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# Financial Results Briefing for FYE 12/2022

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February 14, 2023



**MEC COMPANY LTD.**

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.

# FYE12/2022 Overview

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## Business environment

Demand for consumer electronics such as PCs, smartphones, displays, and tablet PCs has been sluggish due to stagnant personal consumption. Data centers, which had been steady, also entered an inventory cycle adjustment phase.

## Financial results overview

### **YOY increase in sales and profit**

The CZ Series, which is especially suited for PKG substrates, contributed to sales growth.

Sales and profits increased due to depreciation of the yen.

## Overview of Main Products

**CZ** : Despite the effects of the semiconductor market, sales grew steadily due to the increase in size and multilayer structure of PKG substrates, contributing to sales growth.

**V-Bond**: Roughly unchanged due to reduced production of automobiles and smartphones.

**EXE** : Sharply declined due to cooling consumer sentiment and inventory adjustments.

**SF** : Sharply declined due to cooling consumer sentiment and inventory adjustments.

# Impact From Various Issues

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## Russia/Ukraine situation

- Raw materials from Russia and Ukraine are not being used
- Regarding the soaring increase in crude oil prices,
  - (1) Although the ratio of raw materials derived directly from crude oil is relatively small, it does have an impact on the purchase price.
  - (2) The impact on transportation costs has already been factored into the plan.



## China's zero-COVID policy

- Supply chain disruptions, reduced production utilization rate for customers.



## Exchange rate (weak yen)

- Few USD-denominated transactions, affected by NTD and RMB.

# FYE12/2022 Key factors

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1

Sales: 16,329 million yen(YOY change: Up 8.6%)  
Operating income: 4,004 million yen(YOY change: Up 1.6%)

2

Exchange rate impact (YOY change)  
Sales: Up 1,072 million yen,  
Operating income: Up 618 million yen.

3

Chemicals  
Sales: 16,042 million yen (YOY change: Up 8.7%)  
Shipments: 44,962 t (YOY change: Down 0.7%)

4

Major products sales (YOY change)  
CZ: Up 21.6%,  
EXE: Down 33.1%, SF: Down 17.2%, V-Bond: Down 3.3%

# Exchange rate

	Initial forecast	22Q4	21Q4	22Q3
NTD	4.16	4.40	3.93	4.37
RMB	18.07	19.39	17.04	19.33
HKD	14.75	16.70	14.14	16.34
THB	3.44	3.73	3.44	3.69
EUR	130.51	137.93	130.11	136.04
USD	115.01	130.78	109.86	128.03

- 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.

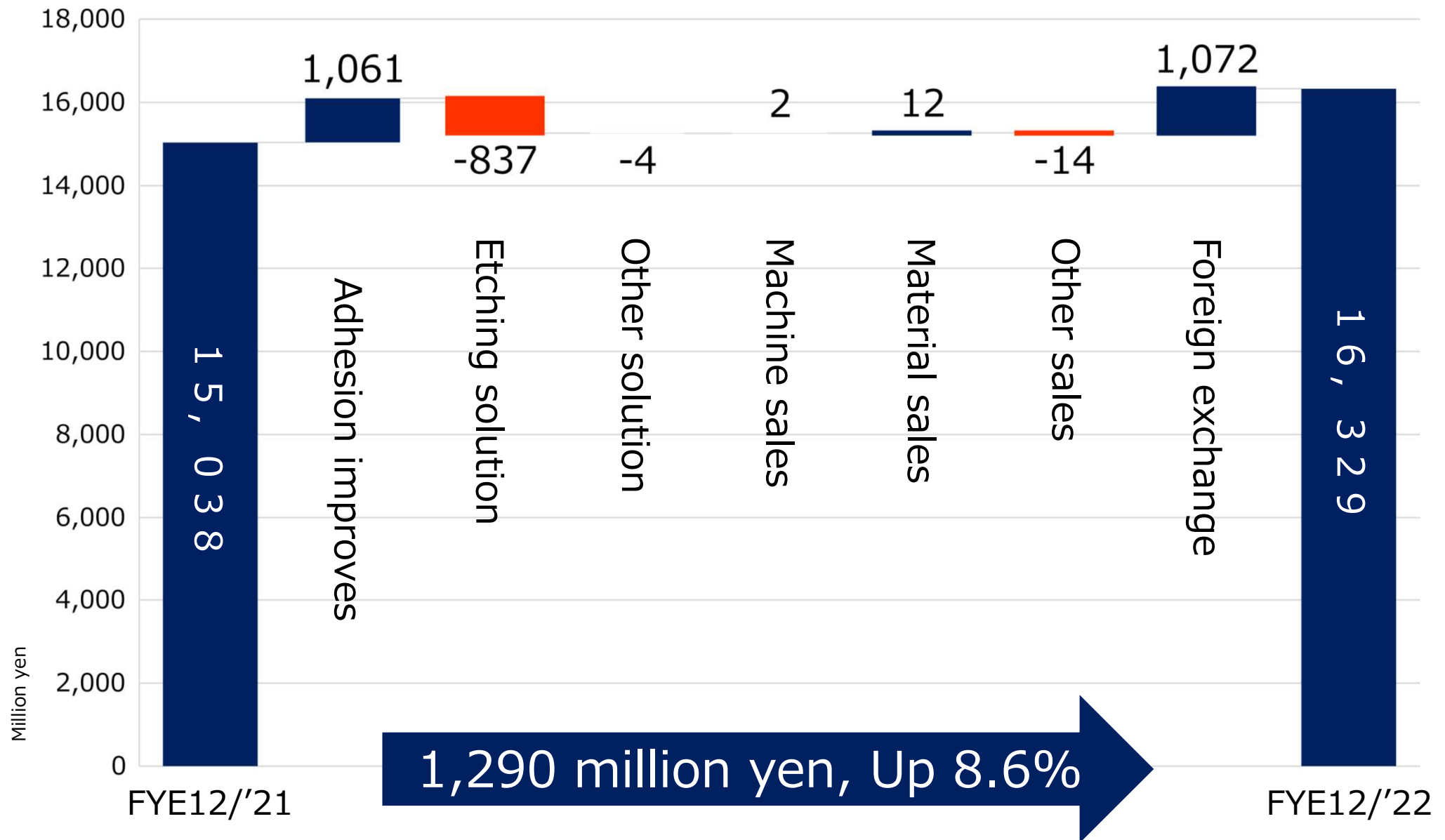
Exchange sensitivity NTD: (Sale) 79 (Operating income) 54  
 (12 months conversion)(million yen) : RMB: (Sale) 25 (Operating income) 12

