Financial Results Briefing for Q2 FYE 12/2024

August 8, 2024

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.

Notice of Revision of Earnings Forecast

Revision to the **full-year** consolidated earnings forecast	**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)	17,000	3,650	3,800	2,650	141.52
Forecast revised this time(B)	18,500	4,900	5,200	3,600	192.26
Difference(B-A)	1,500	1,250	1,400	950	
Percentage change (%)	8.8	34.2	36.8	35.8	
(Reference) Full-year FYE12/2023	14,020	2,492	2,683	2,304	122.29

Q2 FYE12/2024 Key factors

1. Sales: 8,882 million yen(YOY change: UP 43.3%)
   Operating income: 2,362 million yen(YOY change: UP 181.8%)

2. Exchange rate impact (YOY change)
   Sales: Up 422 million yen,
   Operating income: Up 246 million yen.

3. Chemicals
   Sales: 8,384 million yen (YOY change: UP 37.8%)
   Shipments: 20,251 t (YOY change: UP 26.1%)

4. Major products sales (YOY change)
   CZ: UP 45.8% EXE: UP 37.8% SF: UP 32.9% V-Bond: UP 11.4%

Exchange rates

	Initial forecast	Q2 FYE12/2024	Q2 FYE12/2023	Q1 FYE12/2024
N T D	4.48	4.78	4.44	4.71
R M B	19.66	21.08	19.48	20.55
H K D	17.73	19.47	17.36	18.90
T H B	4.01	4.22	3.95	4.16
E U R	150.22	164.82	147.00	160.89
U S D	138.87	152.30	135.99	147.86

The exchange rates for Revision to Earnings Forecast in August 8, 2024 is the average rate during Q2 FYE12/2024.

- 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.

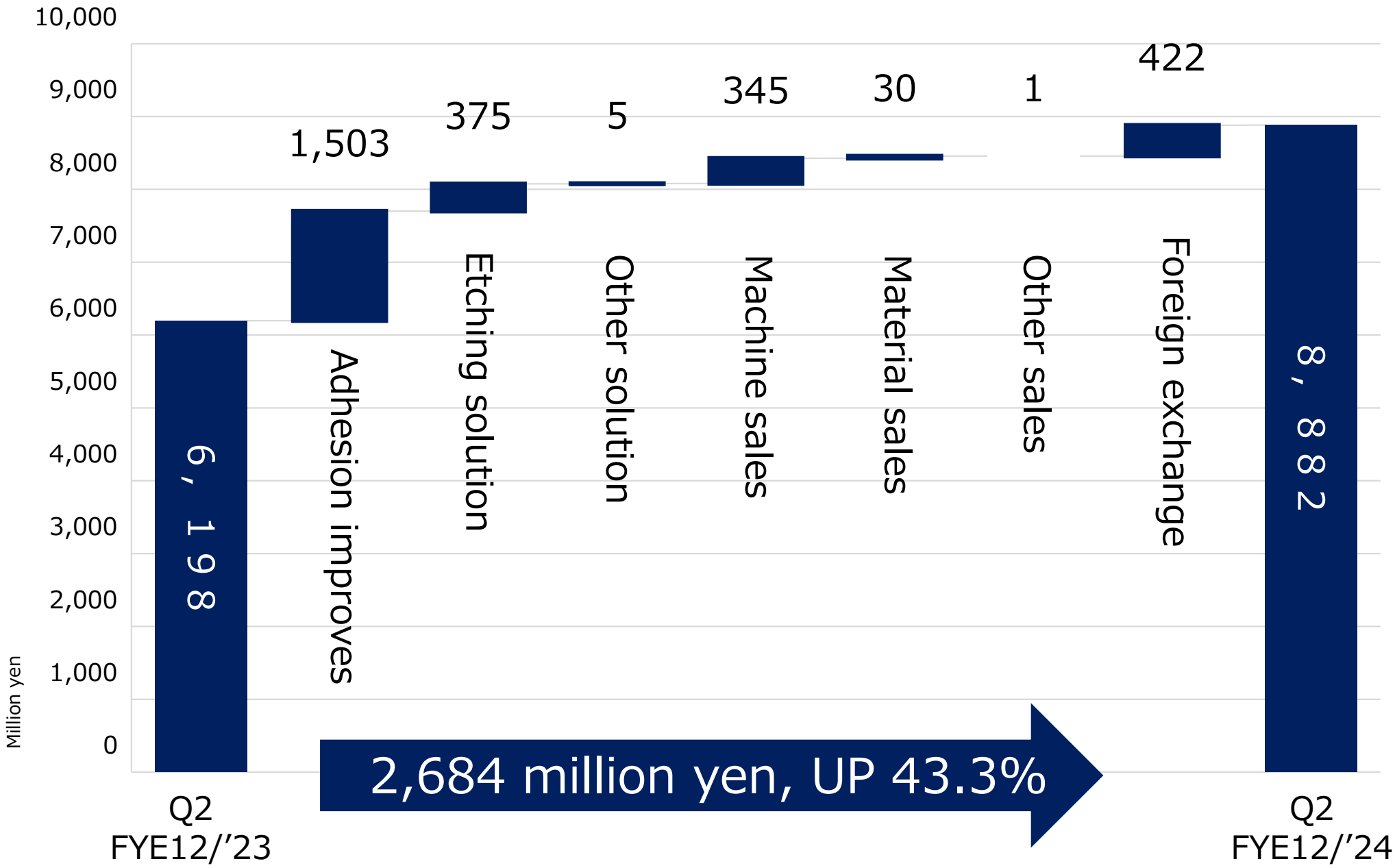
Exchange sensitivity (6 months conversion)(million yen) :
NTD: (Sale) 35 (Operating income) 26
RMB: (Sale) 13 (Operating income) 7

