Financial Results Briefing for Q3 FYE 12/2020

November 9, 2020

MEC COMPANY LTD.

Securities code: 4971

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

Notice Regarding Revision of Full-year Consolidated Earning Forecast

Revision to the full-year consolidated earnings forecast for the fiscal year ending in December (January 1, 2020 to December 31, 2020)

	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)	11,100	2,000	2,000	1,400	73.77
Forecast revised this time(B)	11,700	2,300	2,300	1,500	79.03
Difference(B-A)	600	300	300	100	
Percentage change (%)	5.4	15.0	15.0	7.1	
(Reference) Results for the previous term (Year ended December 31, 2019)	10,865	1,637	1,722	1,236	65.16

Measures against COVID-19 Infection

Maintaining a system for preventing the spread of infection and continuing to supply products

Placing the President as the Head of the Emergency Response Headquarters, and carefully continuing corporate activities according to the circumstances based on the BCP (business continuity plan)

Way of working

- Recommendation of working from home
- Full flextime
- Expansion of commuting options
- Recommendation of doing substitute holiday work (swapping holidays with working days) and taking substitute holidays

Business trips, etc.

- Self-restraint regarding unnecessary business trips
- Self-restraint regarding eating between employees

Facility management

- Thorough hygiene management
- Installation of splash prevention panel
- Satellite office

Q3 FYE12/2020 Key factors

1 Assumed/actual exchange rate

JPY to NTD	Assumed rate: 3.61 yen	Actual rate: 3.61 yen (previous year was 3.53 yen)
JPY to RMB	Assumed rate: 15.34 yen	Actual rate: 15.34 yen (previous year was 15.93 yen)
JPY to EUR	Assumed rate: 121.25 yen	Actual rate: 121.25 yen (previous year was 122.83 yen)
JPY to THB	Assumed rate: 3.42 yen	Actual rate: 3.42 yen (previous year was 3.52 yen)
JPY to USD	Assumed rate: 107.46 yen	Actual rate: 107.46 yen (previous year was 109.39 yen)

2 Exchange rate impact (YOY change)

Sales: Down 52 million yen,
Operating income: Down 32 million yen.

3 Major products sales (YOY change)

CZ was good performance, SF and EXE were almost flat and V-Bond was low performance.

