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# Financial Results Briefing for Q2 FYE 12/2022

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August 10, 2022



Securities code: 4971

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

# Notice of Revision of Earnings Forecast

Revision to the full-year consolidated earnings forecast for the fiscal year ending in December 2022.  
(January 1, 2022 to December 31, 2022)

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previously announced Forecast(A)	16,500	4,200	4,450	3,200	168.35
Forecast revised this time(B)	17,000	4,400	4,800	3,400	178.87
Difference(B-A)	350	200	350	200	
Percentage change (%)	2.1	4.8	7.9	6.3	
(Reference) Results for the previous term (Year ended December 2021)	15,038	3,939	4,104	2,949	155.28

# Q2 FYE12/2022 Overview

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## ➤ Record high profit

CZ is strong due to server demand, etc.

V-Bond have remained steady due to the promotion of Evs.

EXE and SF are decreased due to the reaction to the demand for nesting and inventory adjustment.

## ✓ Impact of the Russian / Ukraine situation

- No used (Russian or Ukrainian ingredients) .

- Regarding soaring crude oil prices.

- ① Very low proportion of crude oil-derived raw materials.

- ② The impact on transportation costs has already been factored into this term's plan.

## ✓ Impact of lockdown of Chinese cities.

- There was some impact on shipments from Japan and production activities of customers.

# Exchange rate

	Initial forecast	22Q2	21Q2	Forecast revised
NTD	4.16	4.30	3.84	4.30
RMB	18.07	18.98	16.64	18.98
HKD	14.75	15.74	13.89	15.74
THB	3.44	3.64	3.49	3.64
EUR	130.51	134.52	129.97	134.52
USD	115.01	123.17	107.76	123.17

- 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 (6 months conversion)(million yen) : NTD: (Sale) 40 (Operating income) 27  
RMB: (Sale) 13 (Operating income) 6

# Q2 FYE12/2022 Key factors

## Assumed/actual exchange rate

1

JPY to NTD Assumed rate: 4.16 yen / Actual rate: 4.30 yen (previous year was 3.84 yen)  
JPY to RMB Assumed rate: 18.07 yen / Actual rate: 18.98 yen (previous year was 16.64 yen)  
JPY to EUR Assumed rate: 130.51 yen / Actual rate: 134.52 yen (previous year was 129.97 yen)  
JPY to THB Assumed rate: 3.44 yen / Actual rate: 3.64 yen (previous year was 3.49 yen)  
JPY to USD Assumed rate: 115.01 yen / Actual rate: 123.17 yen (previous year was 107.76 yen)

2

Sales: 8,127 million yen (YOY change: Up 15.7%)  
Operating income: 2,084 million yen (YOY change: Up 6.9%)

3

Exchange rate impact (YOY change)  
Sales: Up 520 million yen,  
Operating income: Up 288 million yen.

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Chemicals  
Sales: 8,032 million yen (YOY change: Up 15.9%)  
Shipments: 23,127 t (YOY change: Up 7.3%)

5

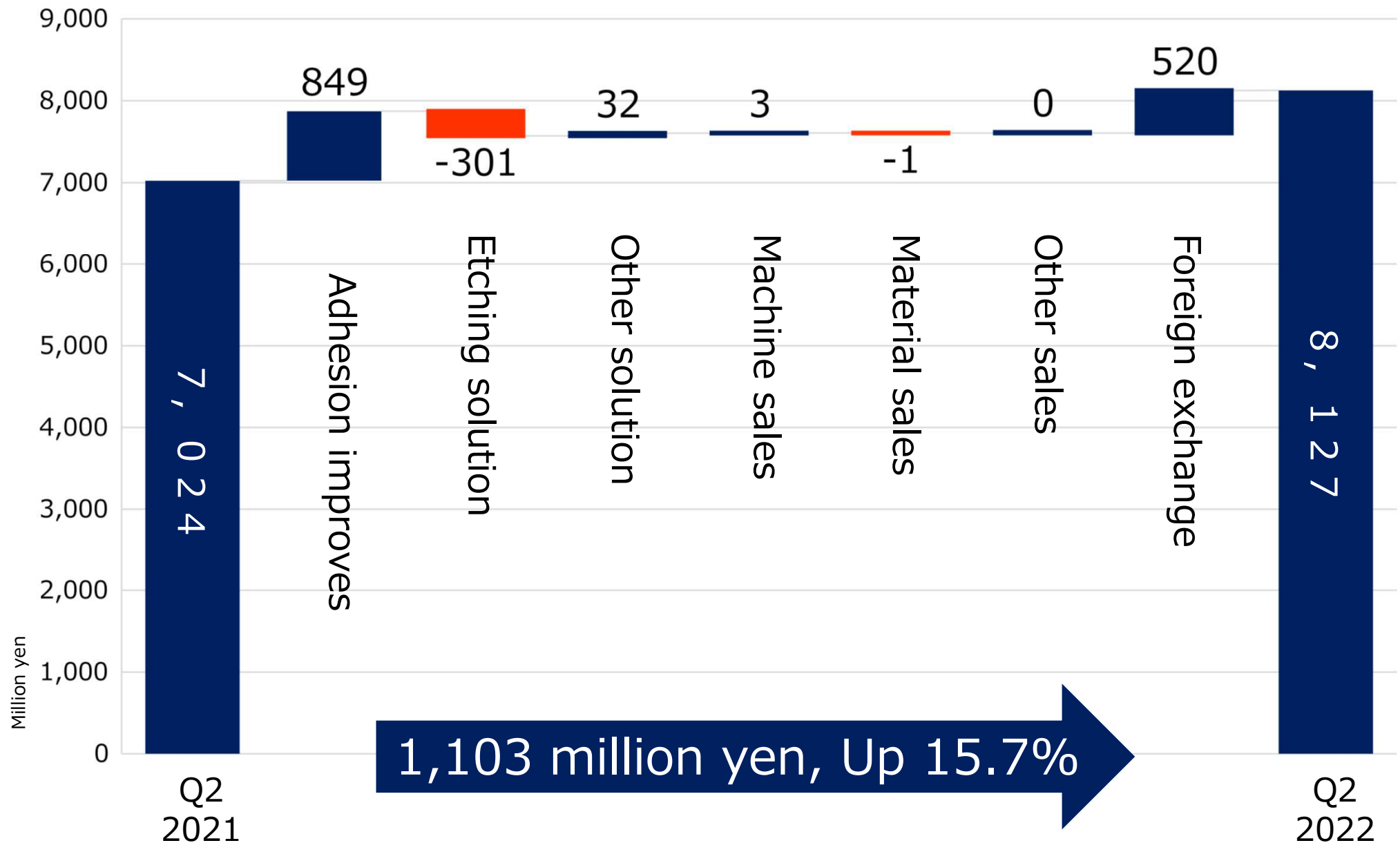
Major products sales (YOY change)  
CZ: Up 29.5%, V-Bond: Up 11.3 %, EXE: Down 21.9% SF: Down 20.7%