Q2 FYE12/2024 Results

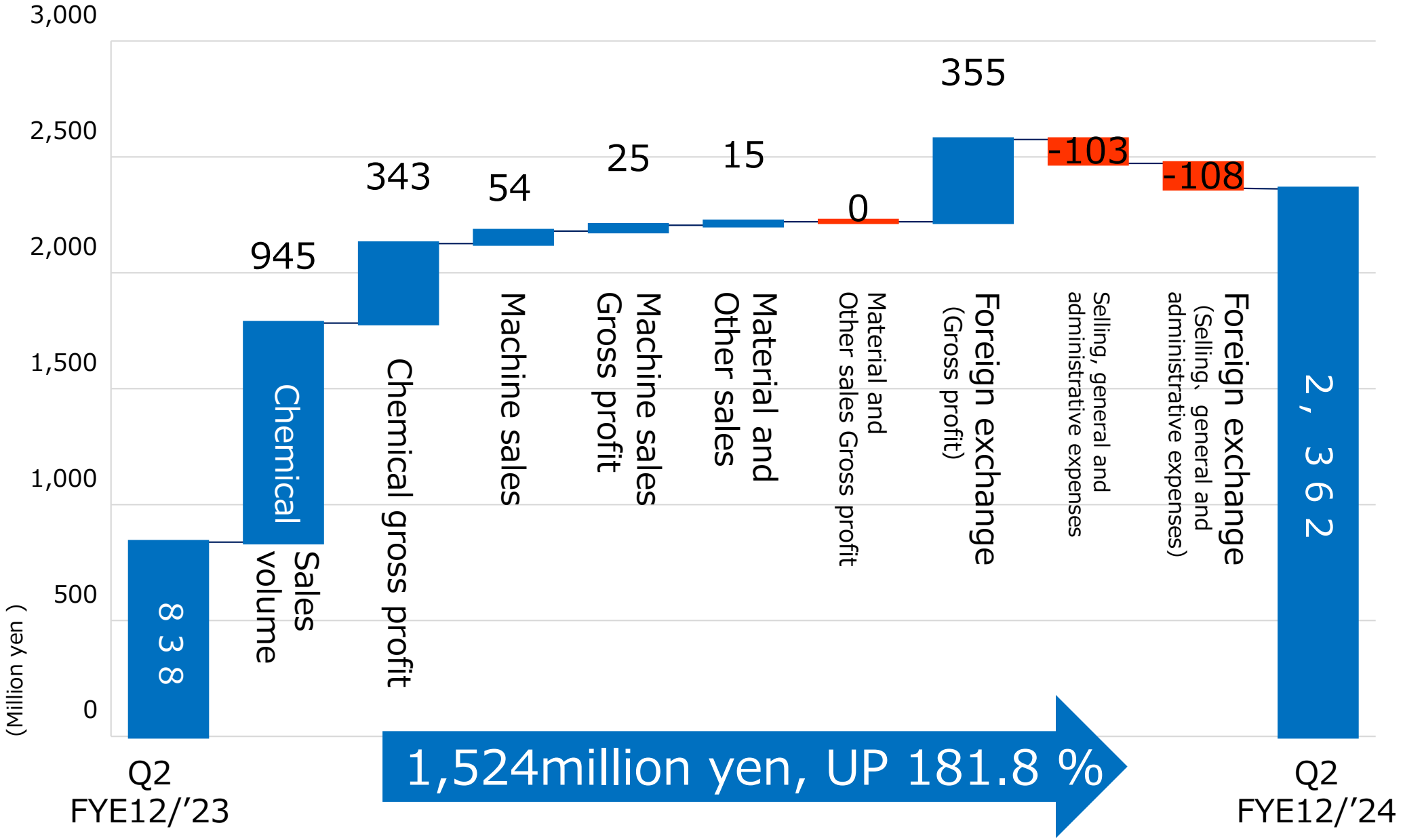
Unit : million yen

	1H						Full-year		
	FYE12/2023		FYE12/2024				FYE12/2023	FYE12/2024	
	Results	Progress ratio (%)	Results	Progress ratio (%)	YOY (%)		Results	(Forcast)	YOY (%)
Net sales	6,198	44.2%	8,882	48.0%	2,684	43.3%	14,020	18,500	32.0%
Chemical sales	6,085	-	8,384	-	2,299	37.8%	13,764	-	-
Gross profit	3,646	-	5,383	-	1,736	47.6%	8,316	-	-
Gross profit margin	58.8%	-	60.6%	-	-	-	59.3%	-	-
SGA	2,807	-	3,020	-	212	7.6%	5,824	-	-
Sales ratio	45.3%	-	34.0%	-	-	-	41.5%	-	-
Operating income	838	33.6%	2,362	48.2%	1,524	181.8%	2,492	4,900	96.6%
Operating profit margin	13.5%	-	26.6%	-	-	-	17.8%	-	-
Ordinary income	1,003	37.4%	2,641	50.8%	1,637	163.3%	2,683	5,200	93.8%
Ordinary profit margin	16.2%	-	29.7%	-	-	-	19.1%	-	-
Profit before tax	1,548	-	2,637	-	1,088	70.3%	3,219	-	-
Net income	1,076	46.7%	1,890	52.5%	814	75.7%	2,304	3,600	56.2%
EBITDA	1,920	-	3,029	-	1,109	57.8%	3,993		
EPS	56.79	-	100.97	-	-	-	122.29	192.26	-
ROE	4.6%	-	7.3%	-	-	-	9.6%	14.0%	-

