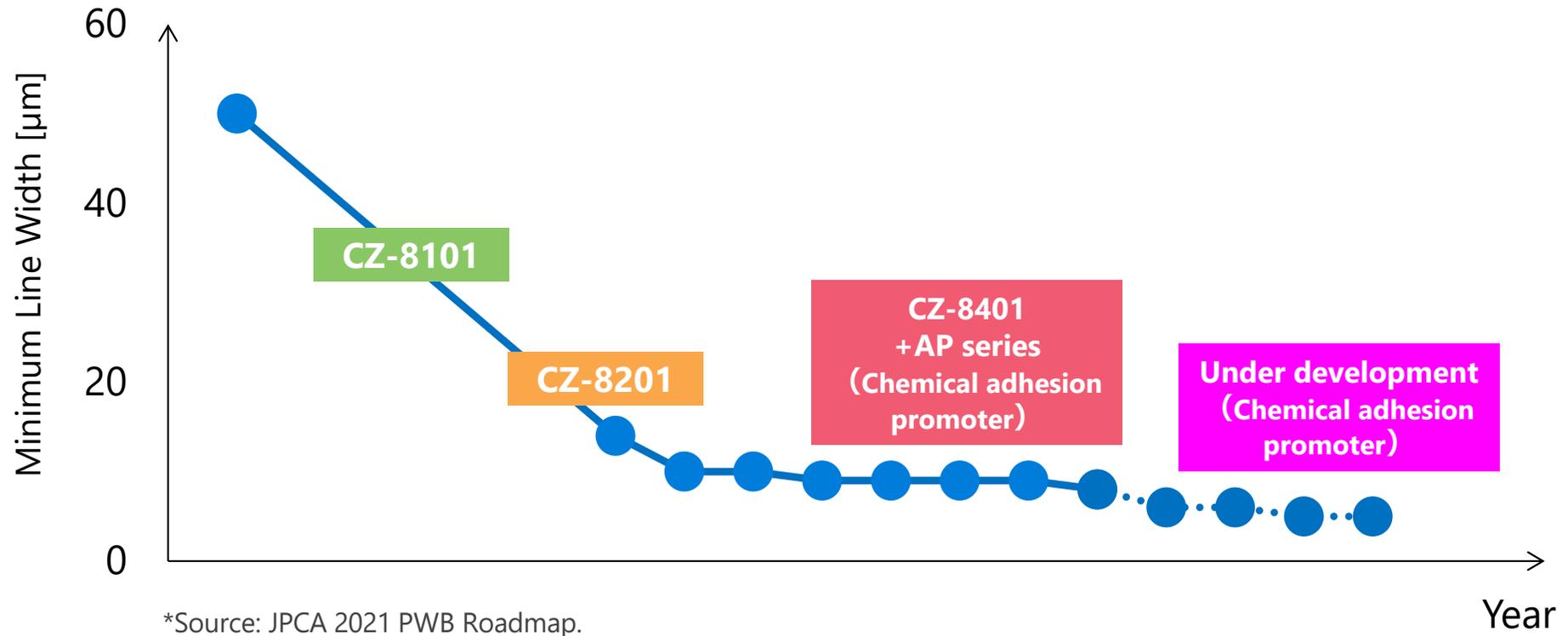


PKG size is big and layers are increase.