# FYE12/2022 Results

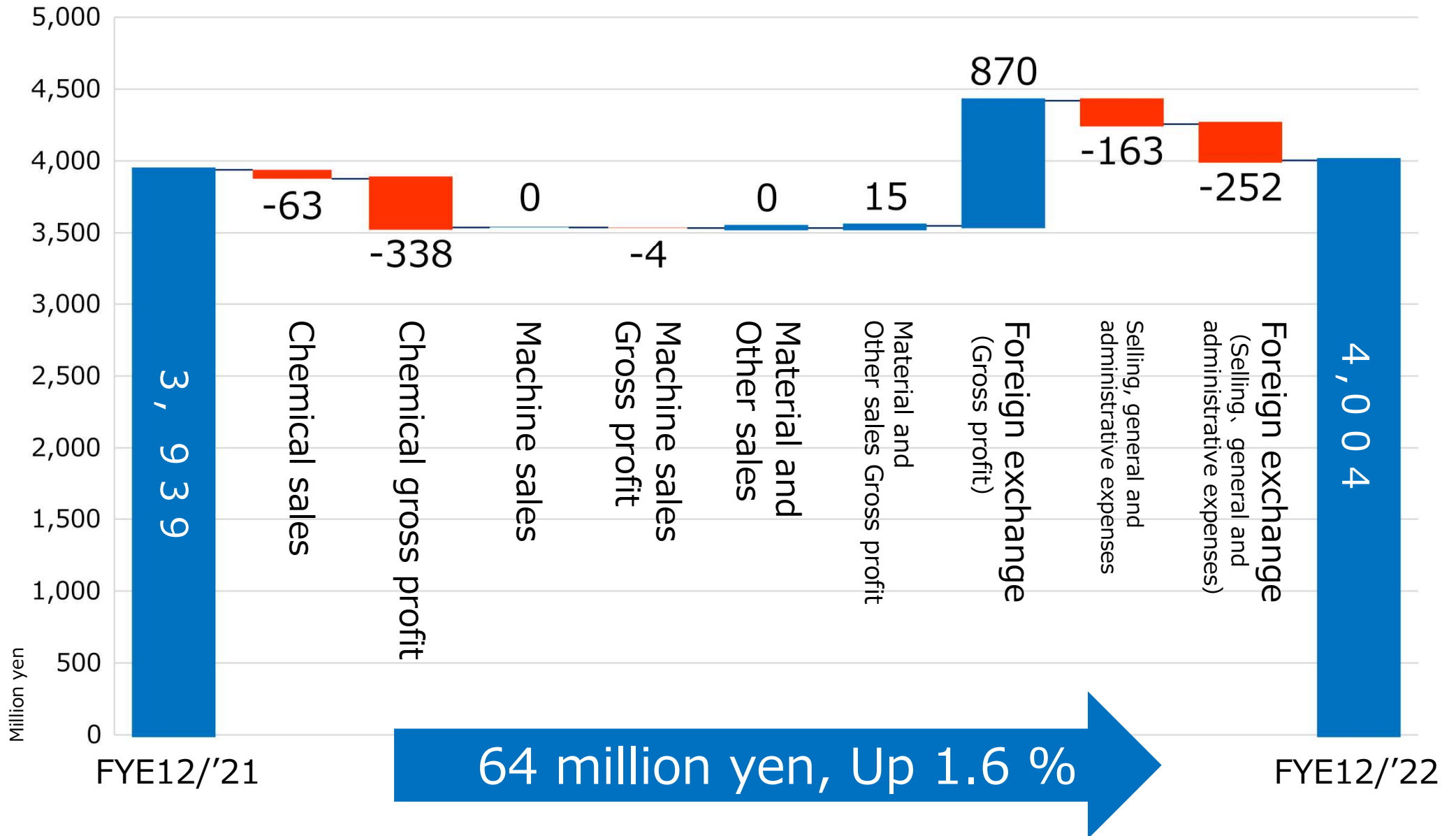
Unit : million yen

	Full-year			
	FYE12/'21 Results	FYE12/'22 Results	FYE12/'22	
			YOY	
Net sales	15,038	16,329	1,290	8.6%
Chemical sales	14,756	16,042	1,285	8.7%
Gross profit	9,323	9,803	480	5.2%
Gross profit margin	62.0%	60.0%	-2.0ppt	-
SGA	5,383	5,799	415	7.7%
Sales ratio	35.8%	35.5%	-0.3ppt	-
Operating income	3,939	4,004	64	1.6%
Operating margin	26.2%	24.5%	-1.7ppt	-
Ordinary income	4,104	4,246	142	3.5%
Ordinary profit margin	27.3%	26.0%	-1.3ppt	-
Profit before tax	4,092	4,224	132	3.2%
Net income	2,949	3,064	150	3.9%
Net income per share	155.28	161.22	-	-

# Net sales YOY



# Operating income YOY





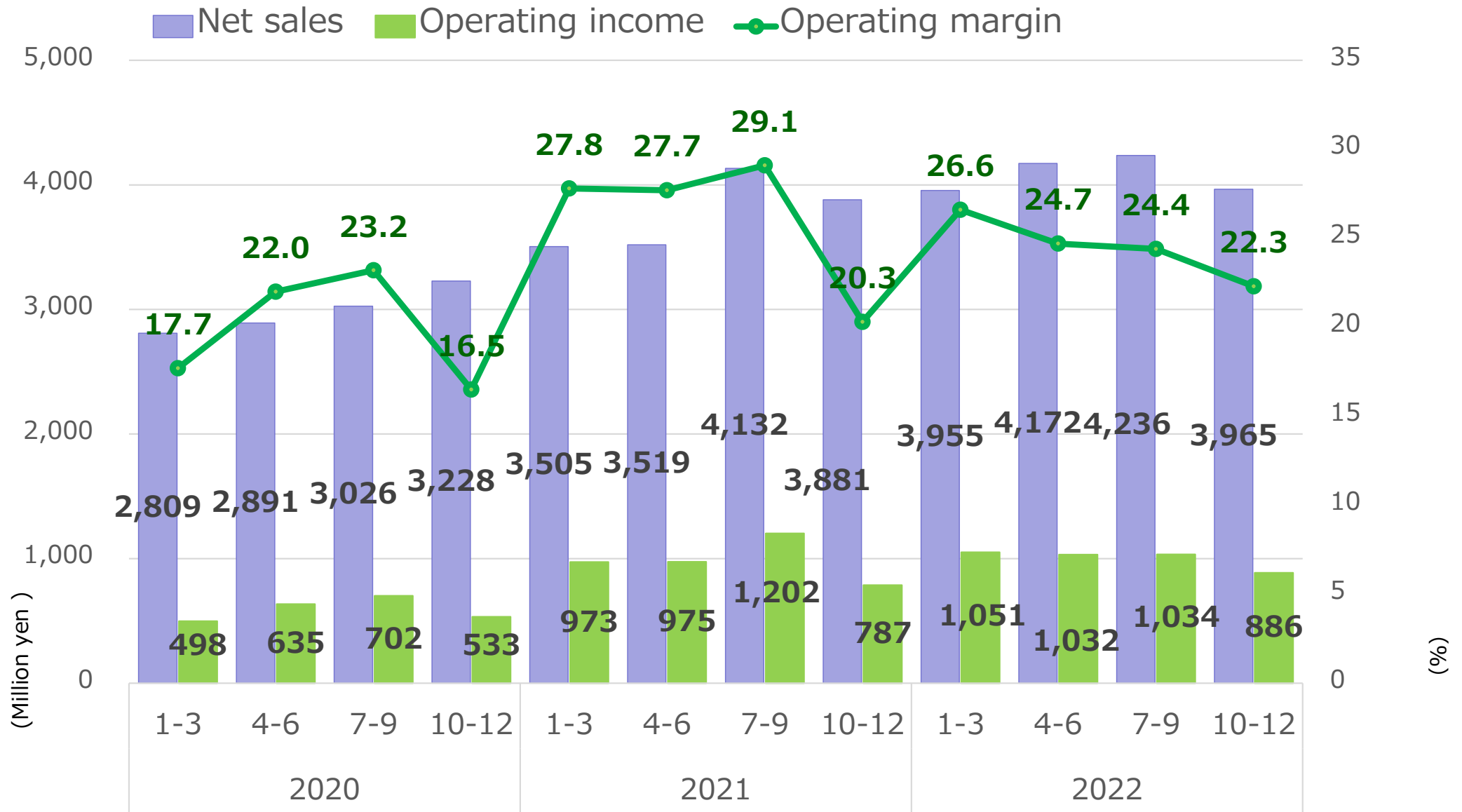
# Consolidated B/S (Assets)

	FYE12/'21	FYE12/'22	topics
<b>Current assets</b>	13,839	15,987	Increase in cash, inventories, etc.
<b>Non-current assets</b>	11,465	11,512	–
<b>Property, plant and equipment</b>	8,891	8,959	–
<b>Intangible assets</b>	147	146	–
<b>Investments and other assets</b>	2,427	2,405	Decrease due to stock price decline, etc.
<b>Total assets</b>	25,305	27,499	–

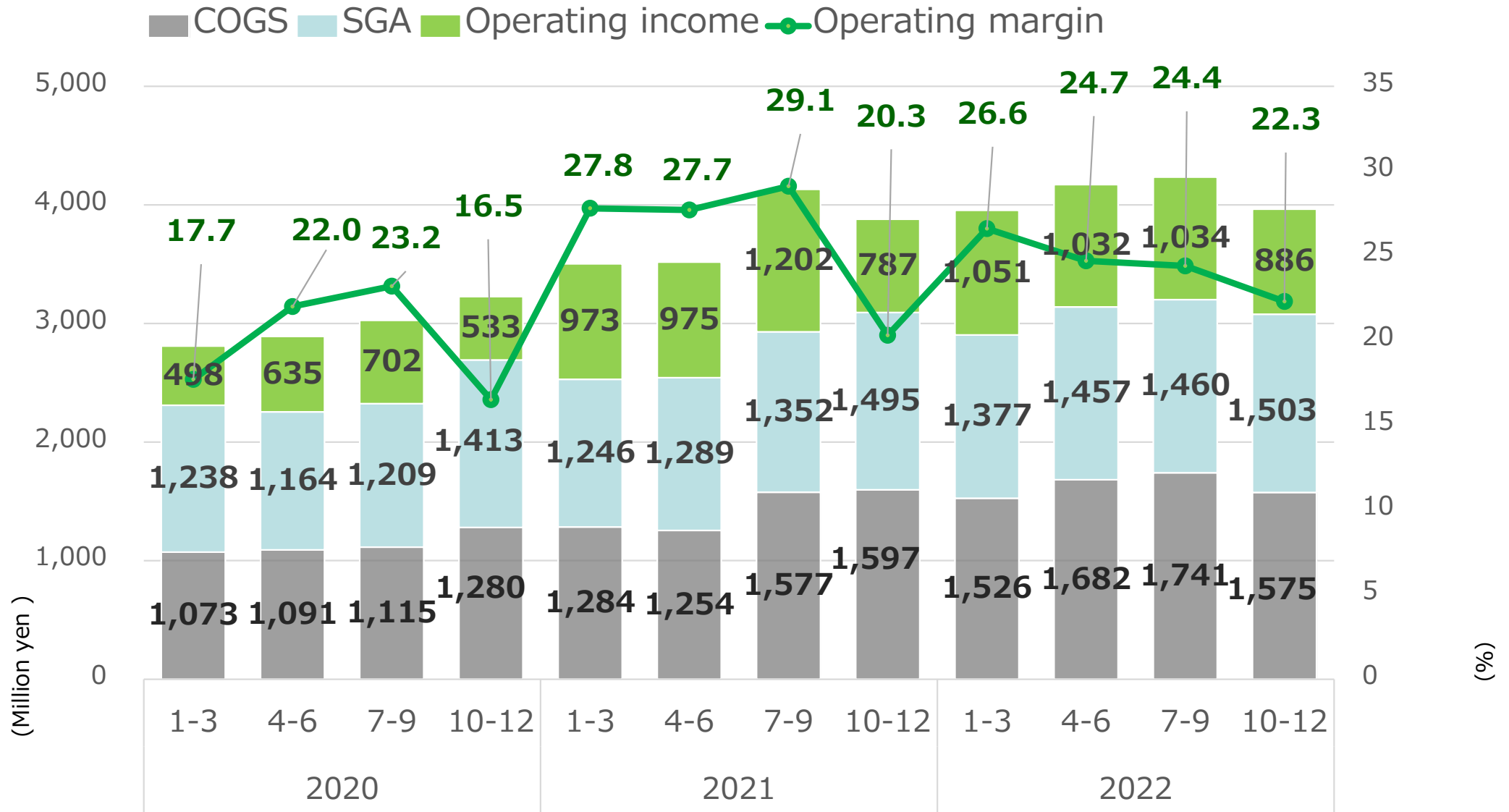
# Consolidated B/S (Liabilities and Net assets)