# Q2 FYE12/2022 Results

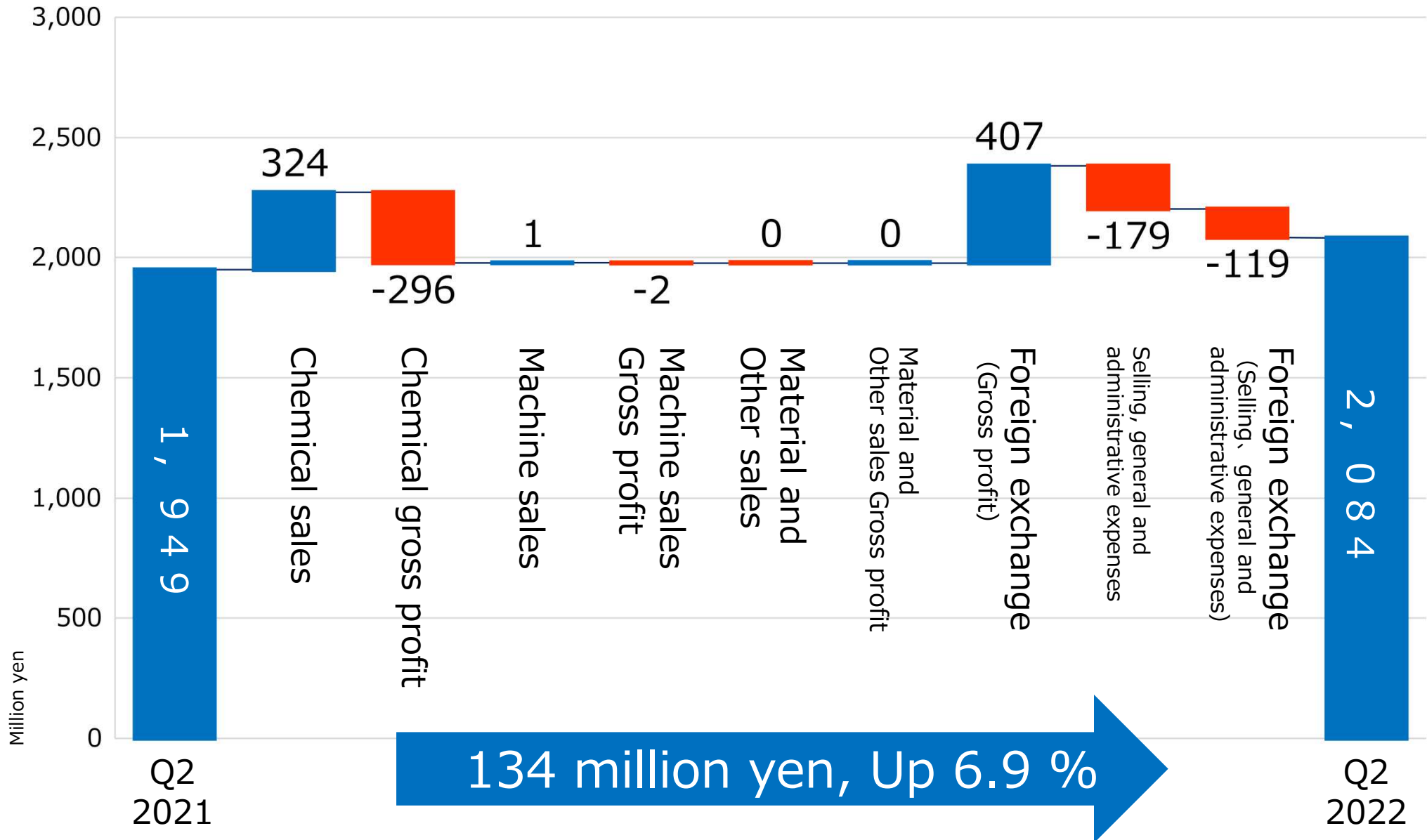
Unit : million yen

	Q2 (Six Months Ended)						Full-year		
	FYE12.2021		FYE12.2022				FYE12.2021	FYE12.2022	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)		Results	(Forecast)	YOY (%)
Net sales	7,024	46.7%	8,127	47.8%	1,103	15.7%	15,038	17,000	13.0%
Chemical sales	6,933	-	8,032	-	1,099	15.9%	14,756	-	-
Gross profit	4,485	-	4,919	-	434	9.7%	9,323	-	-
Gross profit margin	63.8%	-	60.5%	-	-	-	62.0%	-	-
SGA	2,535	-	2,834	-	299	11.8%	5,383	-	-
Sales ratio	36.1%	-	34.9%	-	-	-	35.8%	-	-
Operating income	1,949	49.5%	2,084	47.4%	134	6.9%	3,939	4,400	11.7%
Operating profit margin	27.8%	-	25.6%	-	-	-	26.2%	-	-
Ordinary income	2,023	49.3%	2,374	49.5%	351	17.4%	4,104	4,800	16.9%
Ordinary profit margin	28.8%	-	29.2%	-	-	-	27.3%	-	-
Profit before tax	2,015	-	2,374	-	358	17.8%	4,092	-	-
Net income	1,466	49.7%	1,661	48.9%	194	13.3%	2,949	3,400	15.3%
Net income per share	77.25	-	87.40	-	-	-	155.28	178.87	-