# Market trend



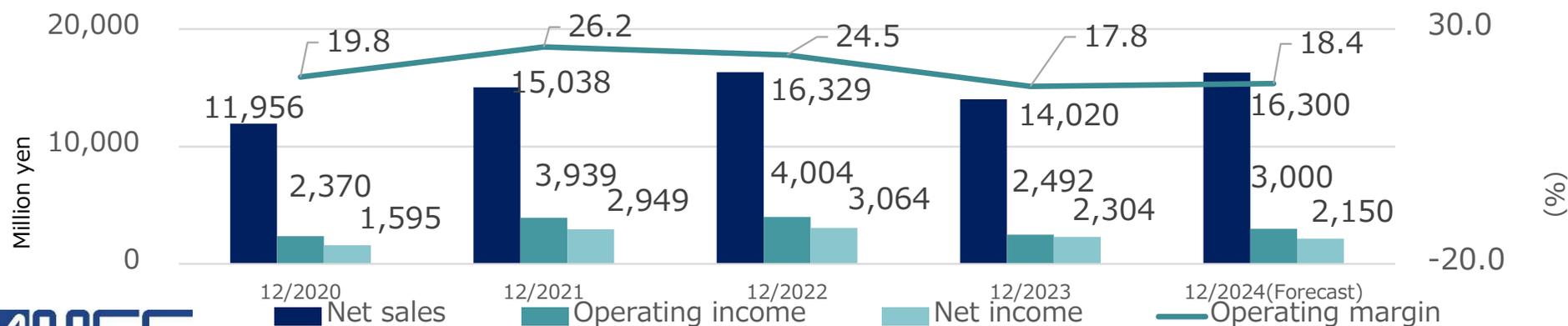
# CZ series roadmap



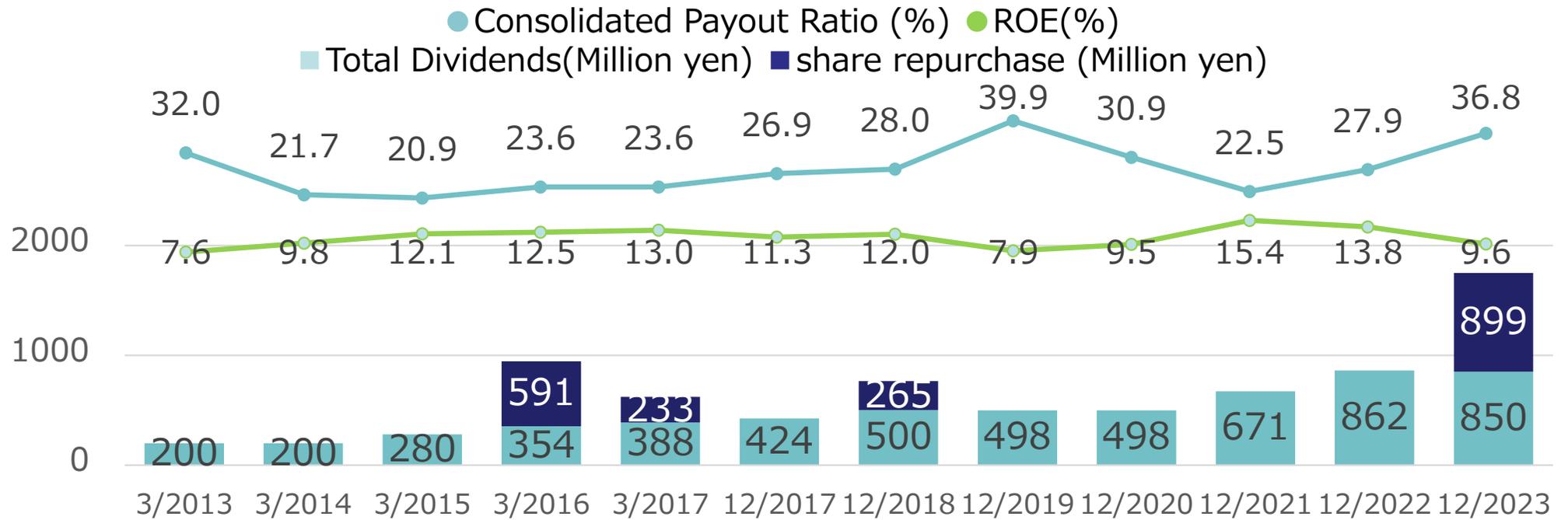
# FYE12/2024 Forecast

	FYE12/2023 (55th term)				FYE12/2024 (56th term)					
	1H		Full-year		1H			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	6,198	-	14,020	-	<b>7,850</b>	-	<b>26.6</b>	<b>16,300</b>	-	<b>16.3</b>
Operating income	838	13.5	2,492	17.8	<b>1,300</b>	<b>16.6</b>	<b>55.0</b>	<b>3,000</b>	<b>18.4</b>	<b>20.3</b>
Ordinary income	1,003	16.2	2,683	19.1	<b>1,350</b>	<b>17.2</b>	<b>34.6</b>	<b>3,100</b>	<b>19.0</b>	<b>15.5</b>
Net income	1,076	17.4	2,304	16.4	<b>950</b>	<b>12.1</b>	<b>-11.7</b>	<b>2,150</b>	<b>13.2</b>	<b>-6.7</b>