	FYE12/'21	FYE12/'22	特記事項
<b>Current liabilities</b>	3,791	3,562	Decrease in income taxes payable, etc.
<b>Non-current liabilities</b>	584	611	–
<b>Total liabilities</b>	4,376	4,173	–
<b>Shareholders' equity</b>	18,990	21,278	Increase in retained earnings, etc.
<b>Total accumulated other comprehensive income</b>	1,938	2,047	Increase in foreign currency translation adjustments, decrease in valuation difference on available-for-sale securities, etc.
<b>Total net assets</b>	20,929	23,325	–
<b>Total liabilities and net assets</b>	25,305	27,499	–

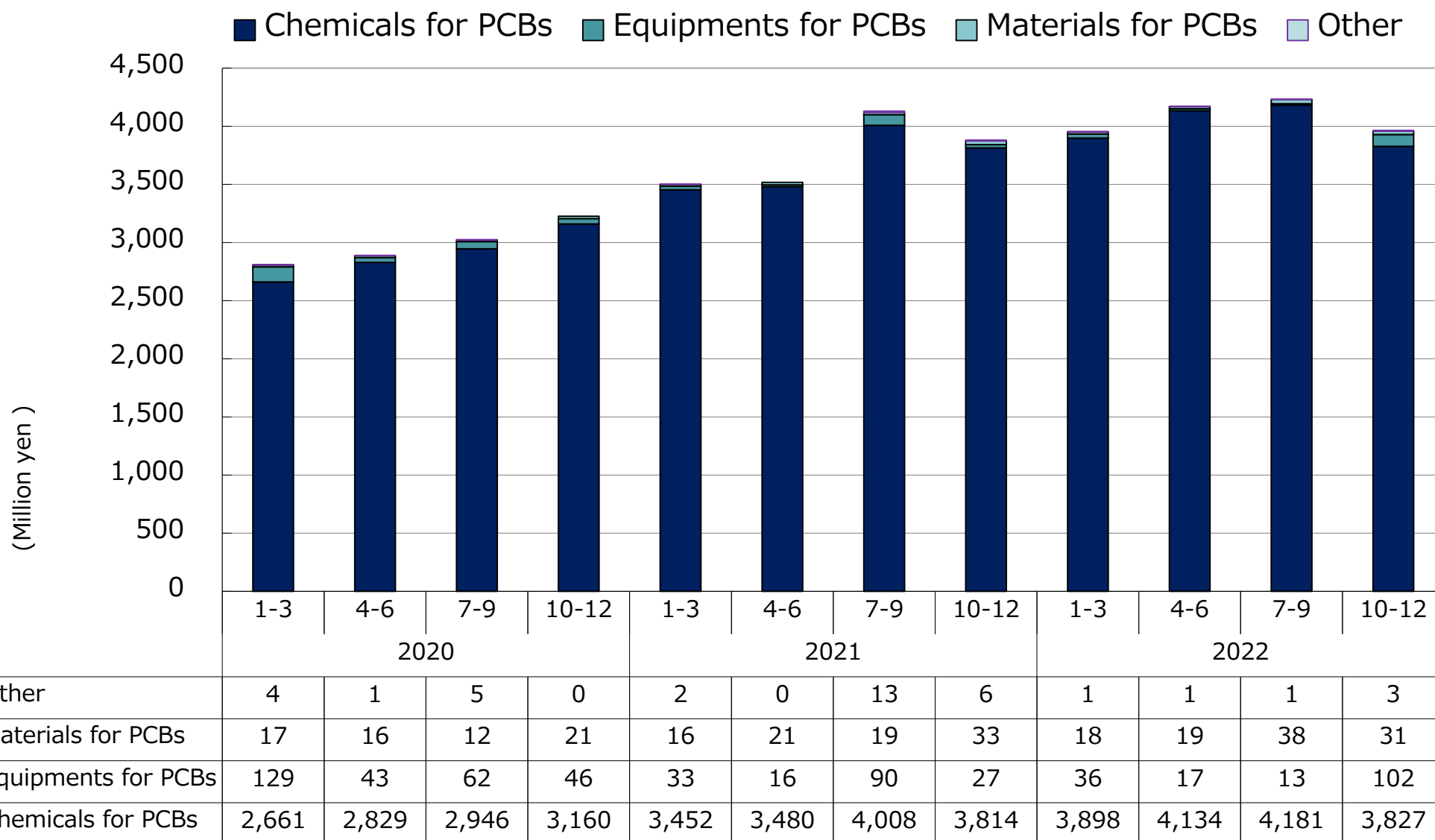
# Quarterly performance: Sales, Operating income, Operating margin (Consolidated)



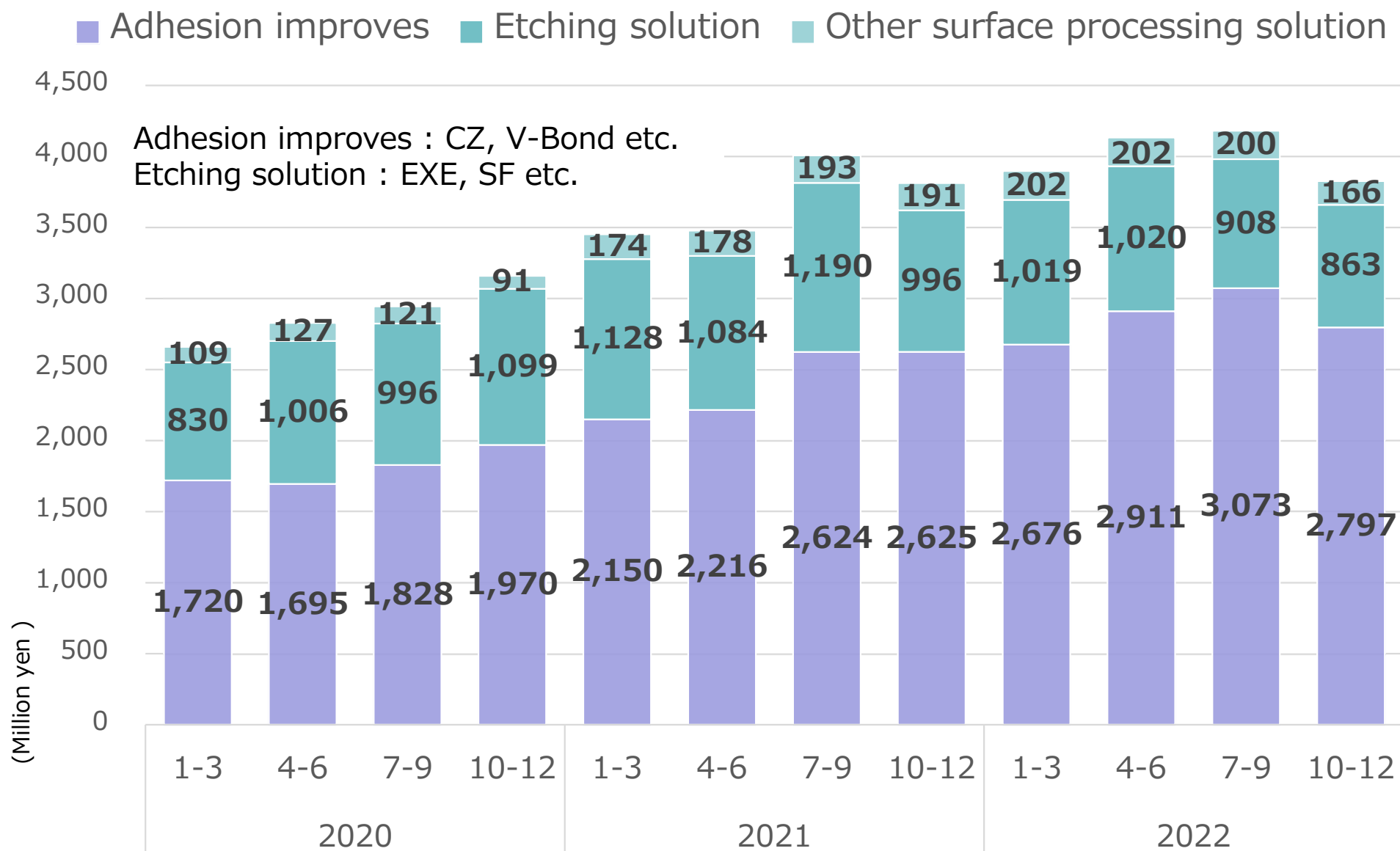
# Quarterly composition: Operating income, SG&A, COGS (Consolidated)