# Net sales YOY

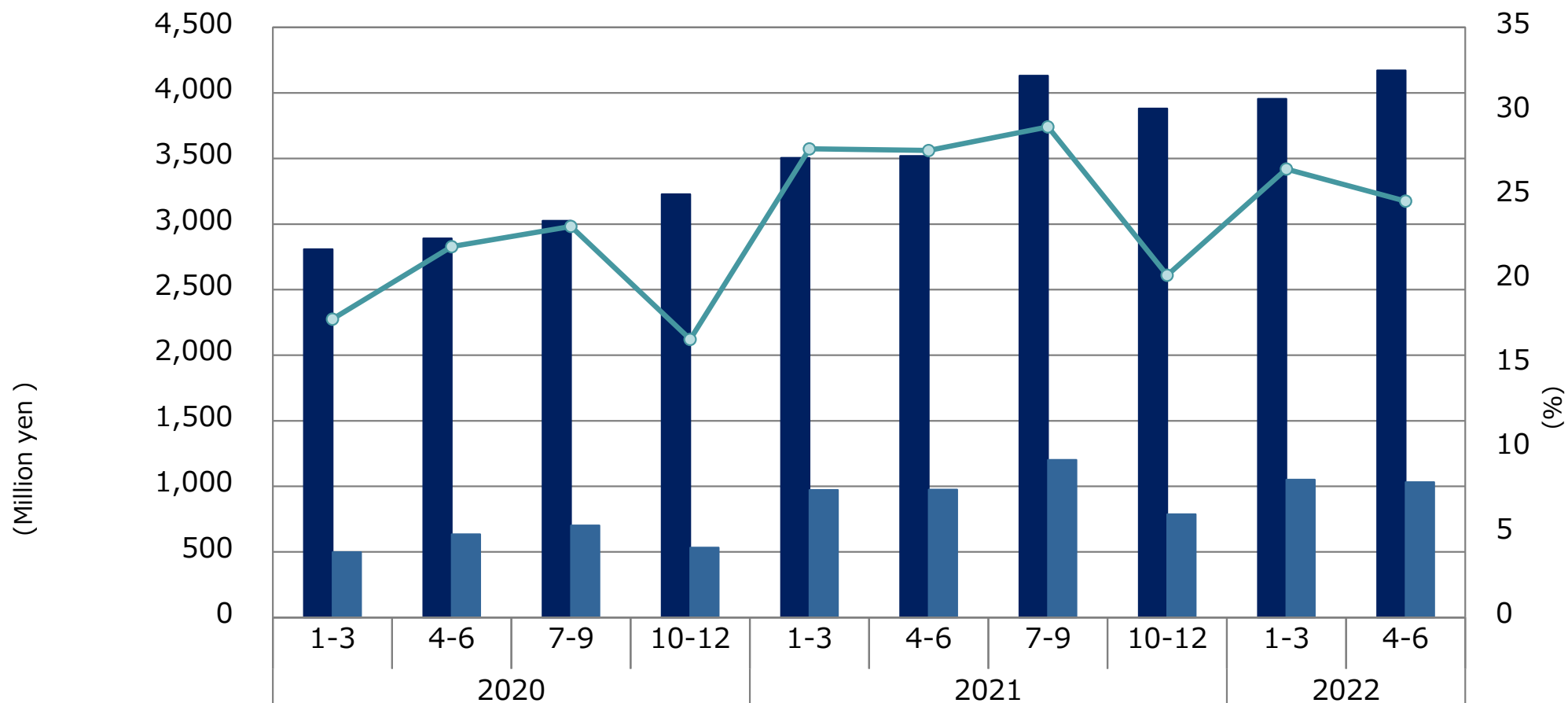


# Operating income YOY



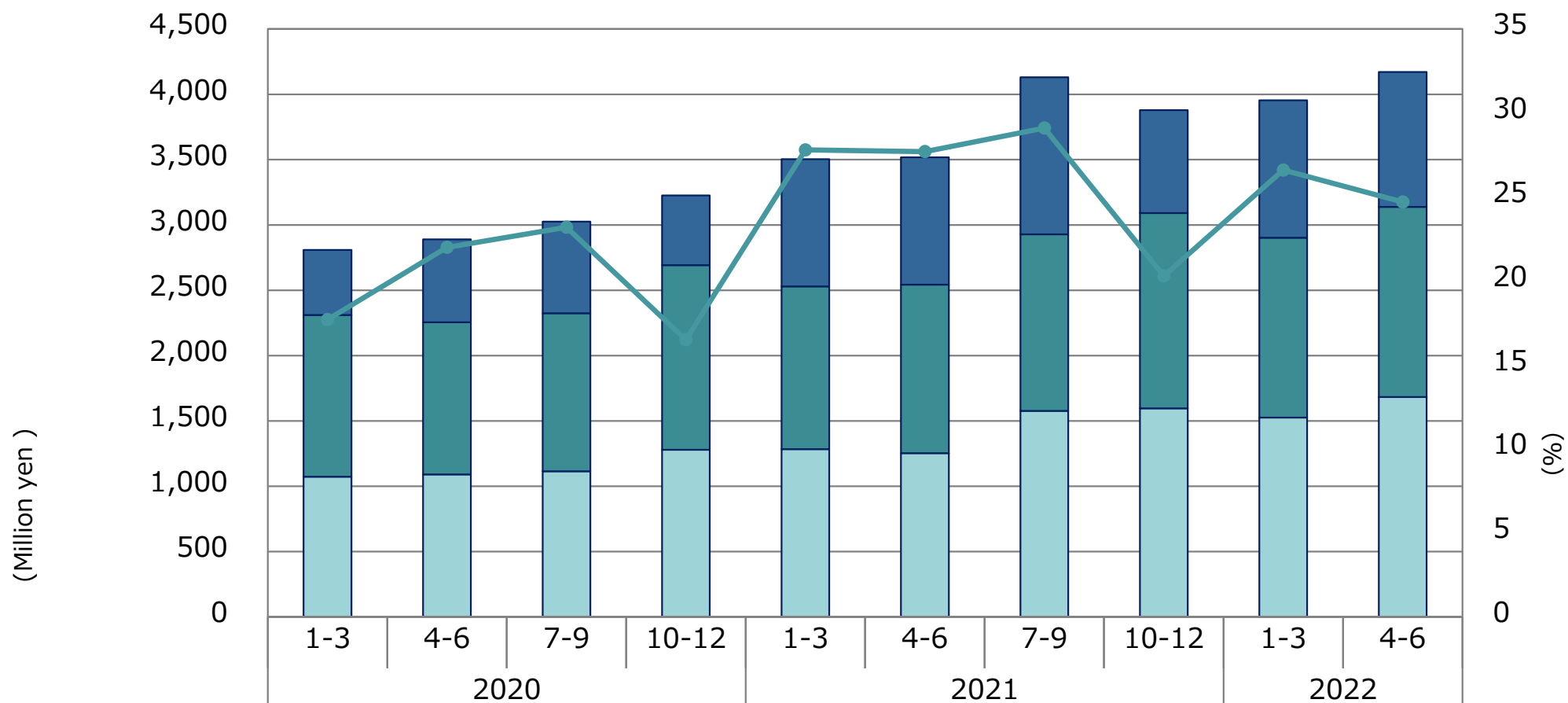


# Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



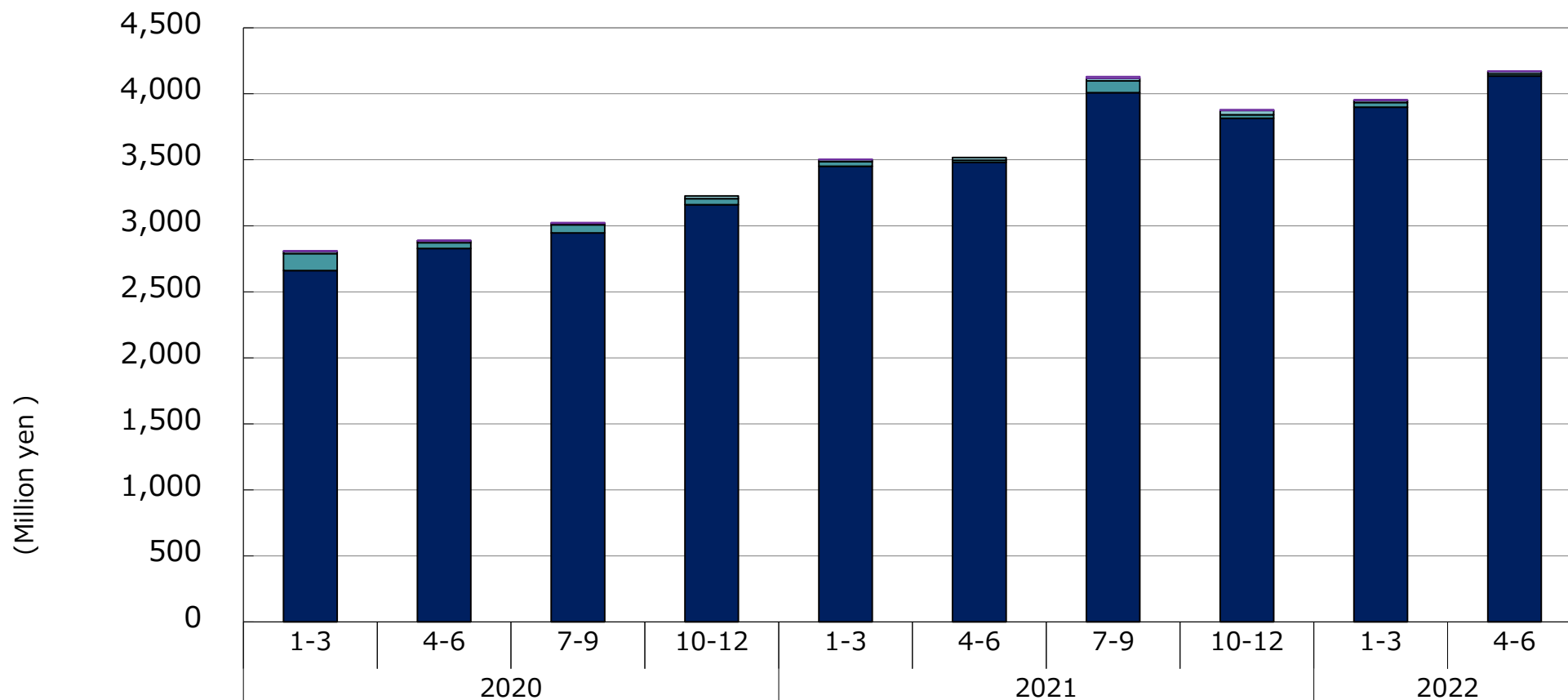
■ Net sales	2,809	2,891	3,026	3,228	3,505	3,519	4,132	3,881	3,955	4,172
■ Operating income	498	635	702	533	973	975	1,202	787	1,051	1,032