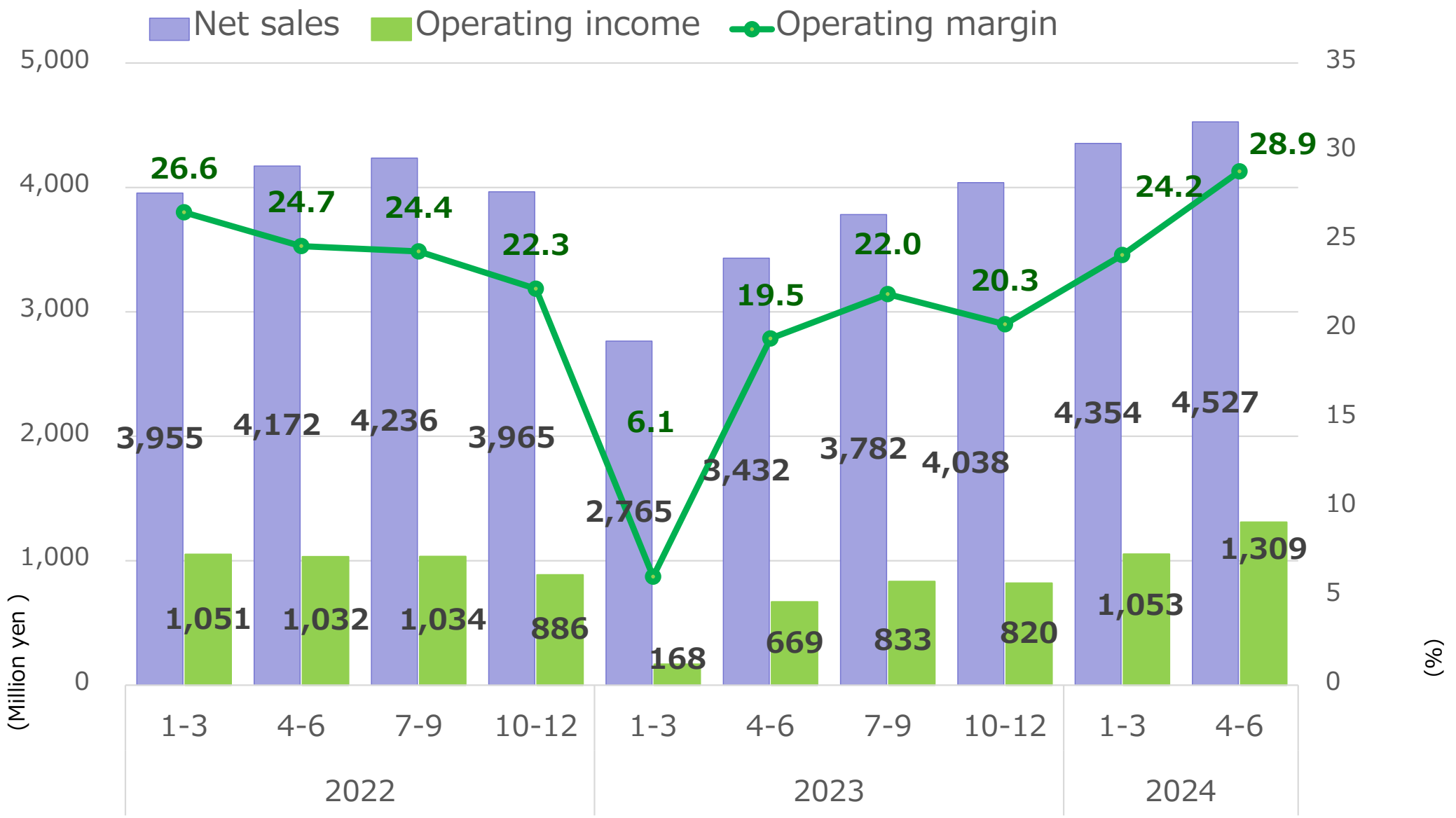
Net sales YOY



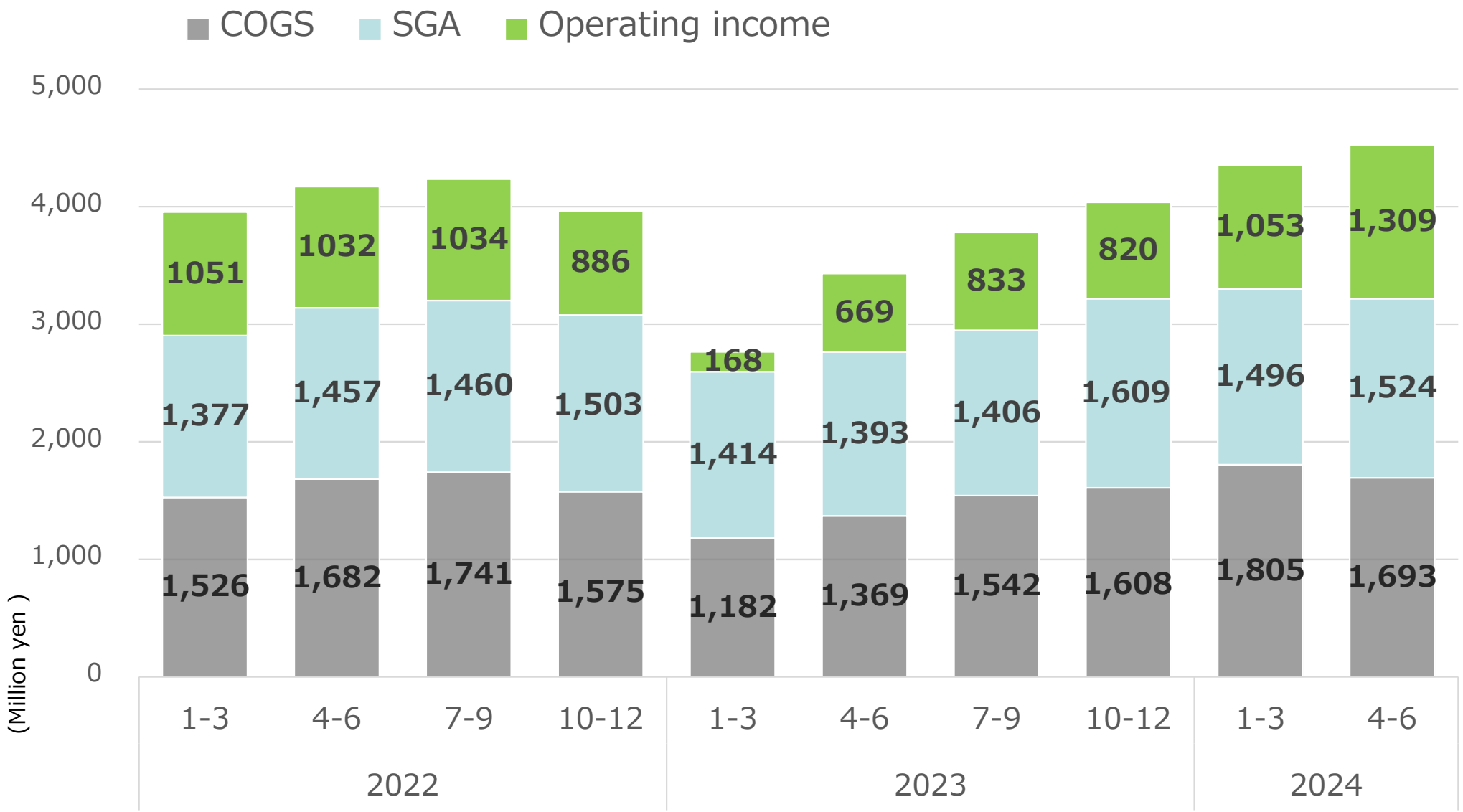