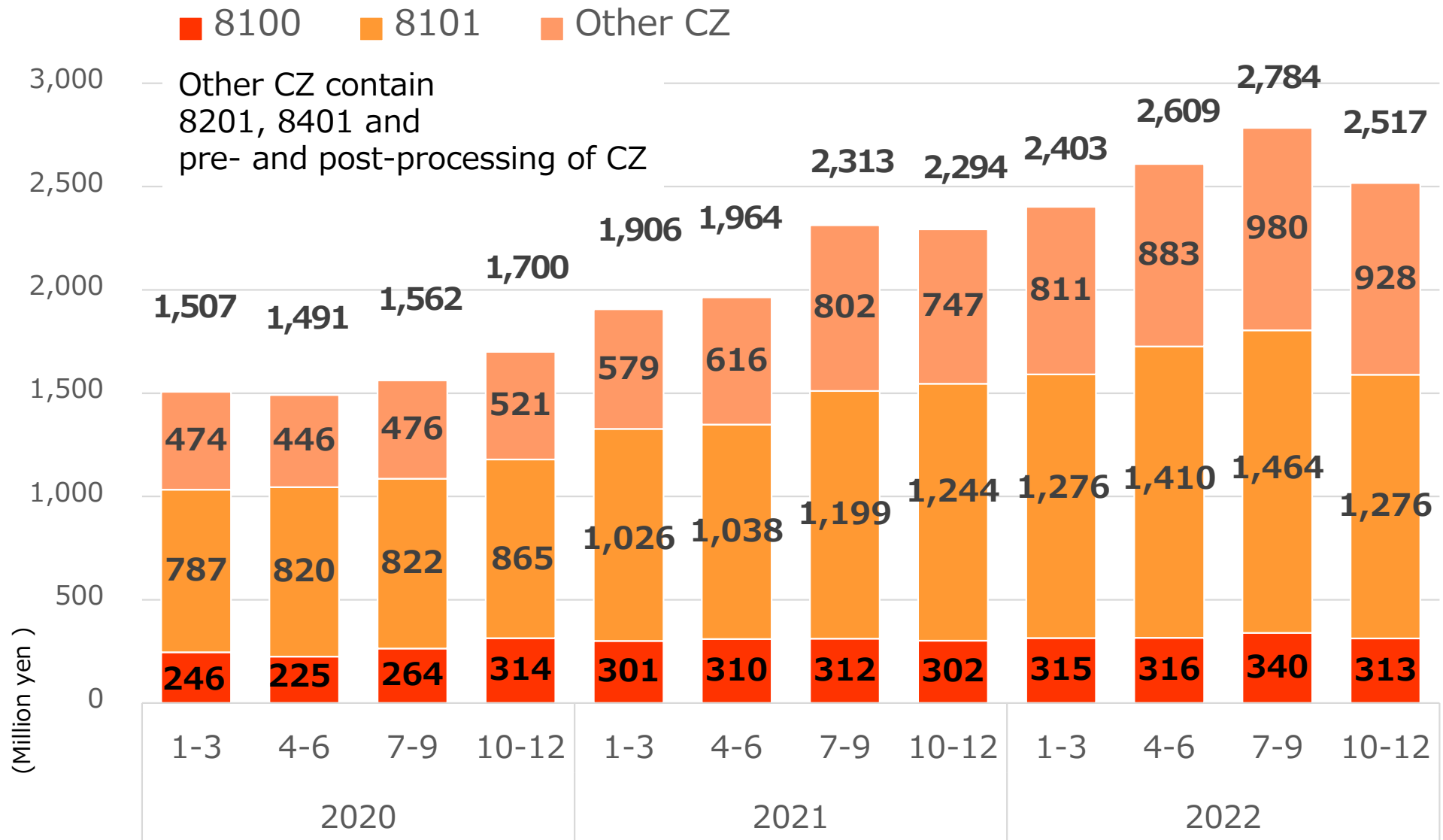
# Quarterly performance : Product-specific sales (Consolidated)



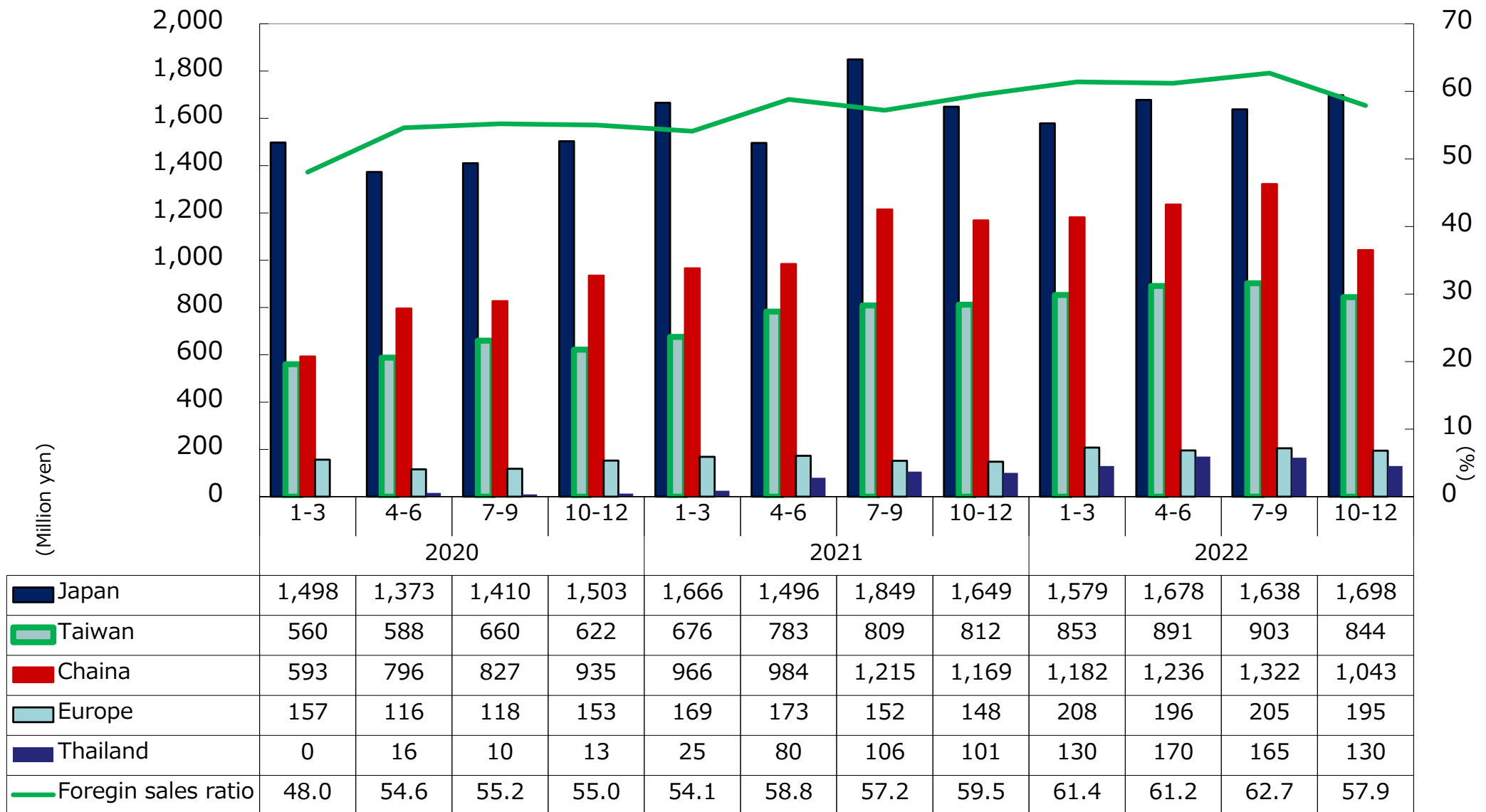
# Quarterly performance : Chemical sales (Consolidated)