Net income per share(yen)	56.79	-	122.29	-	<b>50.73</b>	-	-	<b>114.82</b>	-	-

In the first half of FY2023, special profits have been recorded due to the transfer of land and buildings at the Nishinomiya factory.(549 million yen)



# Trends in Total Dividends, Consolidated Dividend Payout Ratio, and ROE



## ■ Consolidated Dividend Payout Ratio ■ ROE

Medium-term goal(consolidated payout ratio): 30%      2024 quantitative targets : At least 10%

## ■ FYE12/2024 Annual dividends per share (Forecast)

45.0円 (2Q-end 20.0yen, Fiscal year-end 25.0yen, consolidated payout ratio:39.2%)

## ■ Treasury Stock Acquisition

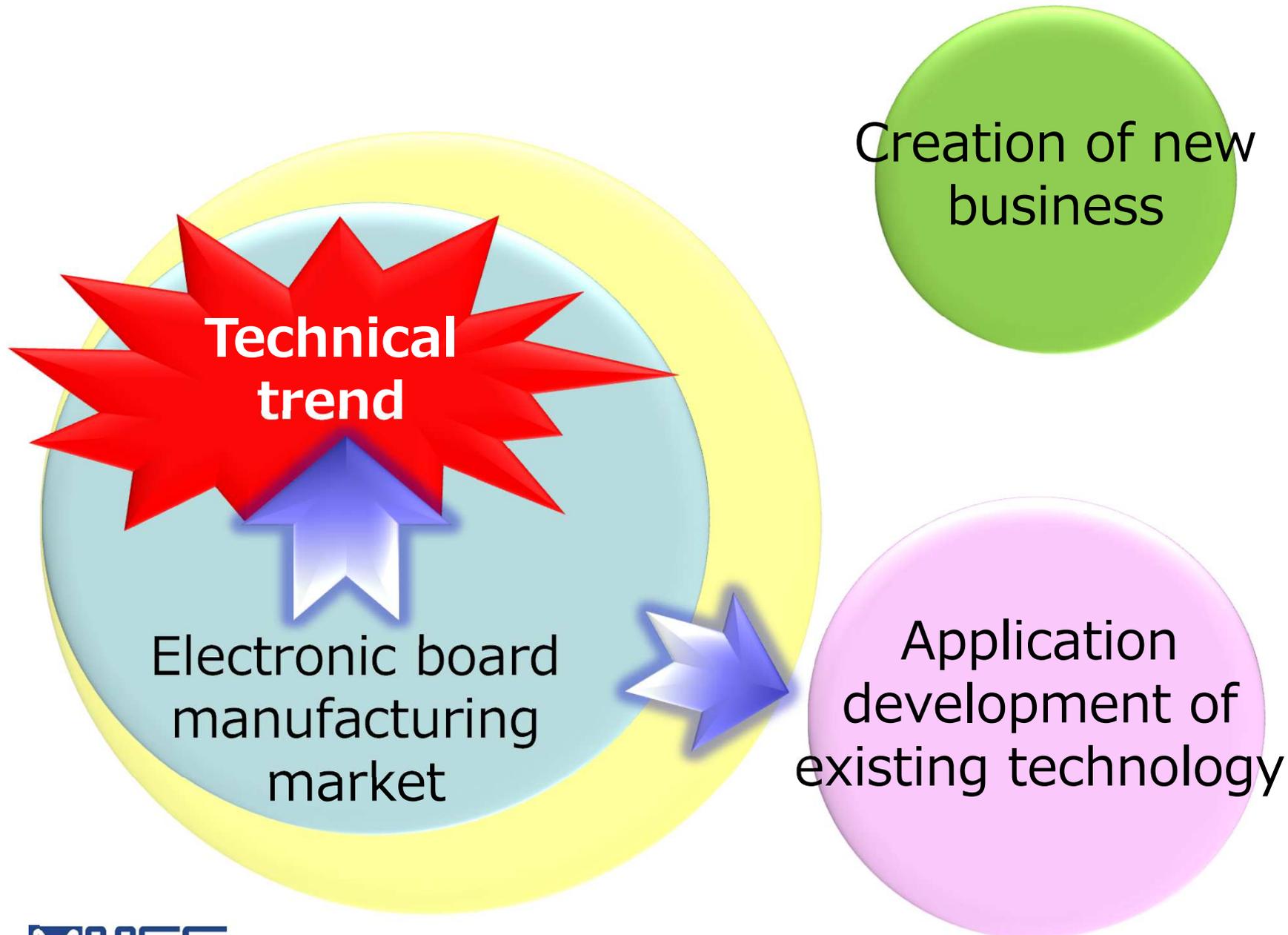
Acquisition period: From May 11, 2023 to June 23, 2023