4 Chemicals (YOY change)

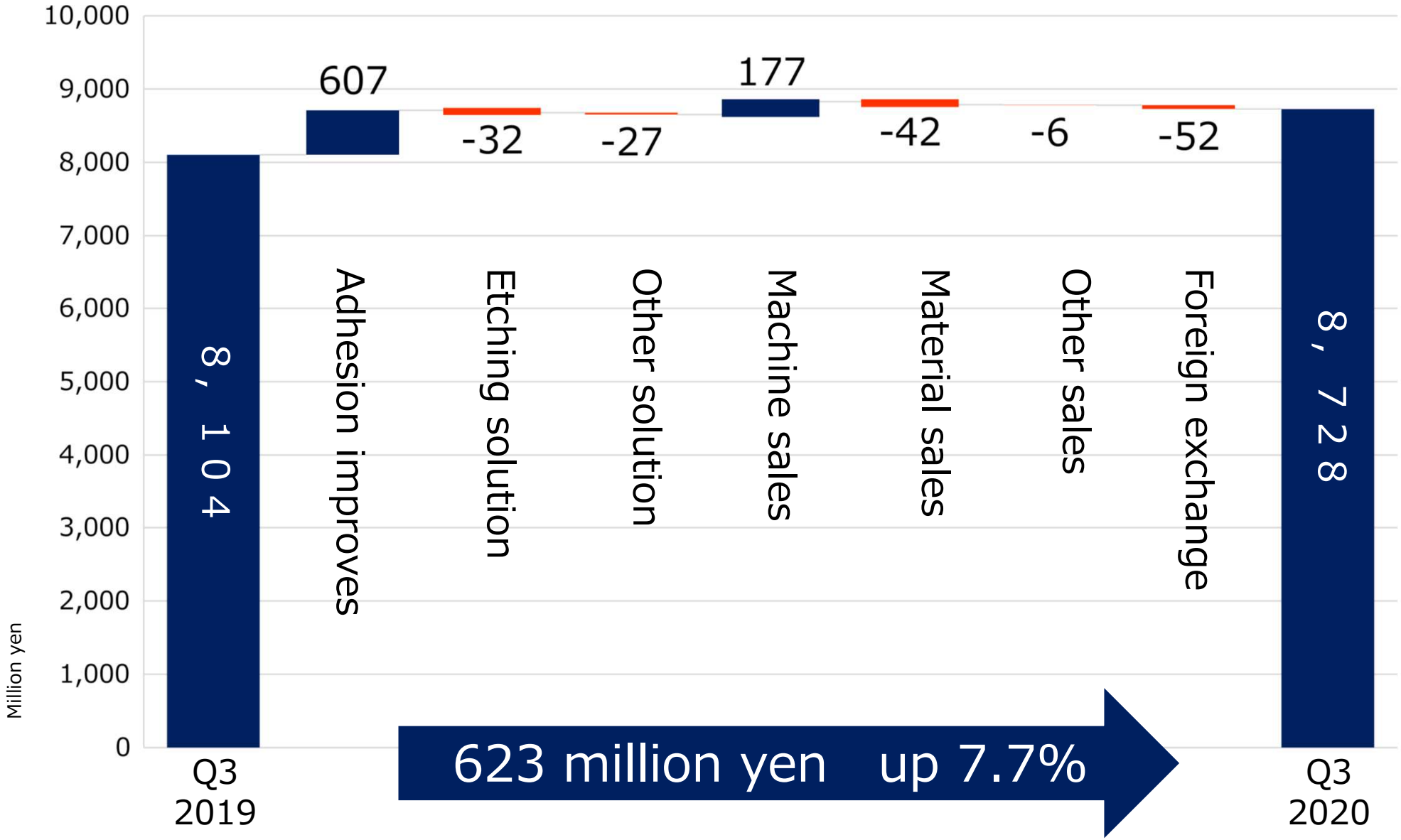
Sales: Up 6.2%, Shipments: UP 6.1%

Q3 FYE12/2020 Results

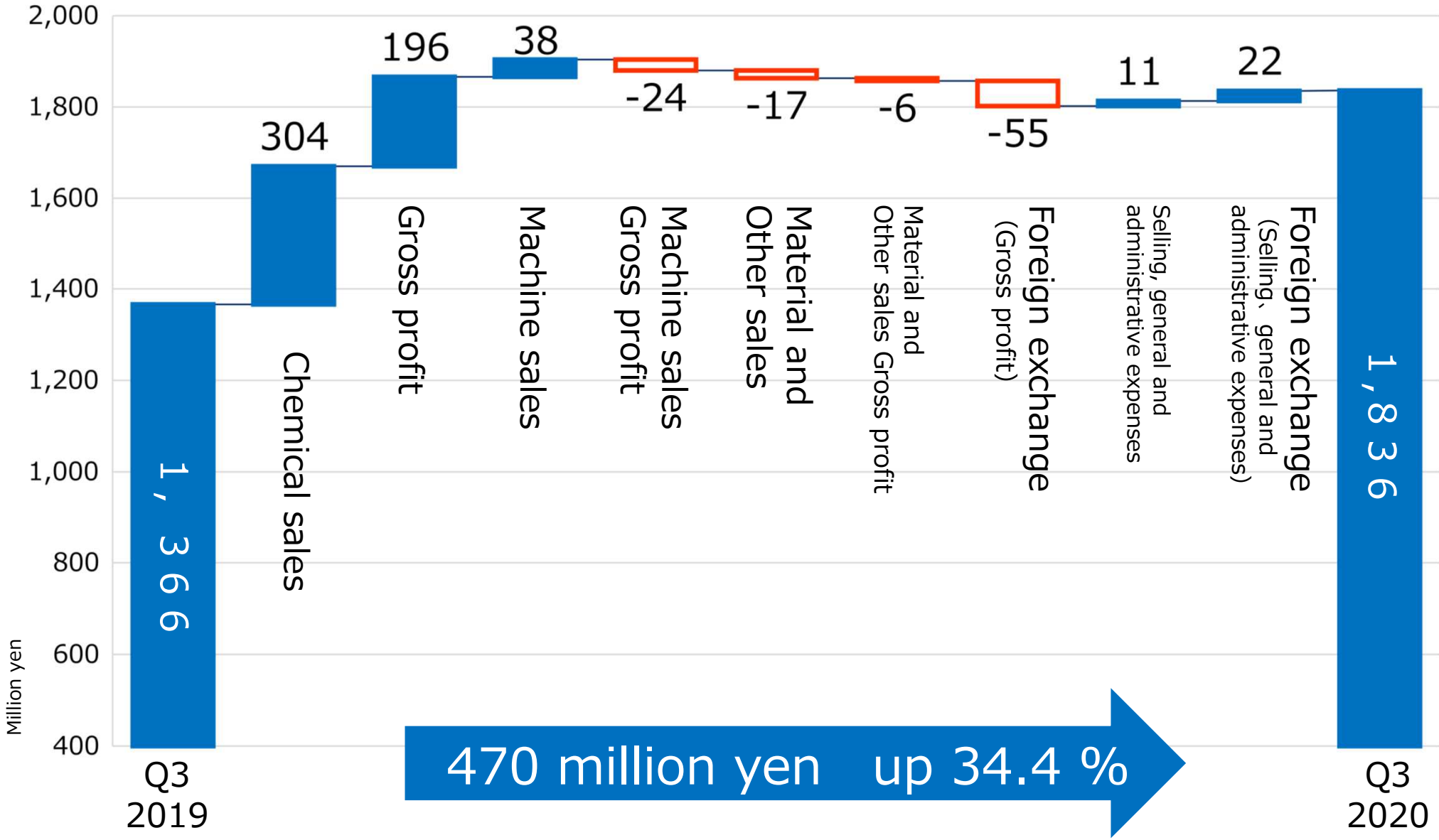
Unit : million yen

	Q3						Full-year		
	FYE19/12		FYE20/12				FYE19/12	FYE20/12	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)		Results	(Forcast)	YOY (%)
Net sales	8,104	74.6%	8,728	74.6%	623	7.7%	10,865	11,700	7.7%
Chemical sales	7,942	-	8,438	-	495	6.2%	10,657	-	-
Gross profit	5,012	-	5,447	-	435	8.7%	6,618	-	-
Gross profit margin	61.8%	-	62.4%	-	-	-	60.9%	-	-
SGA	3,646	-	3,611	-	-34	-0.9%	4,981	-	-
Sales ratio	45.0%	-	41.4%	-	-	-	45.8%	-	-
Operating income	1,366	83.4%	1,836	79.8%	470	34.4%	1,637	2,300	40.5%
Operating profit margin	16.9%	-	21.0%	-	-	-	15.1%	-	
Ordinary income	1,395	81.0%	1,819	79.1%	423	30.4%	1,722	2,300	33.5%
Ordinary profit margin	17.2%	-	20.8%	-	-	-	15.9%	-	-
Profit before tax	1,388	-	1,757	-	369	26.6%	1,710	-	-
Net income	1,006	81.4%	1,196	79.8%	189	18.8%	1,236	1,500	21.3%