# Quarterly performance : CZ series sales



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

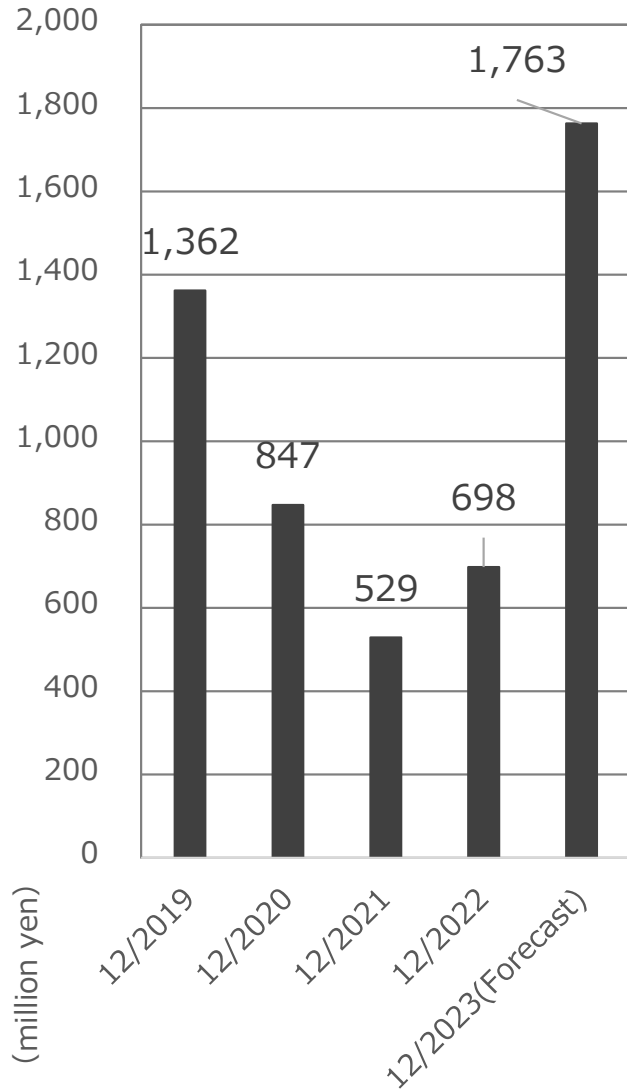


Overseas sales ratio is 77.4%(same period of the previous year: 77.4%) including sales to overseas customers through agents in Japan.

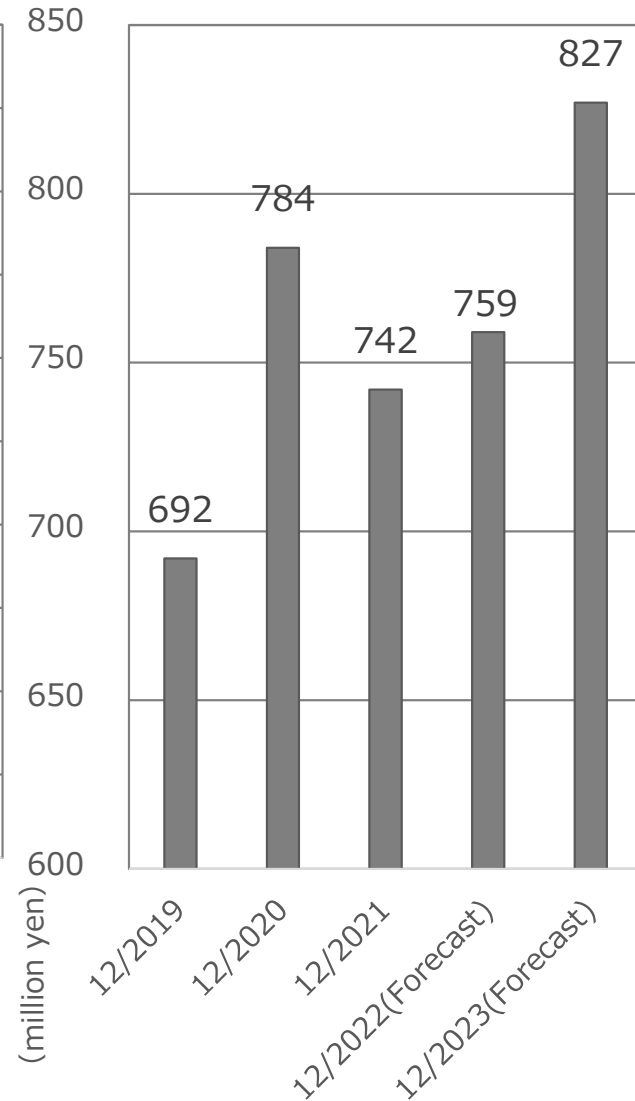


# Capital investment, Depreciation expenses and R&D expenses

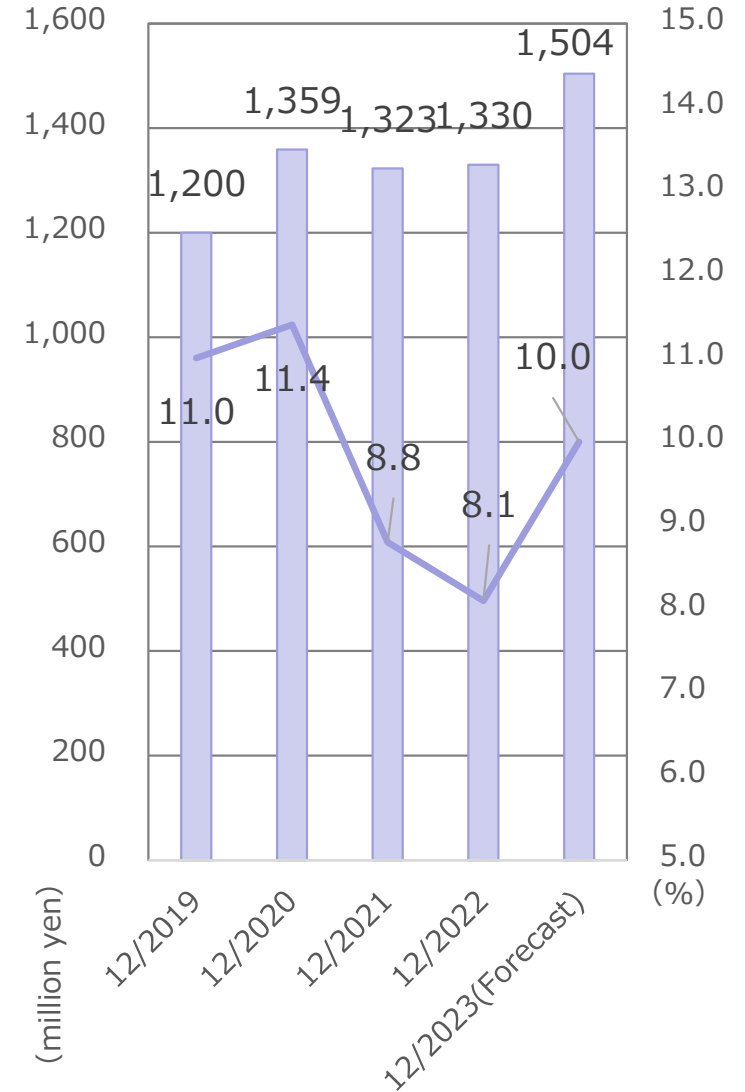
Capital investment



Depreciation expenses



R&D expenses and Ratio of consolidated sales



# Technology trends

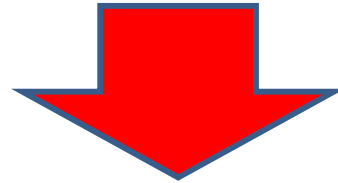
# Examples of major chemical applications and final products

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.

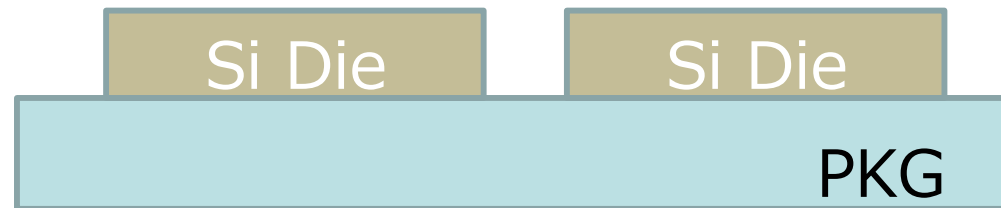
# Evolution of the PKG substrate



## Chiplet

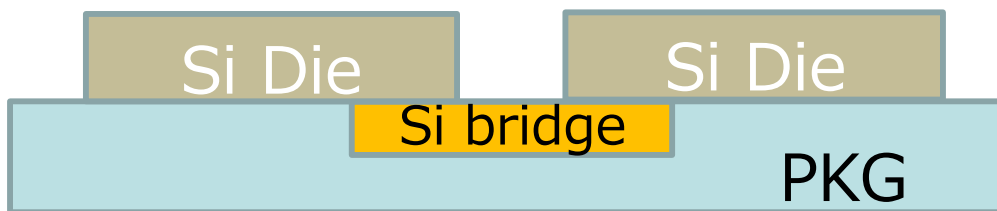


Mounting multiple  
semiconductors



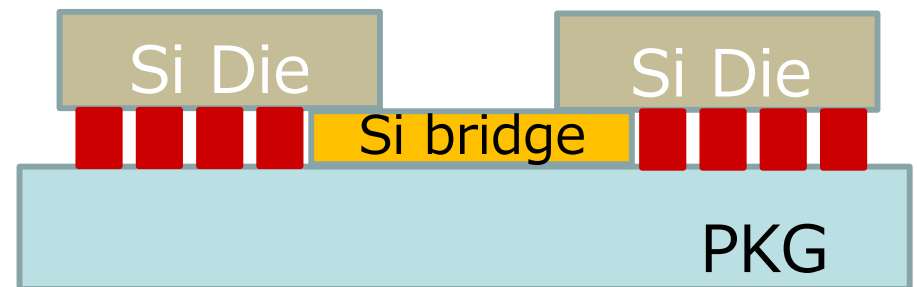
## EMIB

(**E**MBEDDED **M**ULTI-DIE **I**NTERCONNECT **B**RIDGE)