Operating income YOY



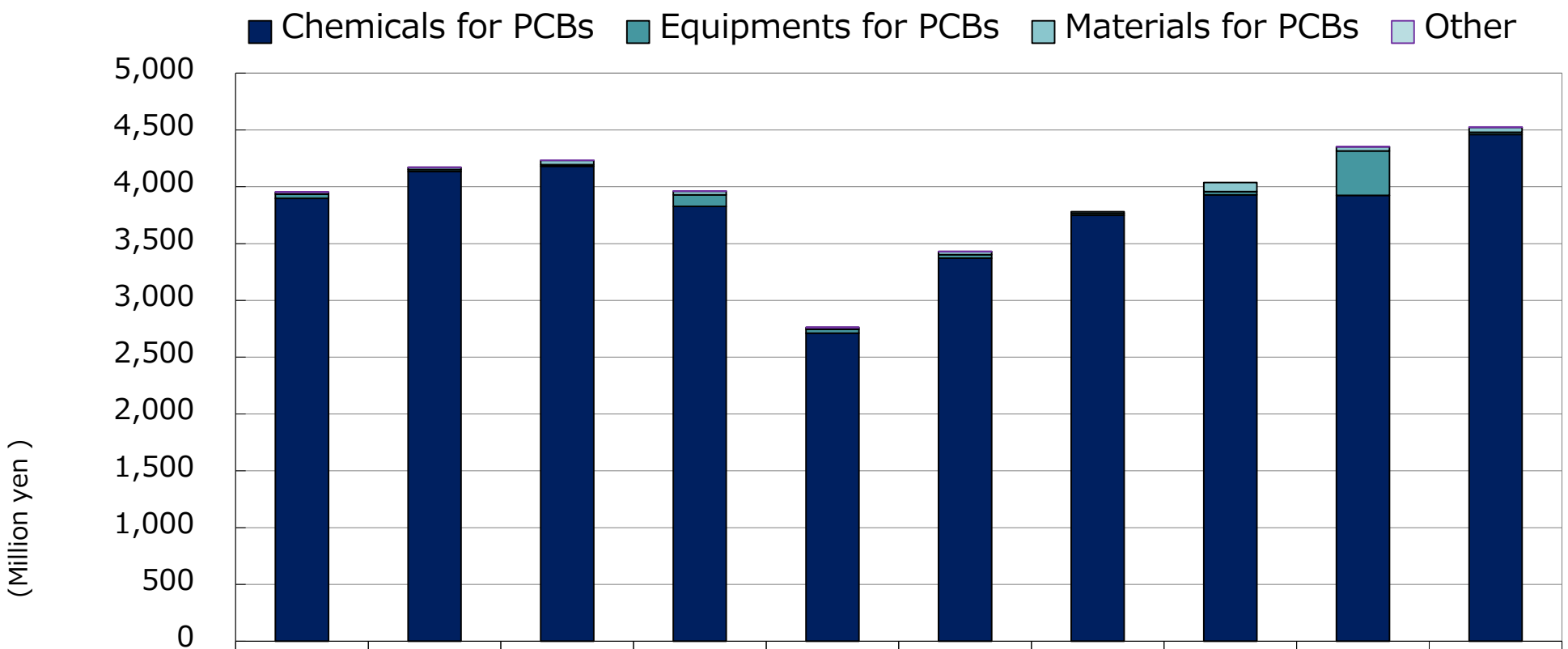
Quarterly performance:
Sales, Operating income, Operating margin (Consolidated)