Total number of shares acquired : 286,000 shares

Total acquisition price : 899,860,700 yen

# Aiming to expand the business domain

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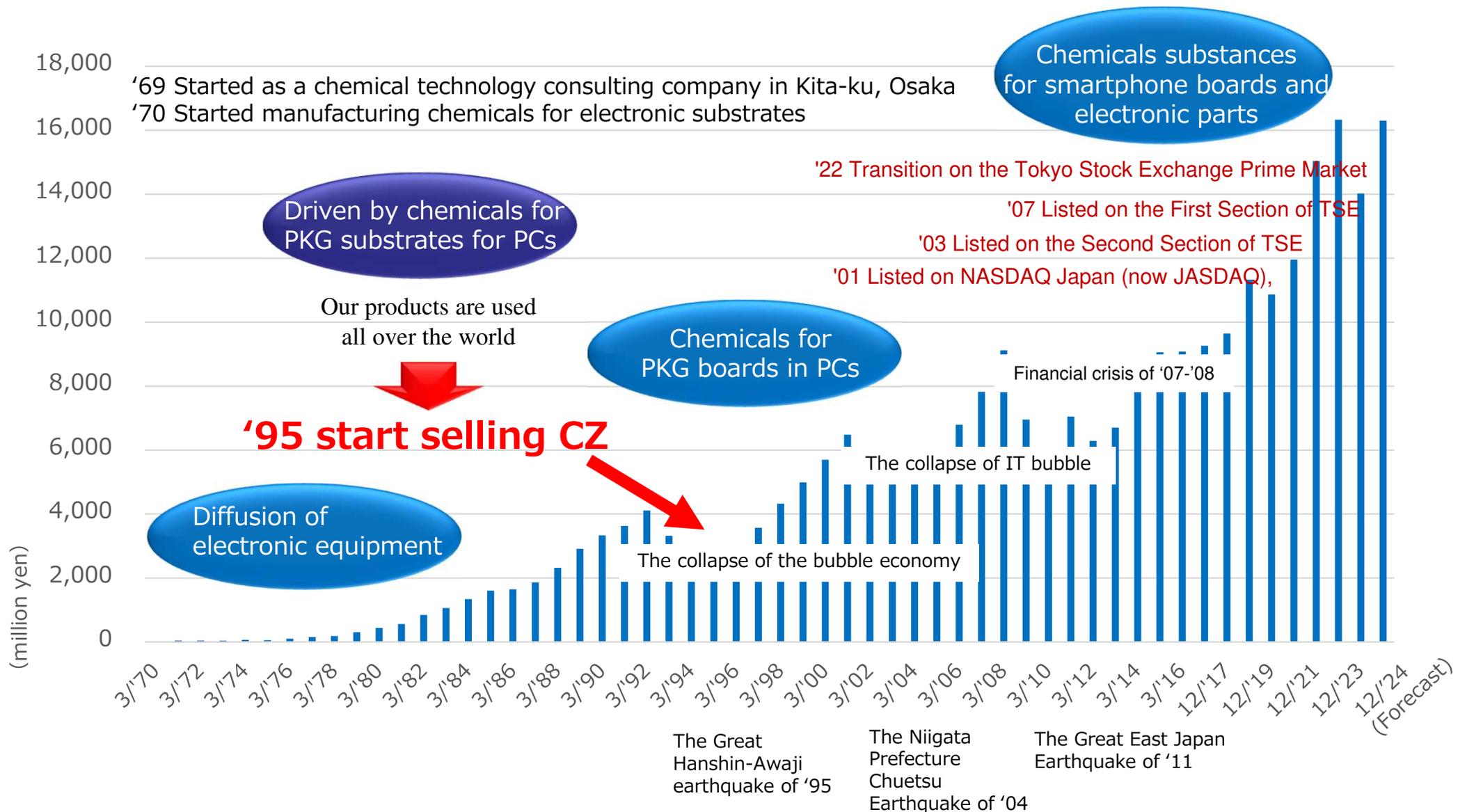
# Appendix