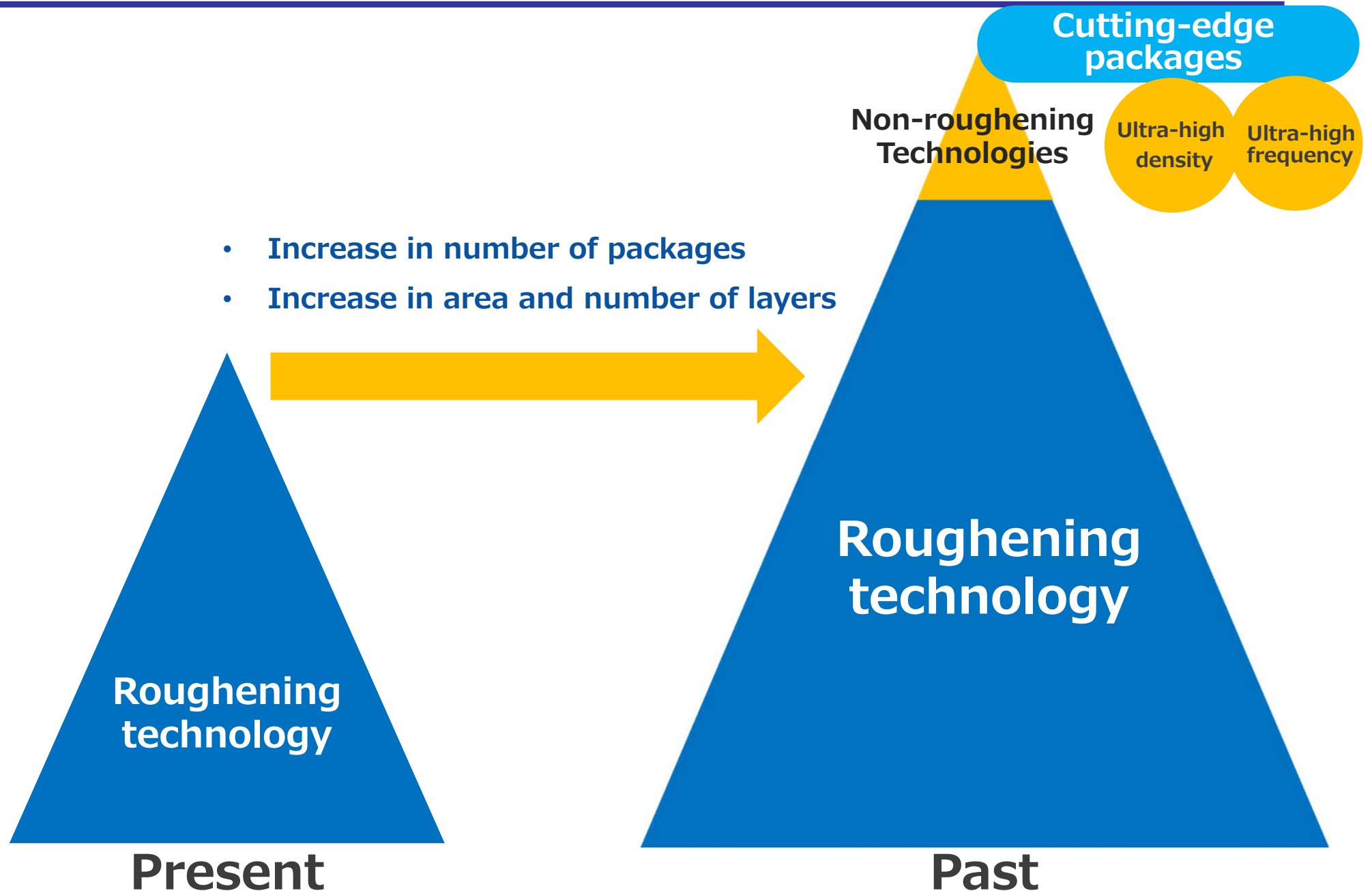
## EFB

(**E**LEVATED **F**ANOUT **B**RIDGE)

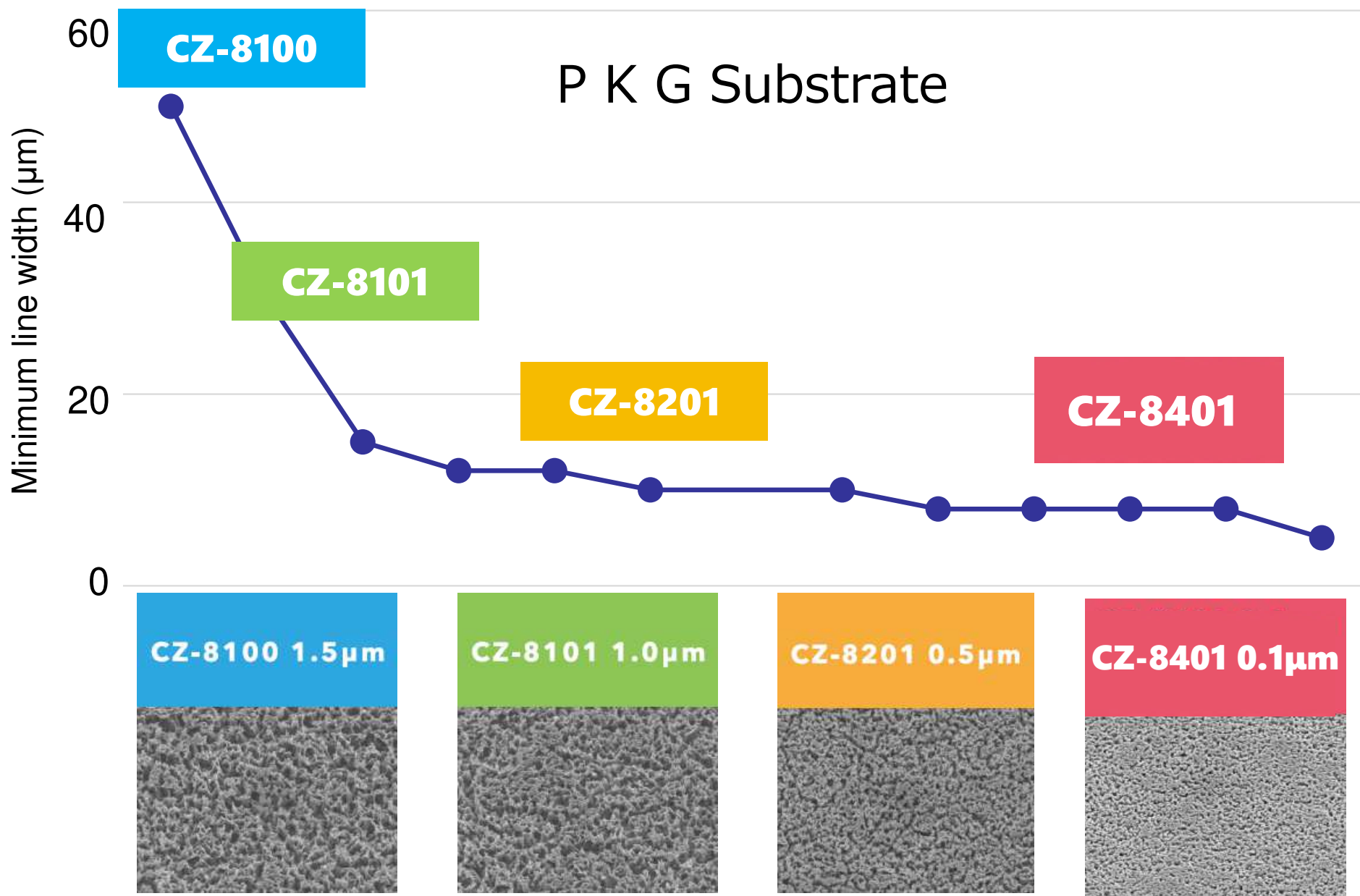


PKG size is big and layers are increase.

# Roughening and Non-roughening Technologies



# CZ series roadmap



# **Our future plans**

# Our future plans

## + 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 is expected to grow thanks to the increase in size and multilayer structure brought about by 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, it is expected to be affected by the decline in automobile production, parts inventory adjustments, and sluggish smartphone demand due to stagnant consumer spending.
- EXE : In the short term, it is expected to be affected by display inventory adjustments.
- SF : Demand for smartphones is expected to decline due to technological changes, while demand for tablet PCs is expected to continue.