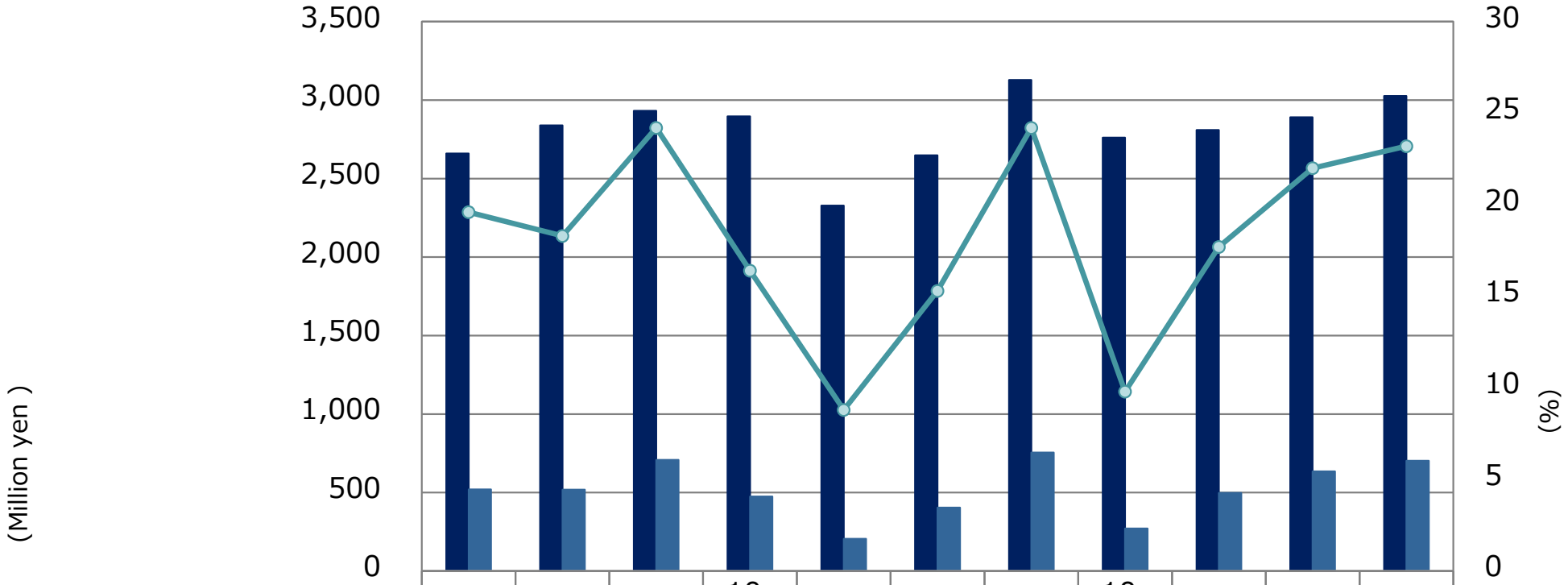
Net sales YOY



Operating income YOY

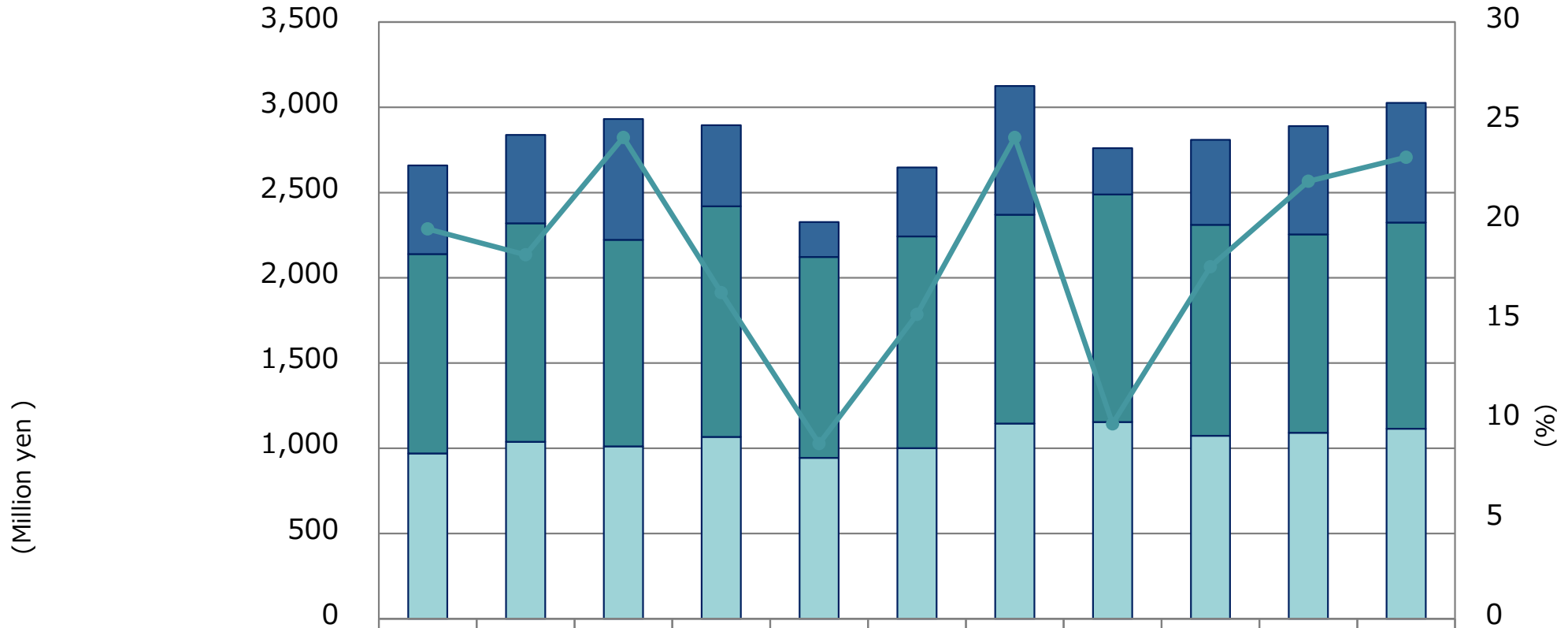


Quarterly Net sales, Operating income and Operating profit margin (Consolidated)