# Corporate profile

(As of December 31, 2023)

<b>Company name</b>	MEC COMPANY LTD.
<b>Head quarters location</b>	3-4-1, Kuise Minamishimmachi, Amagasaki, Hyogo 660-0822, JAPAN
<b>Date of establishment</b>	May 1, 1969
<b>Business activities</b>	R&D, production and sales of chemicals, equipment and related materials used in the production of PCBs and electronic components.
<b>Presentative</b>	President and CEO Kazuo Maeda
<b>Capital</b>	594,142,400 JPY
<b>Net sales</b>	14,020 million JPY (Consolidated)
<b>Stock listing</b>	Tokyo Stock Exchange Prime Market Securities code: 4971
<b>Number of employees</b>	454 persons (Consolidated) 263 persons (Non-consolidated)

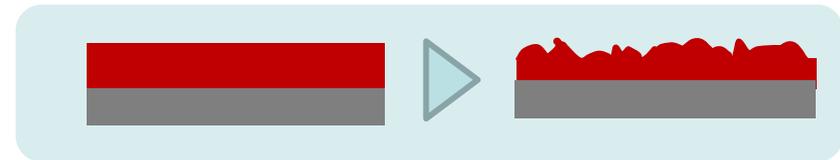
# MEC sales trend since foundation



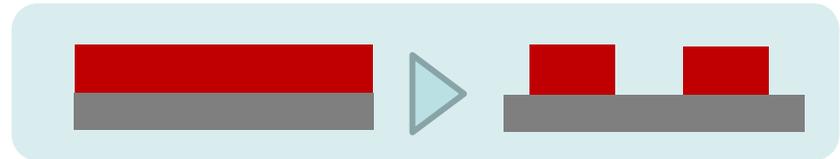
# MEC's core technologies

## *Creating and Fostering Value at Various Interfaces*

- **Roughen** the surface, and **physically improve** **adhesion** CZ, V-Bond



- **Pattern formation** EXE



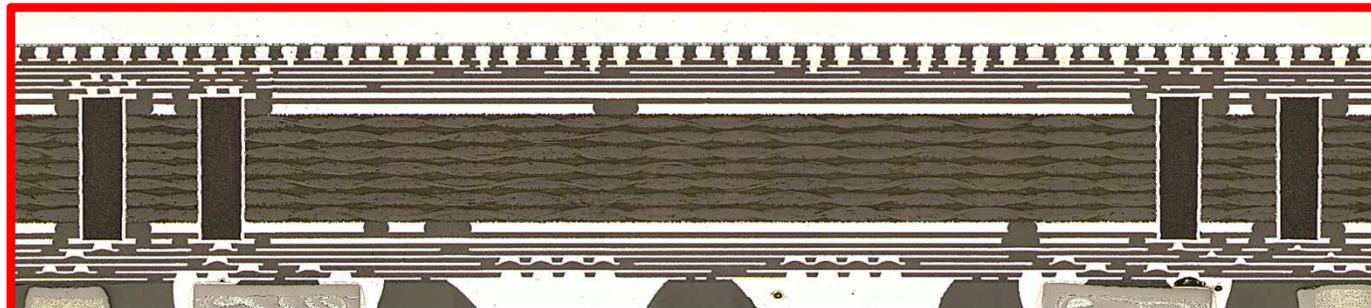
- **Selective etching** SF