● Operating margin	17.7	22.0	23.2	16.5	27.8	27.7	29.1	20.3	26.6	24.7

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



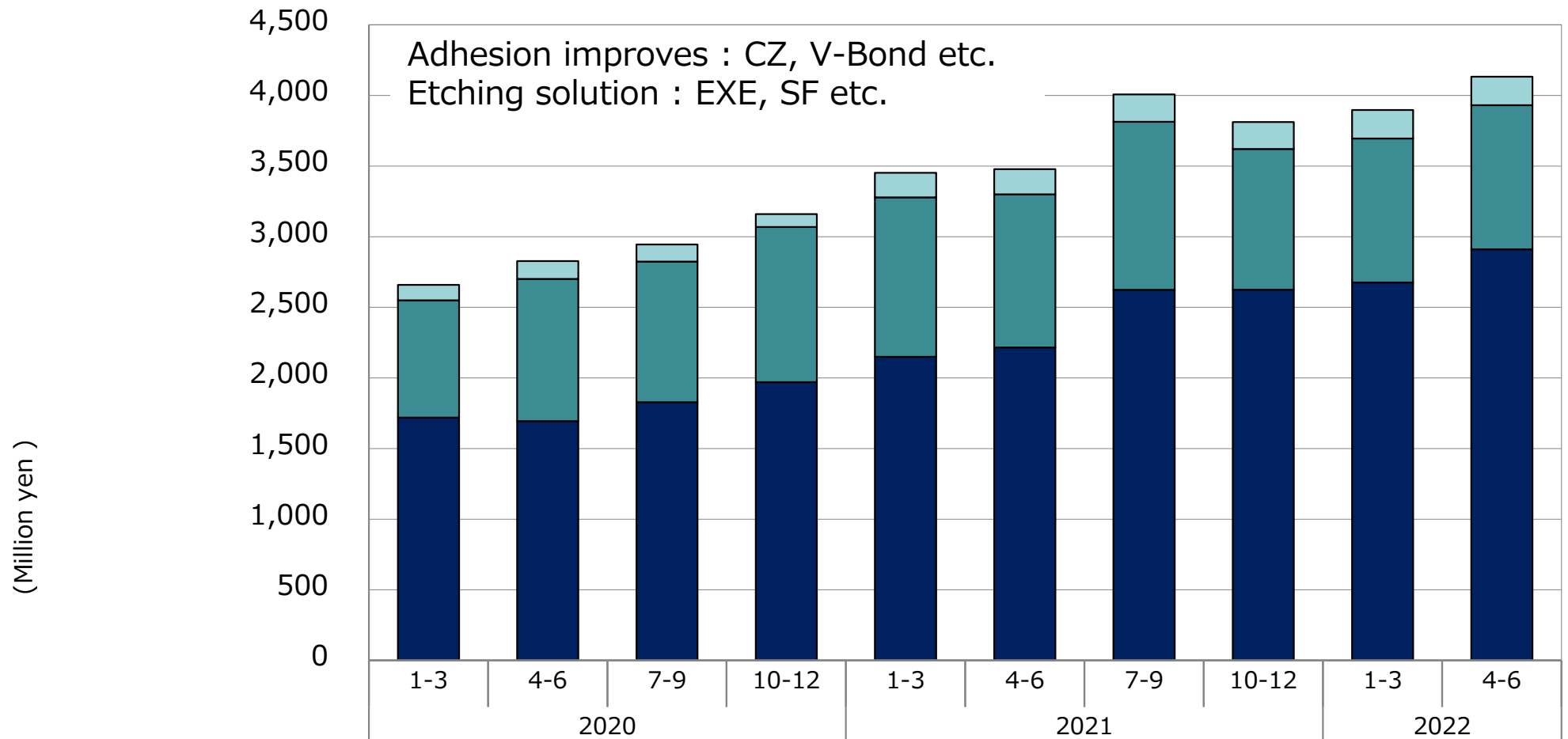
Operating income	498	635	702	533	973	975	1,202	787	1,051	1,032
SGA	1,238	1,164	1,209	1,413	1,246	1,289	1,352	1,495	1,377	1,457
COGS	1,073	1,091	1,115	1,280	1,284	1,254	1,577	1,597	1,526	1,682
Operating margin	17.7	22.0	23.2	16.5	27.8	27.7	29.1	20.3	26.6	24.7