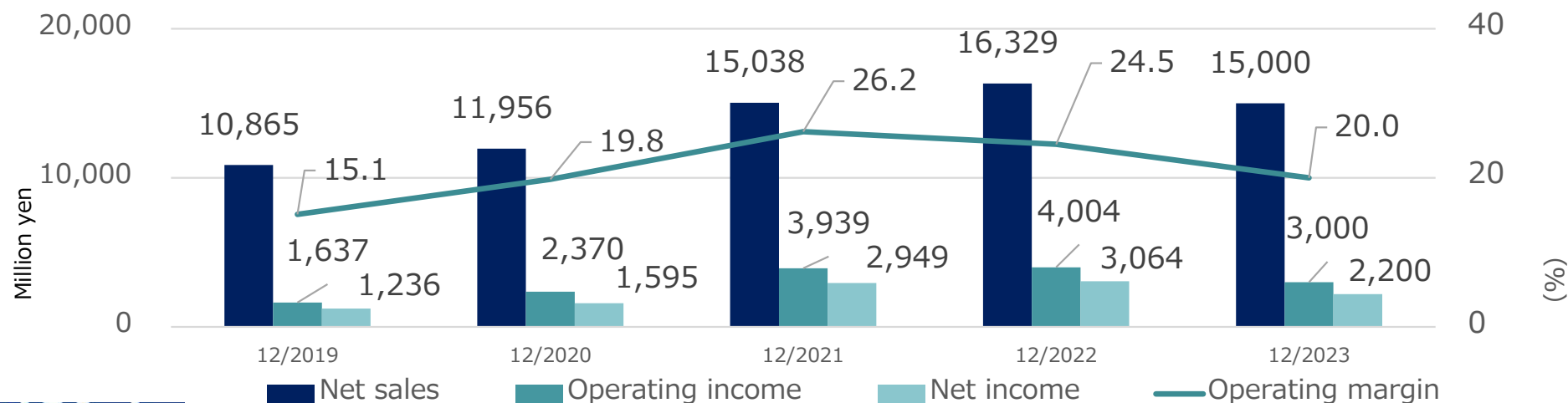
## + Exchange rate

	NTD	RMB	HKD	THB	EUR	USD
FYE12/2022	4.40	19.39	16.70	3.73	137.93	130.78
FYE12/2023	4.37	19.33	16.34	3.69	136.04	128.03

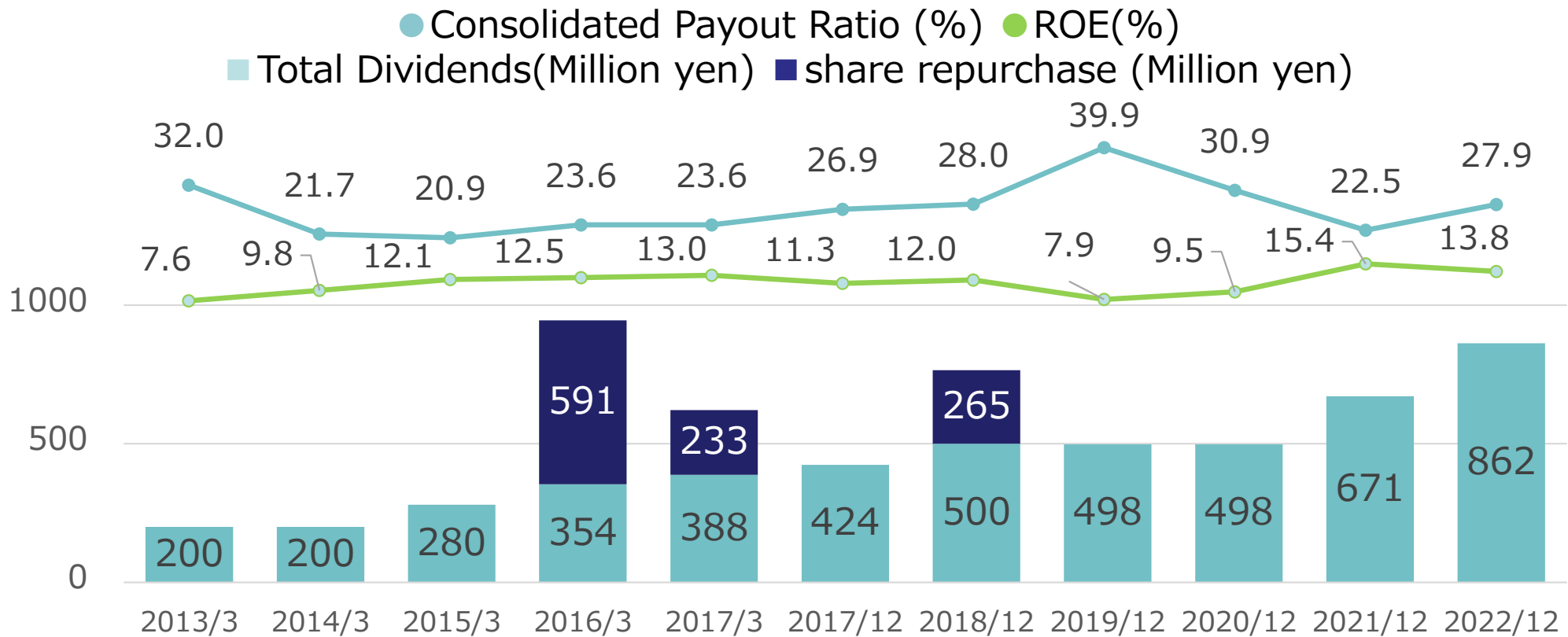


# FYE12/2023 full-year forecast

	FYE12/2022 (54th term)		FYE12/2023 (55th term)					
	Full-year		1H			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	16,329	-	6,500	-	-20.0%	15,000	-	-8.1%
Operating income	4,004	24.5	800	12.3	-61.6%	3,000	20.0	-25.1%
Ordinary income	4,246	26.0	850	13.1	-64.2%	3,100	20.7	-27.0%
Net income	3,064	18.8	600	9.2	-63.9%	2,200	14.7	-28.2%
Net income per share(yen)	161.22	-	31.56	-	-	115.72	-	-



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



## + Consolidated Dividend Payout Ratio

Medium-term goal(consolidated payout ratio)  
30%

## + ROE

2024 quantitative targets  
At least 10%

## + FYE12/2023 Annual dividends per share(Forecast)

45.0円 (2Q-end 20.0yen, Fiscal year-end 25.0yen,  
consolidated payout ratio:38.9%)

# CSR Materiality (Key Issues)

<b>Research and development to open up the future</b>	<p>Development and provision of high added value products            Contribution to higher customer productivity and yields            Development of products that reduce environmental impact</p>
<b>Proper procurement, production, and logistics</b>	<p>SCM, green procurement, global procurement            Creation of global production and supply system</p>
<b>Environmental preservation</b>	<p>Appropriate chemical substance management            BCP responses</p>
<b>Quality and safety</b>	<p>Health and safety management, quality assurance            Building long-term trusting relationships with stakeholders</p>
<b>Utilization of diverse human resources</b>	<p>Health management, work-life balance            Career development, self-reliance, self-discipline, solidarity (engagement)</p>
<b>Reinforcement of management foundations</b>	<p>Governance            Appropriate information disclosure, security            Risk management</p>