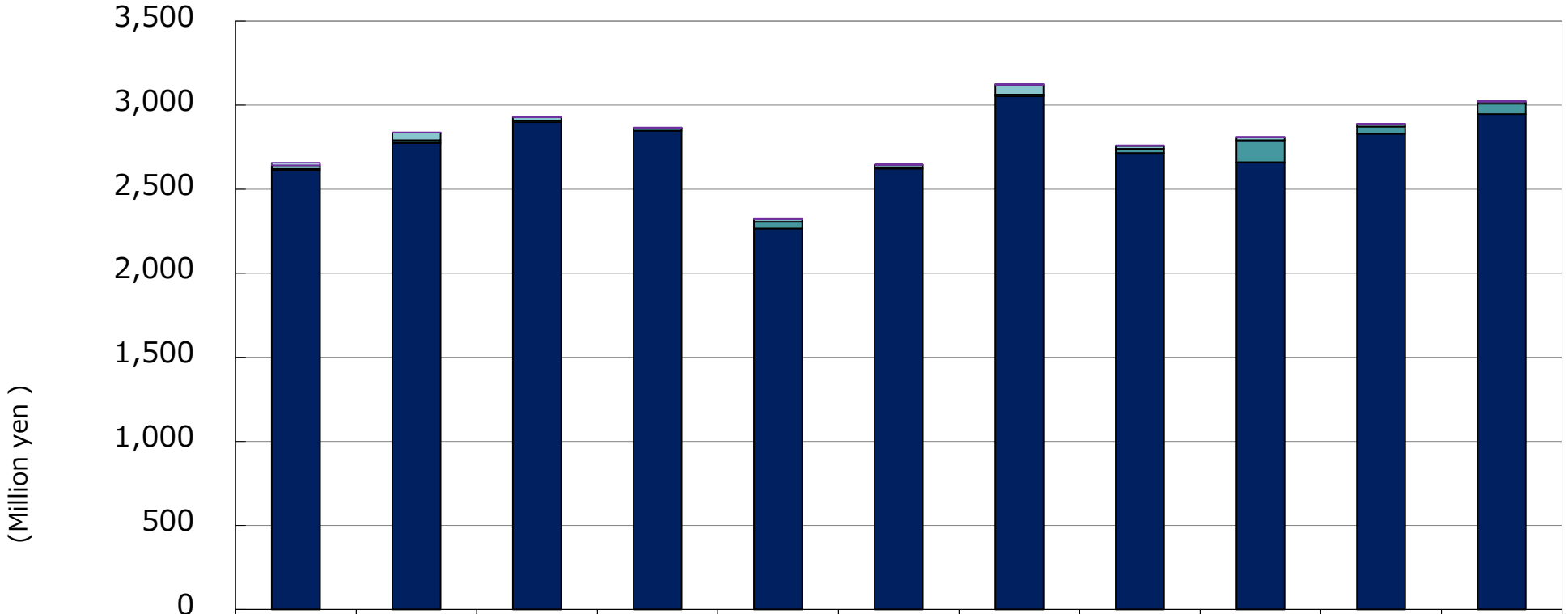
	2018				2019				2020		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Net sales	2,660	2,839	2,932	2,896	2,328	2,648	3,128	2,761	2,809	2,891	3,026
Operating income	520	518	708	475	205	404	755	271	498	635	702
Operating profit margin	19.6	18.3	24.2	16.4	8.8	15.3	24.2	9.8	17.7	22.0	23.2

Quarterly composition profit and loss (Consolidated)



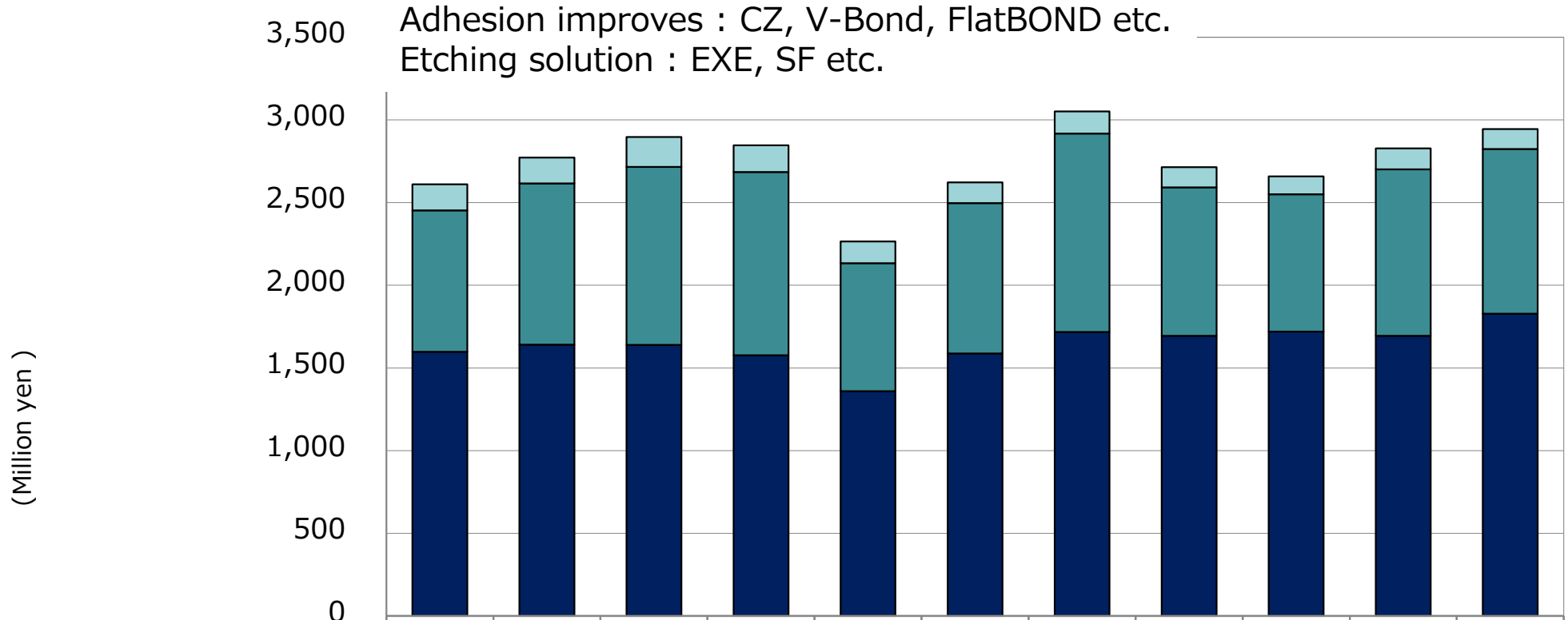
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
	2018				2019				2020		
Operating income	520	518	708	475	205	404	755	271	498	635	702
SGA	1,169	1,282	1,212	1,353	1,178	1,242	1,225	1,335	1,238	1,164	1,209
COGS	970	1,038	1,011	1,067	944	1,001	1,145	1,154	1,073	1,091	1,115
Operating profit margin	19.6	18.3	24.2	16.4	8.8	15.3	24.2	9.8	17.7	22.0	23.2