# Quarterly performance : Product-specific sales (Consolidated)



	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6
	2020				2021				2022	
Other	4	1	5	0	2	0	13	6	1	1
Materials for PCBs	17	16	12	21	16	21	19	33	18	19
Equipments for PCBs	129	43	62	46	33	16	90	27	36	17
Chemicals for PCBs	2,661	2,829	2,946	3,160	3,452	3,480	4,008	3,814	3,898	4,134

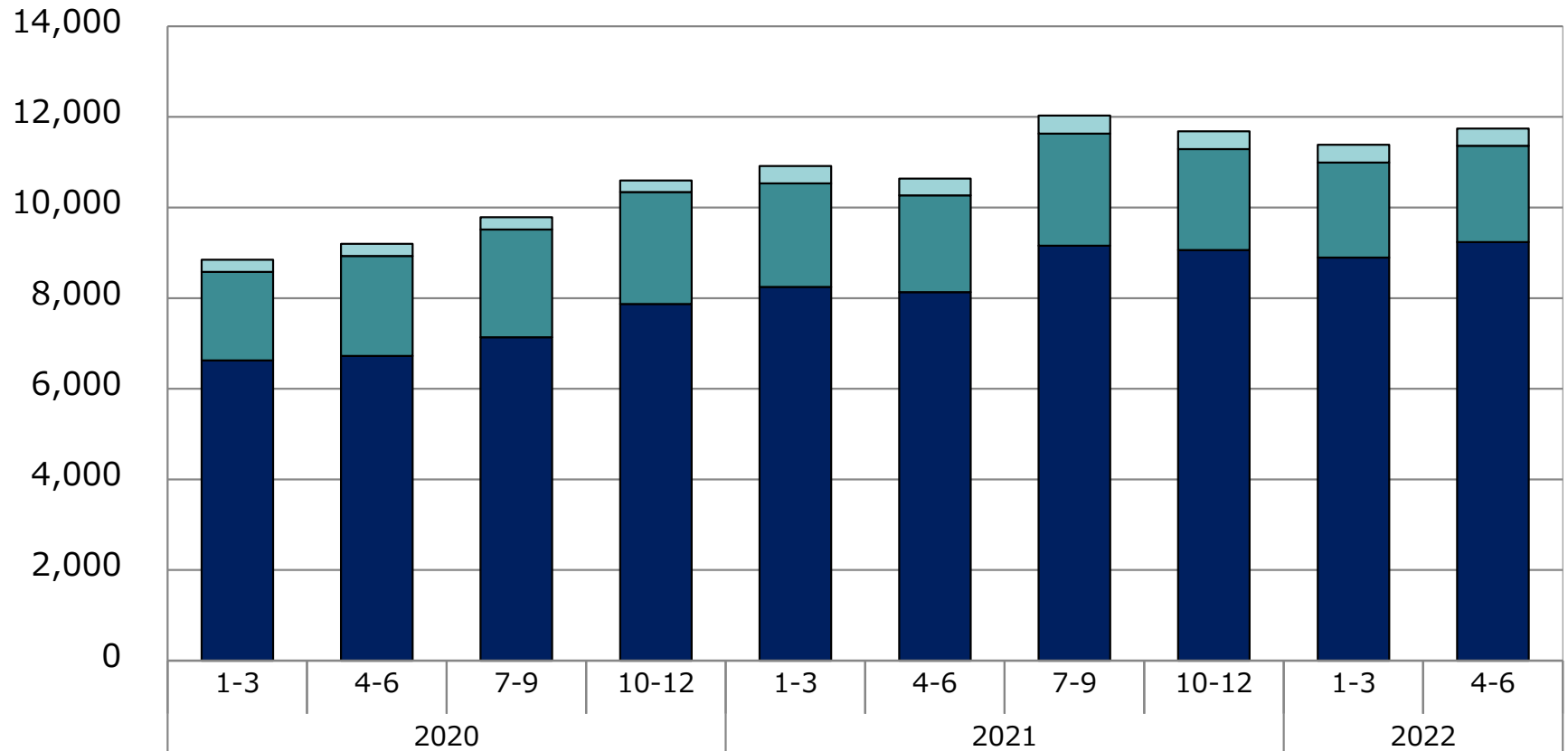
# Quarterly performance : Chemical sales (Consolidated)



Other surface processing solution	109	127	121	91	174	178	193	191	202	202
Etching solution	830	1,006	996	1,099	1,128	1,084	1,190	996	1,019	1,020
Adhesion improves	1,720	1,695	1,828	1,970	2,150	2,216	2,624	2,625	2,676	2,911

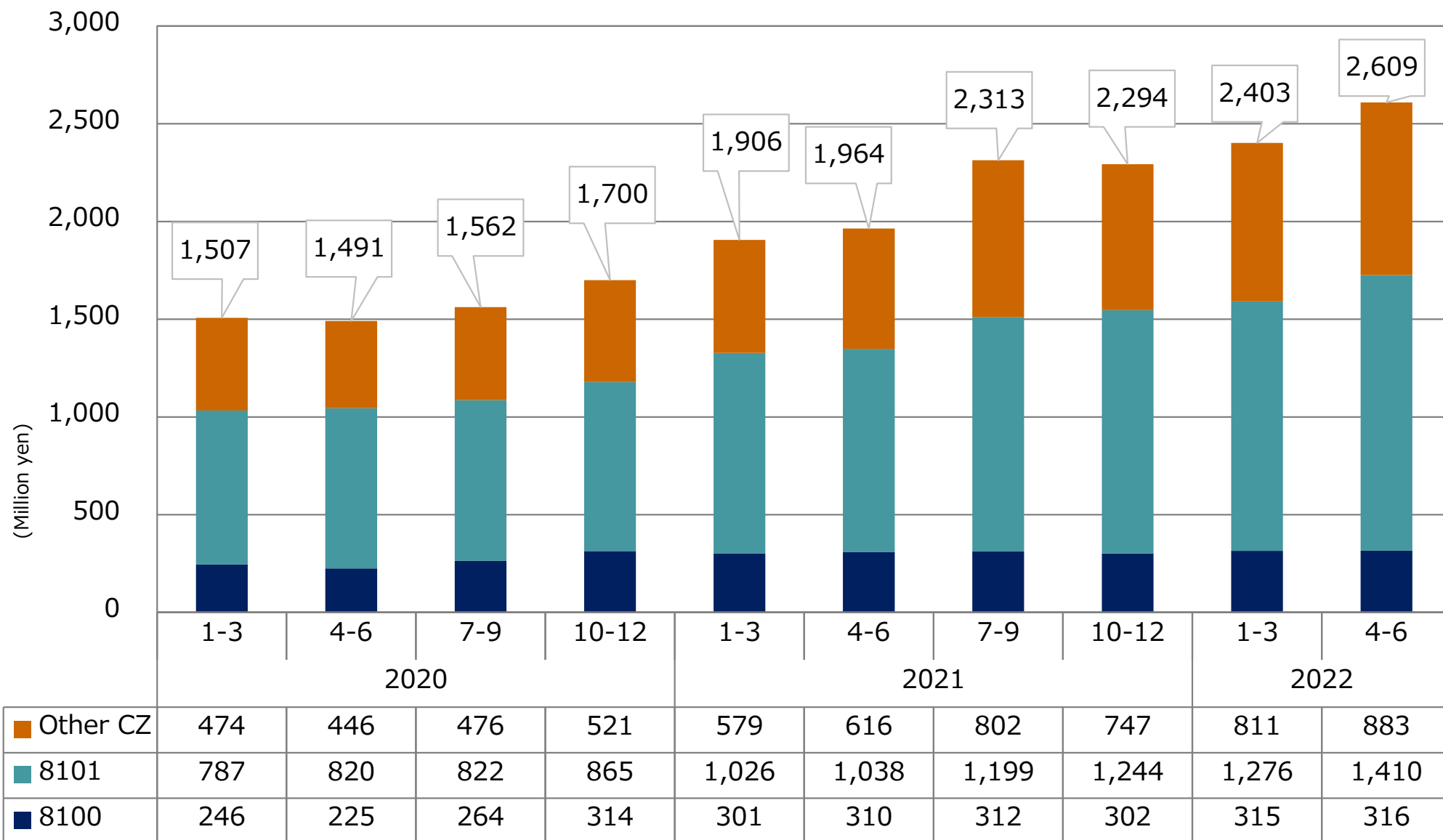
# Quarterly performance : Chemical shipment volume (Consolidated)