# SDGs That Involve the Company

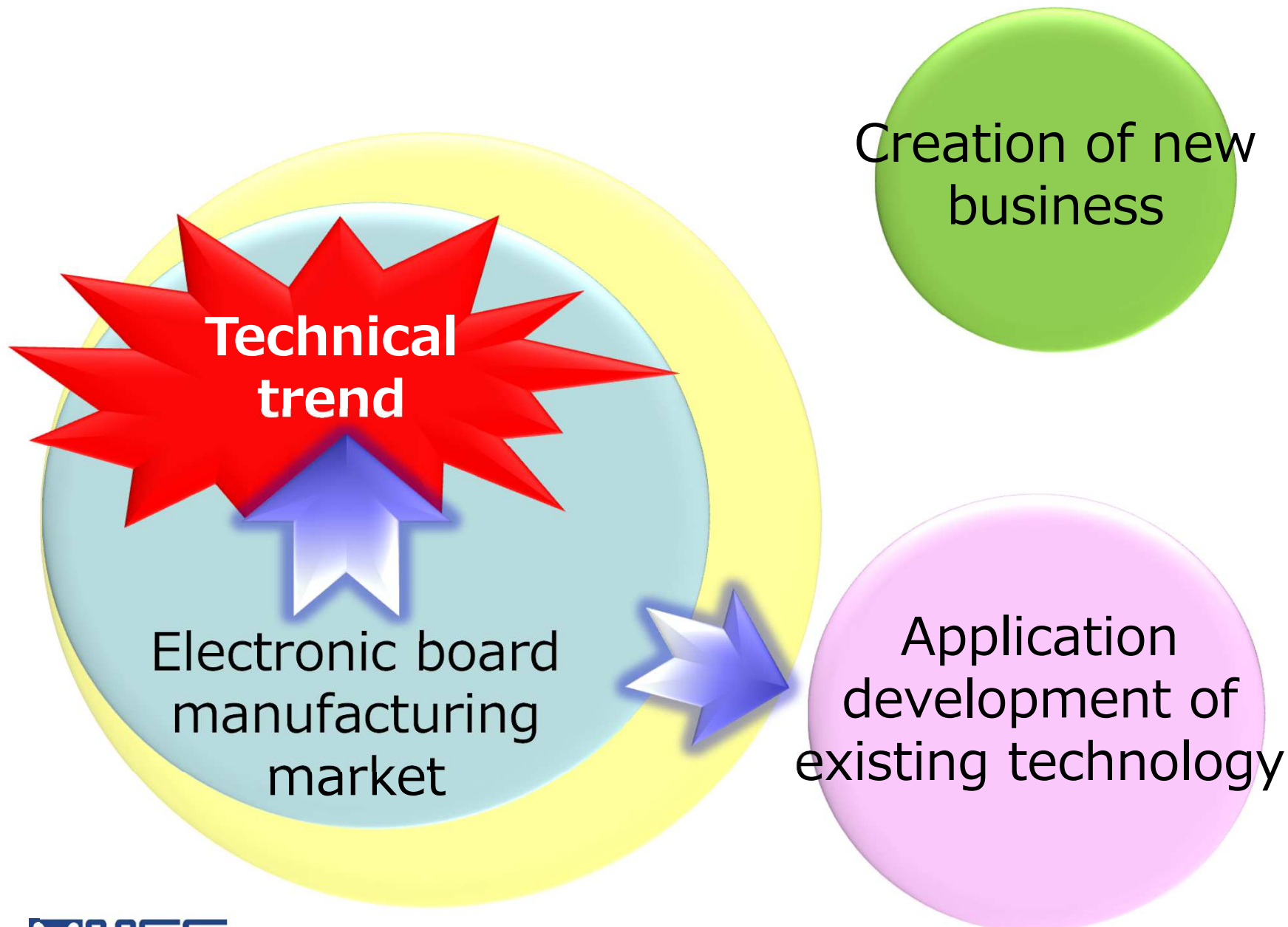
<b>Our mission</b>	Grow as a company by contributing to the development of industry
<b>Our responsibility</b>	Responsibility for procurement, handling, product development, manufacturing, and disposal as a company that uses resources and handles chemical substances
<b>The world to be achieved through business</b>	Happiness and growth as people
	Water
	Equality Collaboration
<b>Issues</b>	Contributing to climate change Energy issues
<b>Social contribution</b>	Afforestation

# Capital Policy

Investment in research and development	Approximately <b>10%</b> of consolidated sales every year
Capital investment	Approximately <b>5</b> billion yen over three years (2022 to 2024)
Shareholder returns	Maintain and increase the annual dividend per share Consolidated payout ratio target: <b>30%</b> Flexibly implement share buybacks according to the circumstances

# Aiming to expand the business domain

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# Appendix

# Corporate profile

(As of December 31, 2022)

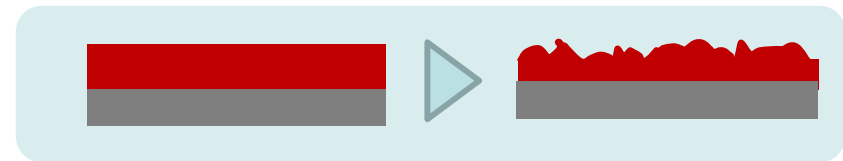
<b>Company name</b>	MEC COMPANY LTD.
<b>Head quarters location</b>	3-4-1, Kuise Minamishimmachi, Amagasaki, Hyogo 660-0822, JAPAN
<b>Date of establishment</b>	May 1, 1969
<b>Business activities</b>	R&D, production and sales of chemicals, equipment and related materials used in the production of PCBs and electronic components.
<b>Presentative</b>	President and CEO Kazuo Maeda
<b>Capital</b>	594,142,400 JPY
<b>Net sales</b>	16,329 million JPY (Consolidated)
<b>Stock listing</b>	Tokyo Stock Exchange Prime Market Securities code: 4971
<b>Number of employees</b>	438 persons (Consolidated) 253 persons (Non-consolidated)



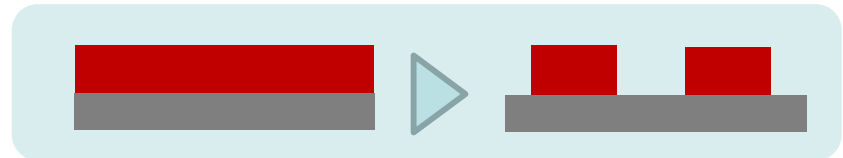
# MEC's core technologies

## *Creating and Fostering Value at Various Interfaces*

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



- **Pattern formation** EXE



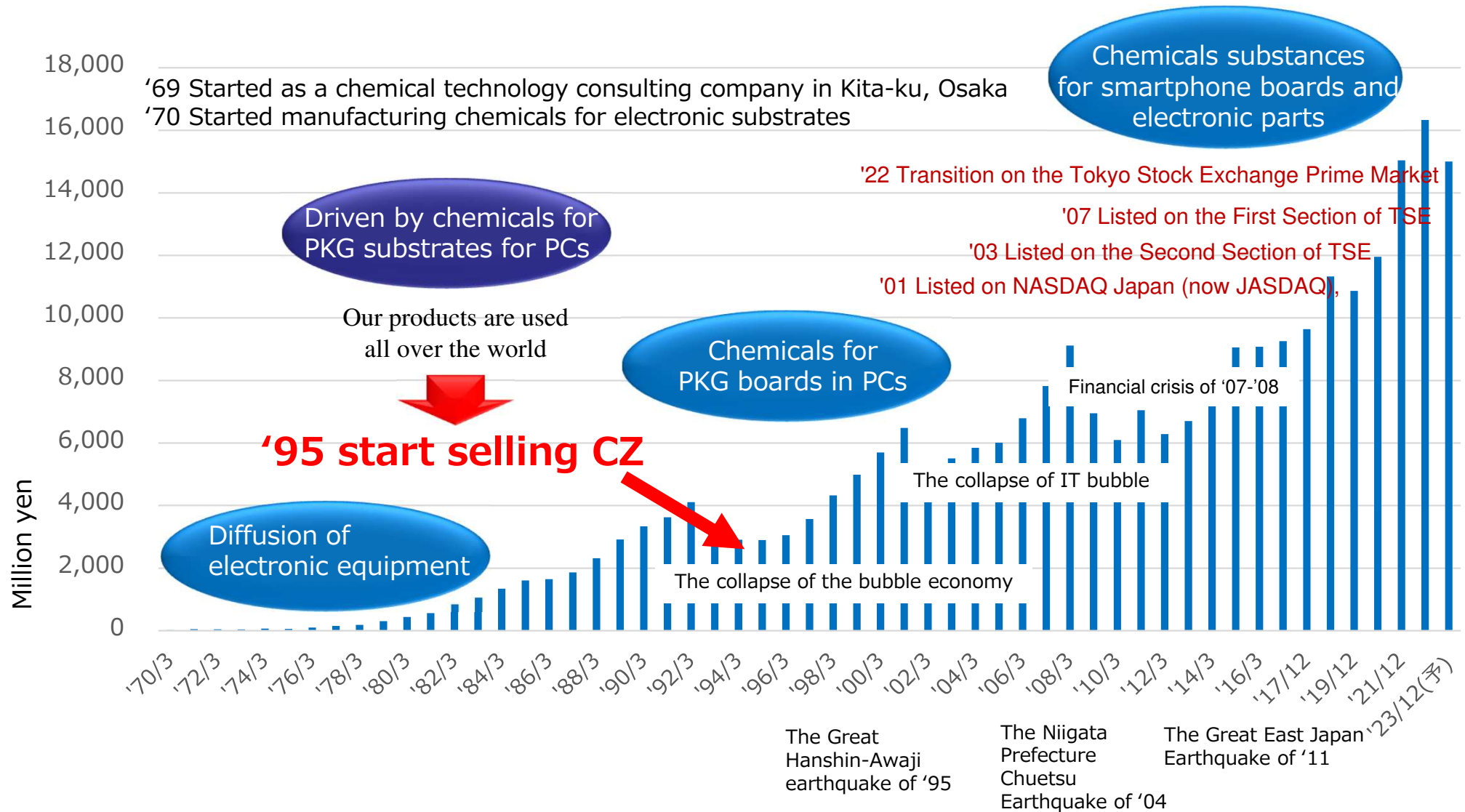
- **Selective etching** SF



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



# MEC sales trend since foundation



# Production capacity



Amagasaki Factory  
900 t / m



Nagaoka Factory  
1,800 t / m



MEC TAIWAN  
1,200 t / m



MEC SUZHOU  
450 t / m



MEC ZHUHAI  
750 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, 2023. 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.