Product-specific quarterly sales (Consolidated)



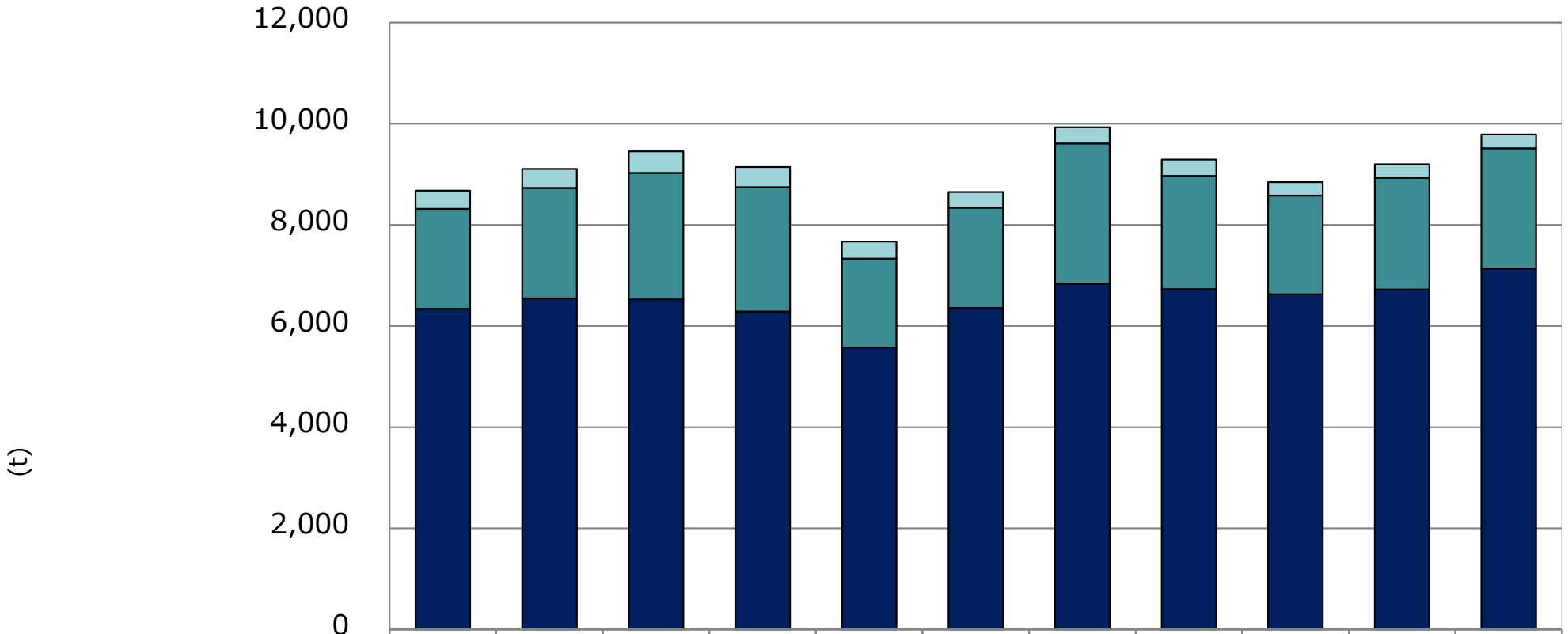
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
	2018				2019				2020		
Other	16	1	4	1	6	1	5	4	4	1	5
Mmaterials for PCBs	21	46	19	3	15	15	58	17	17	16	12
Equipments for PCBs	9	17	10	15	40	8	10	24	129	43	62
Chemicals for PCBs	2,612	2,773	2,898	2,847	2,266	2,623	3,052	2,715	2,661	2,829	2,946

Quarterly chemical sales (consolidated)



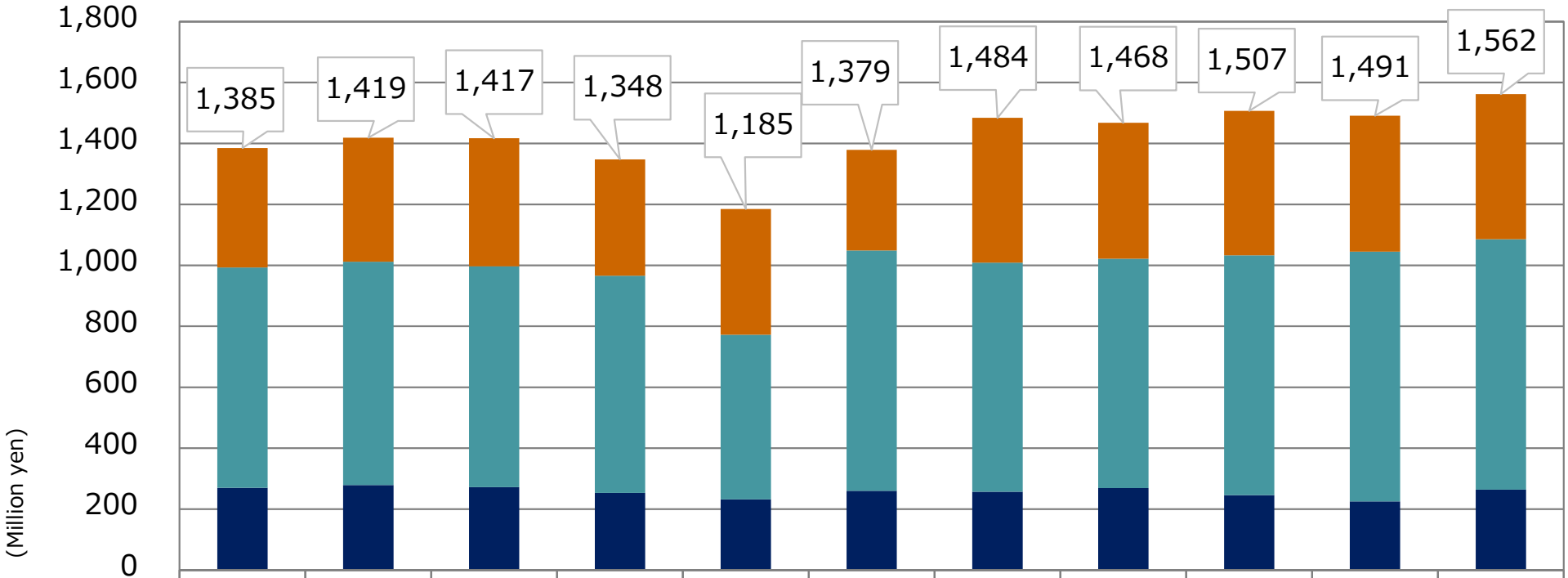
	2018				2019				2020		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Other surface processing solution	158	156	181	162	132	125	133	122	109	127	121
Etching solution	855	975	1,076	1,108	773	909	1,200	897	830	1,006	996
Adhesion improves	1,598	1,641	1,640	1,577	1,360	1,588	1,718	1,695	1,720	1,695	1,828