(1)

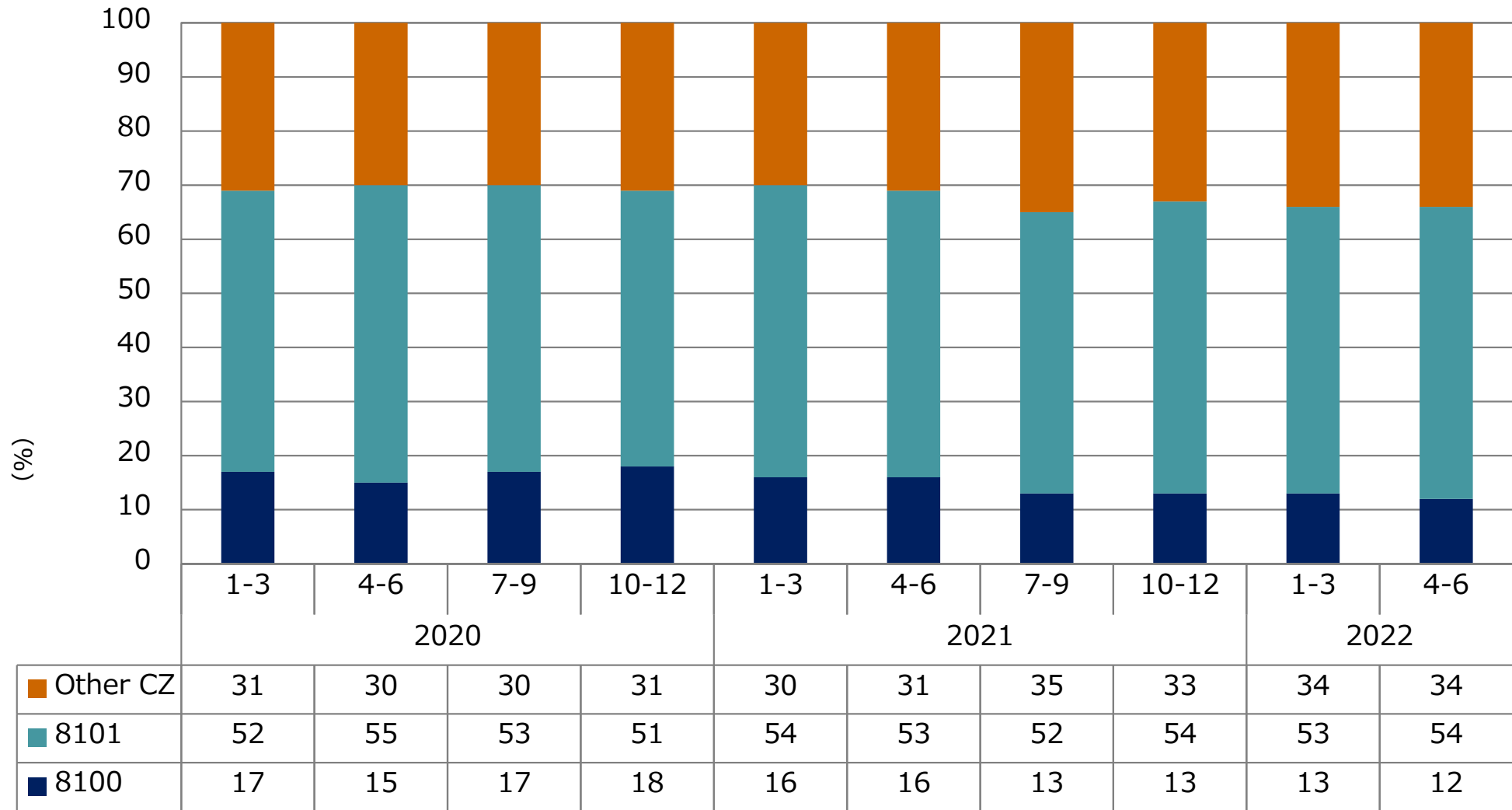


Other surface processing solution	267	269	273	257	384	371	402	394	391	381
Etching solution	1,955	2,209	2,378	2,471	2,287	2,138	2,470	2,226	2,098	2,124
Adhesion improves	6,626	6,723	7,137	7,871	8,248	8,132	9,159	9,063	8,895	9,238