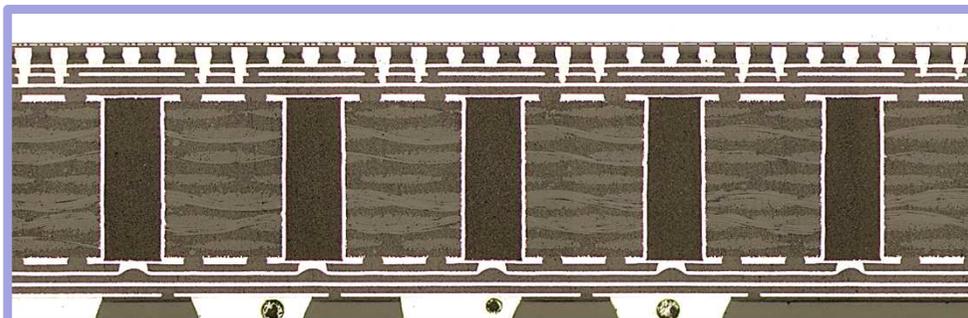
- **Treat** the surface, and **chemically improve** **adhesion promoter**



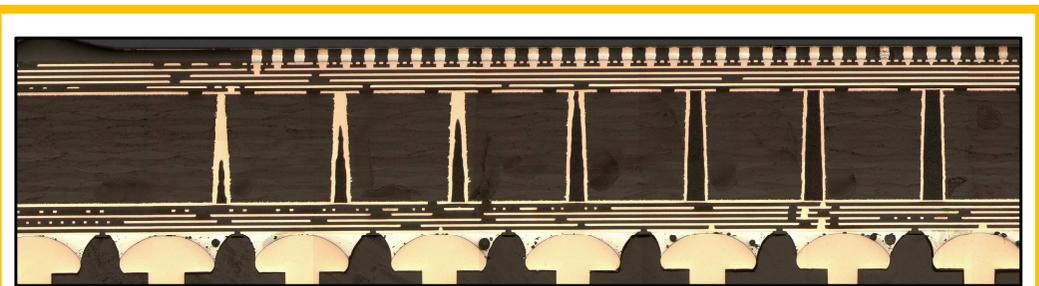
# Cross section PKG board



Xeon 14 layer(6-2-6)



Core i7 8 layer(3-2-3)



Ryzen 12 layer(5-2-5)

	Surface area	Layer
Xeon	27.44 cm <sup>2</sup>	14
Core i7	14.44 cm <sup>2</sup>	8
Ryzen	16.00 cm <sup>2</sup>	12

\*Obtained and disassembled by MEC

# Production capacity



Amagasaki Factory  
900 t / m



Nagaoka Factory  
2,750 t / m



MEC TAIWAN  
1,200 t / m



MEC SUZHOU  
450 t / m



MEC ZHUHAI  
1,000 t / m



MEC EUROPE  
400 t / m



MEC THAILAND  
500 t / m

# *Creating and Fostering Value at Various Interfaces*



This presentation includes forward-looking statements (such as predictions and business forecasts) made in February 14, 2024. These statements are assumptions based on information available at the time, and they are subject to risks and uncertainties. Actual results or events could differ substantially from those forecasted in such statements due to a plethora of variables.