Chemical shipment volume (consolidated)



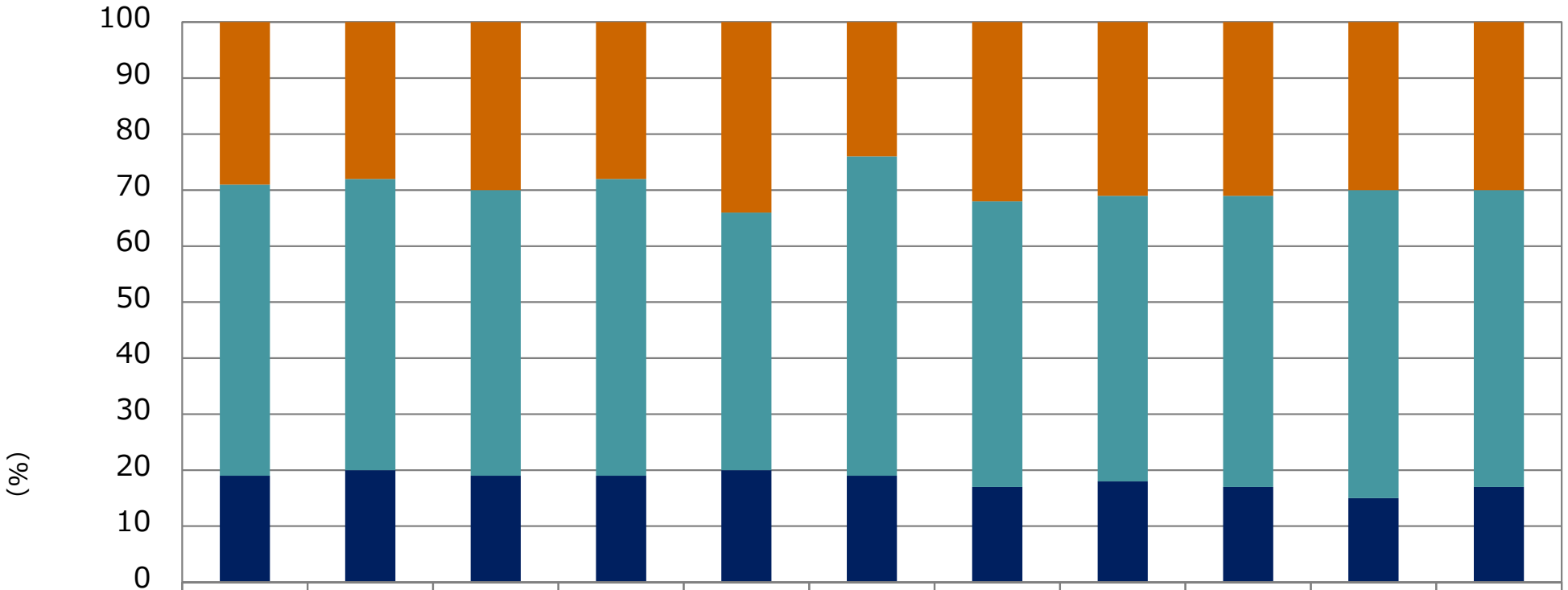
	2018 1-3	2018 4-6	2018 7-9	2018 10-12	2019 1-3	2019 4-6	2019 7-9	2019 10-12	2020 1-3	2020 4-6	2020 7-9
Other surface processing solution	360	377	424	399	338	310	320	319	267	269	273
Etching solution	1,978	2,186	2,504	2,462	1,758	1,986	2,777	2,242	1,955	2,209	2,378
Adhesion improves	6,341	6,546	6,527	6,286	5,575	6,356	6,833	6,729	6,626	6,723	7,137