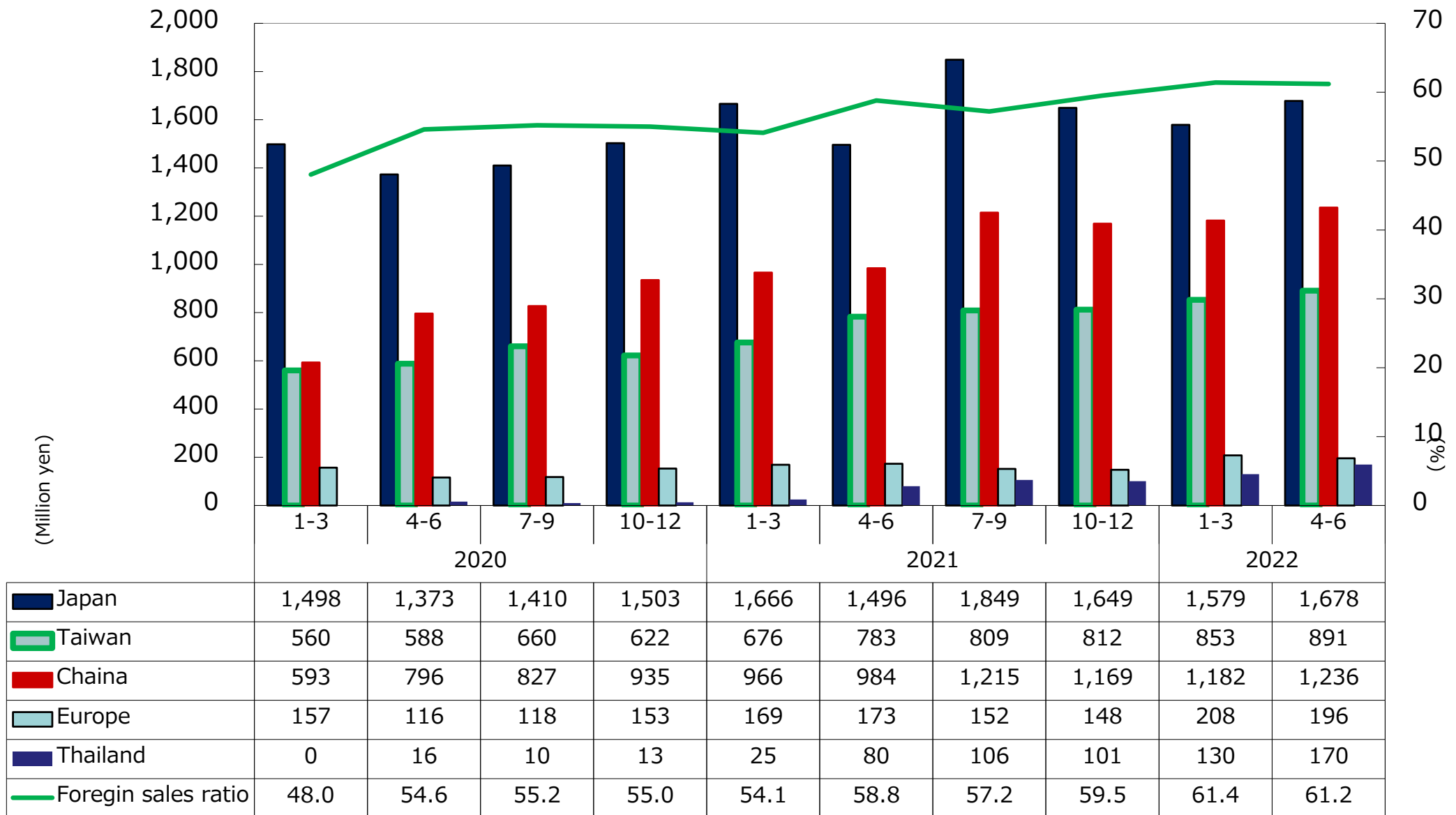
# Quarterly performance : CZ series sales



# Quarterly performance : CZ series sales (Composition ratio)



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

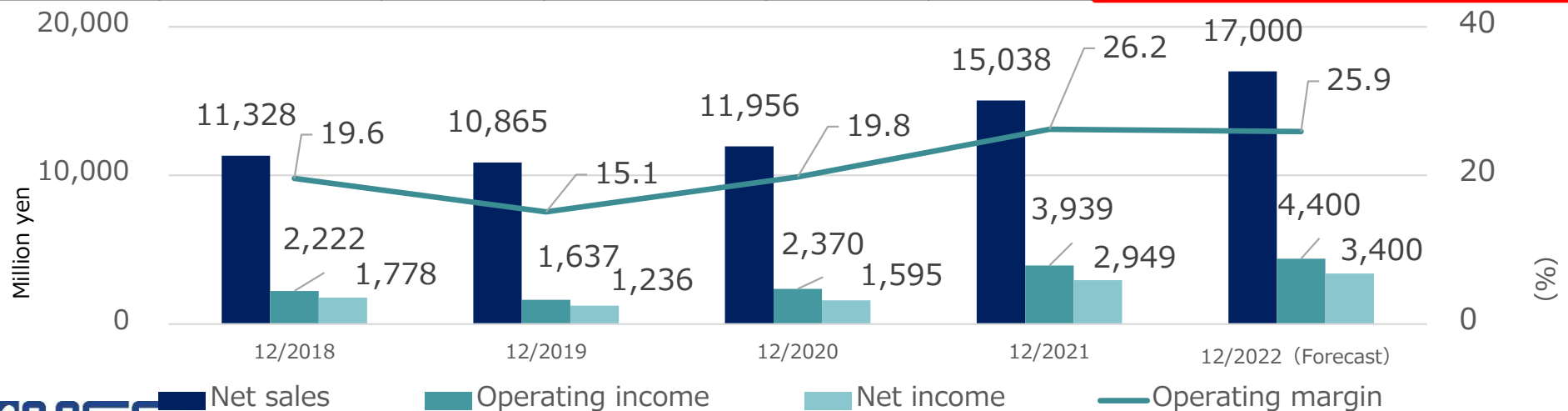


Overseas sales ratio is 79.4%(same period of the previous year: 75.7%) if domestic agents' overseas chemical sales are included.

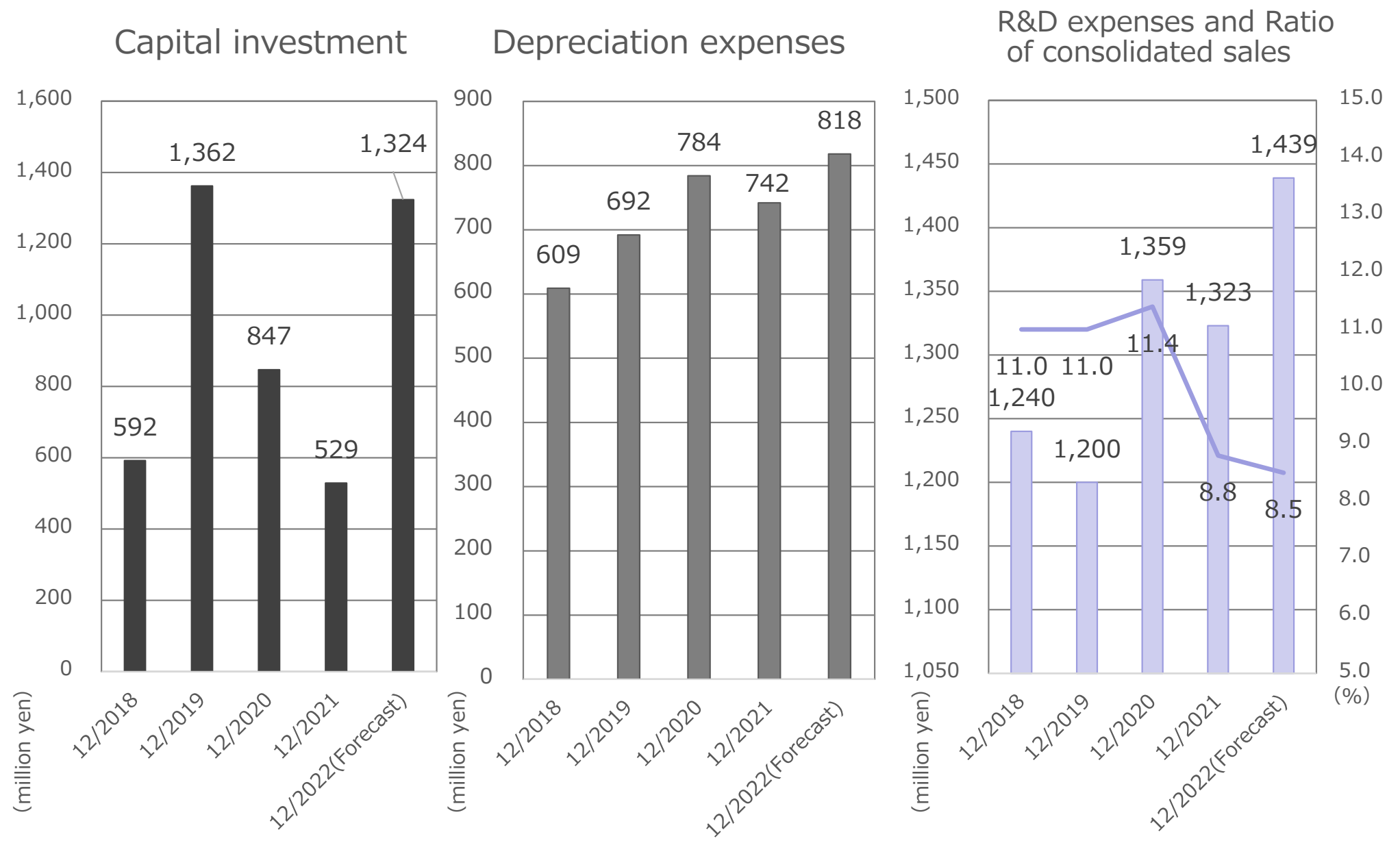


# FYE12/2022 full-year forecast

	FYE12/2021 (53rd term)		FYE12/2022 (54th term)					
	Full-year		May, 10 2022			August, 10 2022		
			Full-year			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	<b>15,038</b>	-	16,650	-	10.7	<b>17,000</b>	-	<b>13.0</b>
Operating income	<b>3,939</b>	<b>26.2</b>	4,200	25.2	6.6	<b>4,400</b>	<b>25.9</b>	<b>11.7</b>
Ordinary income	<b>4,104</b>	<b>27.3</b>	4,450	26.7	8.4	<b>4,800</b>	<b>28.2</b>	<b>16.9</b>
Net income	<b>2,949</b>	<b>19.6</b>	3,200	19.2	8.5	<b>3,400</b>	<b>20.0</b>	<b>15.3</b>
Net income per share(yen)	<b>155.28</b>	-	168.35	-	-	<b>178.87</b>	-	-



# Capital investment, Depreciation expenses and R&D expenses



# Dividend, payout ratio and ROE

## Dividend policy

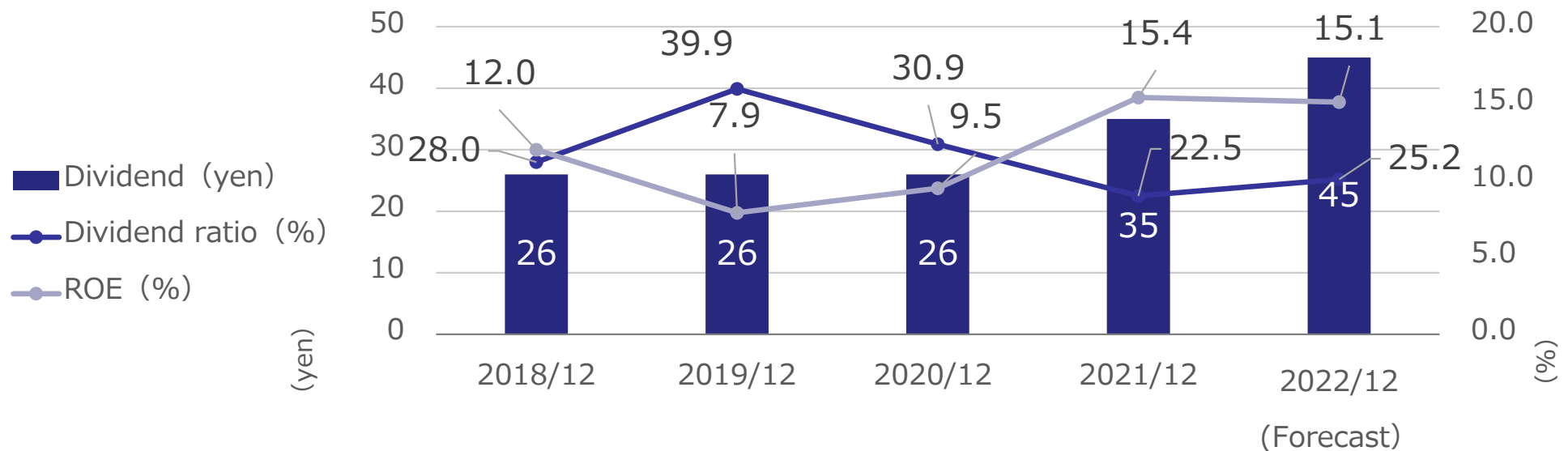
Medium-term goal  
(consolidated payout ratio)  
**30%**

## Dividend (Forecast)

**45.0 yen**

Q2 end                    20 yen  
Fiscal year-end        25 yen

## Dividend / Dividend ratio



# ESG-H effort

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## Environment

- Eco friendly products and products that improve yield.
- Contribution to the improvement of the PCBs manufacturing environment.

## Social

- Contribution to social development (5G, autonomous driving).
- WLB support, Success of women in the work place.

## Governance

- Invitation of outside directors (majority is outside)
- Establishment of ESG Committee and Compensation Advisory Committee

## Human

- Implementing a personnel strategy based on “human capital management”

# Basic policy of capital policy and shareholder return

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In line with the MEC Group's capital policy, we are making the following efforts in order to help improve shareholder value while securing financial soundness.

## Improvement of corporate value

- Continuously improve consolidated ROE based on a level of 10%

## Active, continuous and stable return of profits

- Set a medium-term goal of 30% for consolidated payout ratio

## Medium- and long-term investment for sustainable growth

- Make upfront investment of approximately 10% or more of consolidated sales to cover R&D costs