CZ series sales



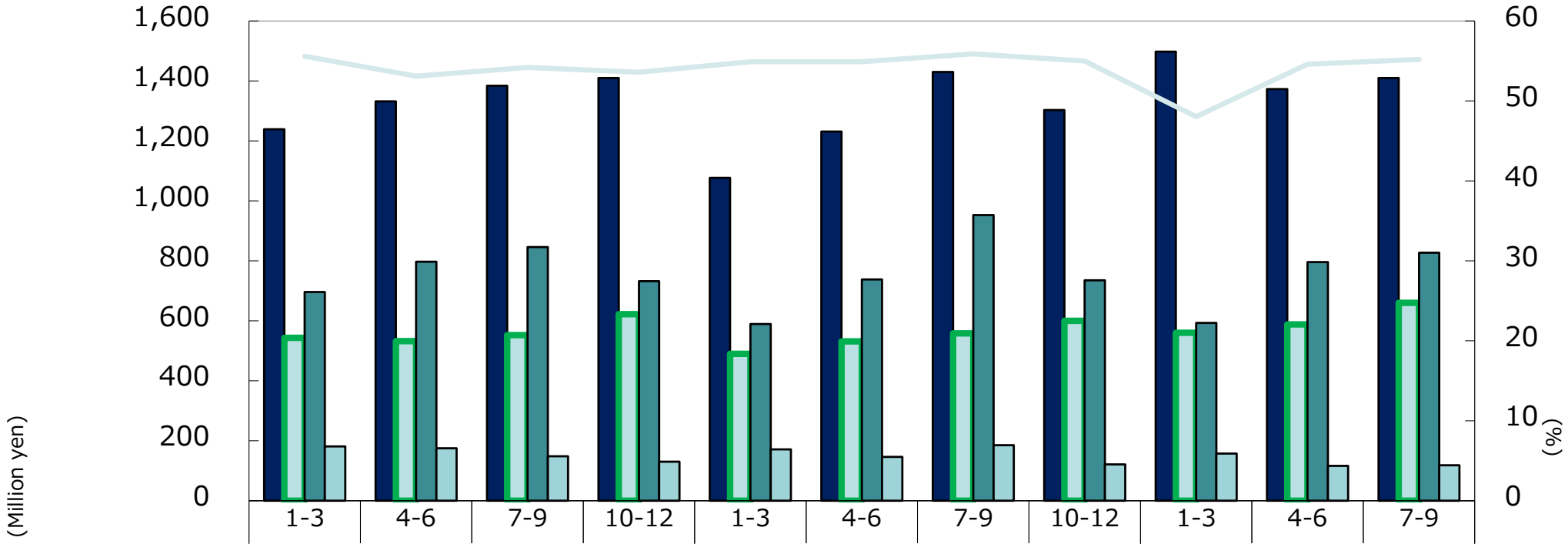
	2018				2019				2020		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Other CZ	392	407	420	382	413	330	475	446	474	446	476
8101	723	733	725	713	540	789	752	753	787	820	822
8100	270	279	272	253	232	260	257	269	246	225	264

CZ series sales (Composition ratio)



	2018				2019				2020		
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9
Other CZ	29	28	30	28	34	24	32	31	31	30	30
8101	52	52	51	53	46	57	51	51	52	55	53
8100	19	20	19	19	20	19	17	18	17	15	17

Region-specific sales and overseas sales ratio

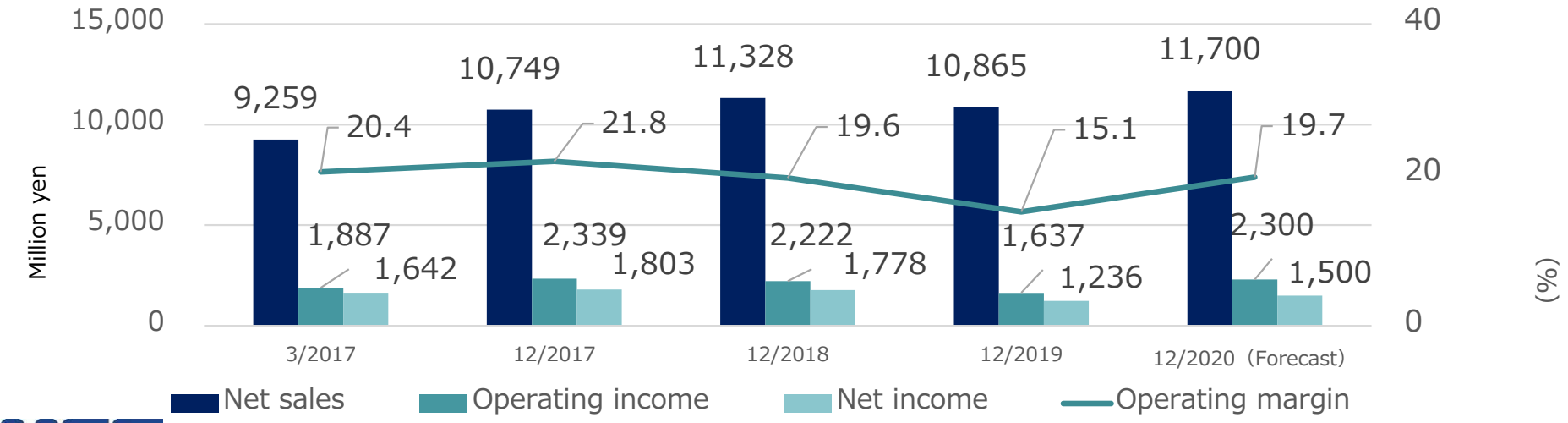


	2018 1-3	2018 4-6	2018 7-9	2018 10-12	2019 1-3	2019 4-6	2019 7-9	2019 10-12	2020 1-3	2020 4-6	2020 7-9
Japan	1,239	1,332	1,384	1,410	1,077	1,231	1,430	1,303	1,498	1,373	1,410
Taiwan	543	532	552	622	490	531	558	600	560	588	660
Chaina	696	797	846	732	589	738	953	735	593	796	827
Europe	181	175	148	130	171	146	185	121	157	116	118
Foregin sales ratio	55.6	53.1	54.2	53.6	54.9	54.9	55.9	55.0	48.0	54.6	55.2

Overseas sales ratio is 74.5%(same period of the previous year: 76.8%)
if domestic agents' overseas chemical sales are included.

FYE12/2020 full-year forecast

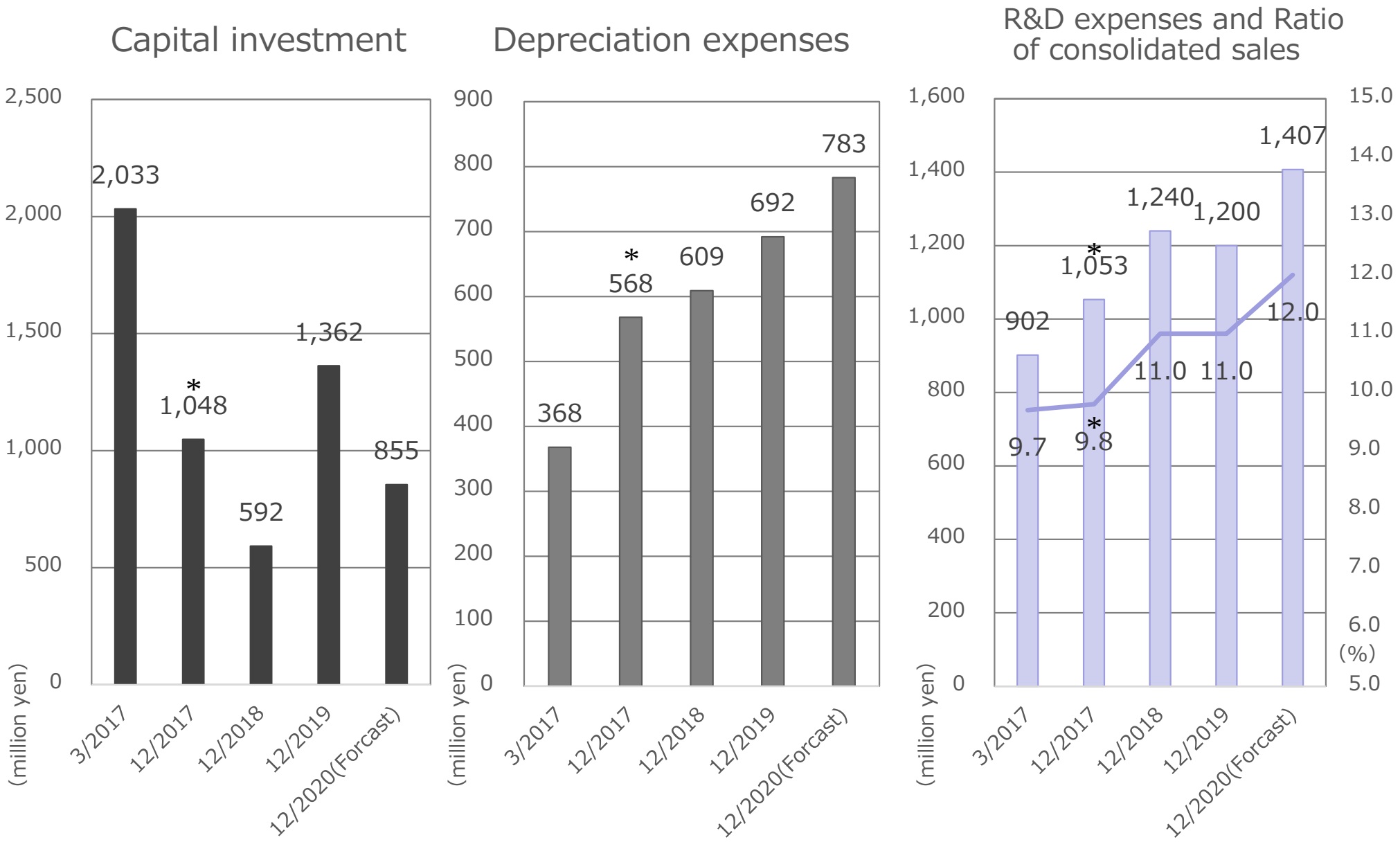
	FYE12/2019 (51th term)		FYE12/2020 (52th term)		
	Full-year		Full-year (November 9,2020)		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	10,865	-	11,700	-	7.7
Operating income	1,637	15.1	2,300	19.7	40.5
Ordinary income	1,722	15.9	2,300	19.7	33.5
Net income	1,236	11.4	1,500	12.8	21.3
Net income per share(yen)	65.16	-	79.03	-	-



Exchange rate

	FYE12/2019 Prevailing rate	FYE12/2020 Assumed rate(8/11)	FYE12/2020 New assumed rate(11/9)
NTD	3.54	3.61	3.61
RMB	15.85	15.37	15.34
EUR	122.53	119.82	121.25
THB	3.52	3.44	3.42
USD	109.37	108.41	107.46

Capital investment, Depreciation expenses and R&D expenses



*Converted

Dividend, payout ratio and ROE

Dividend policy

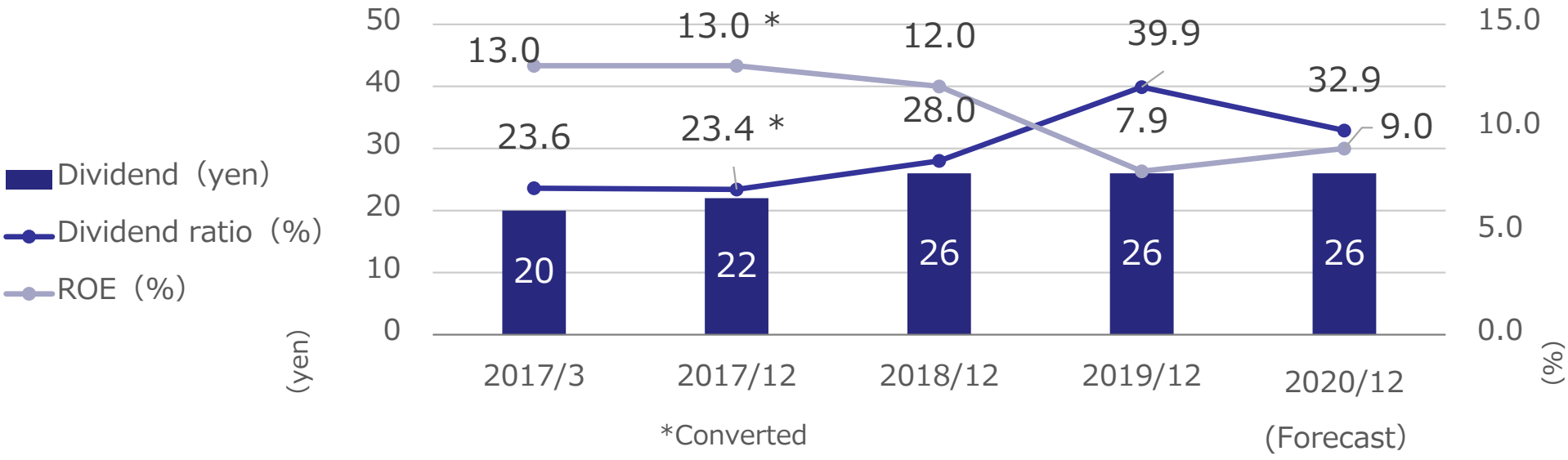
Medium-term goal
(consolidated payout ratio)
30%

Dividend (Forecast)

26.0 yen

Q2 12 yen
Q4 14 yen

Dividend / Dividend ratio



ESG-H effort

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 Resources

- Development and utilization of human resources

Basic policy of capital policy and shareholder return

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