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

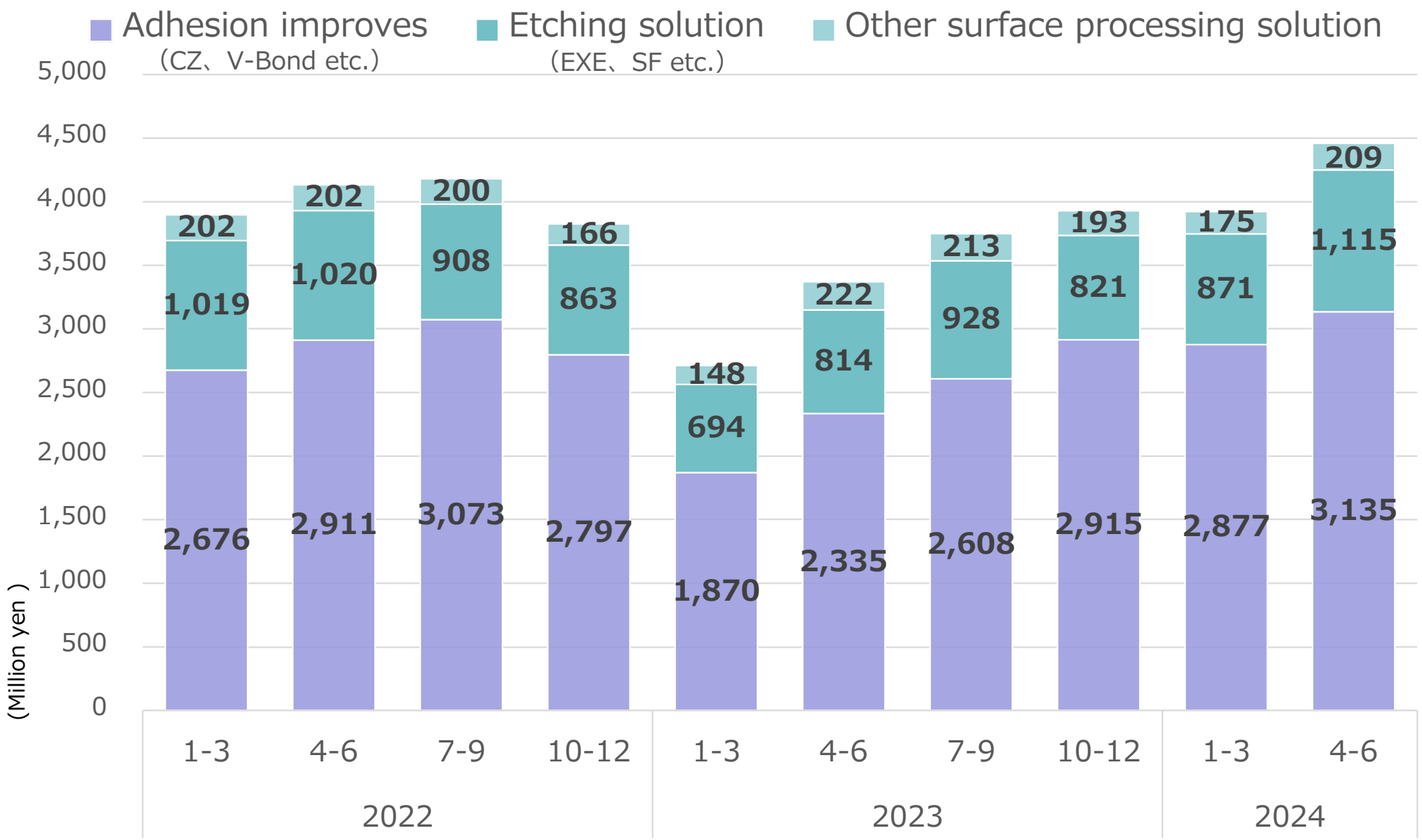


Quarterly performance : Product-specific sales (Consolidated)

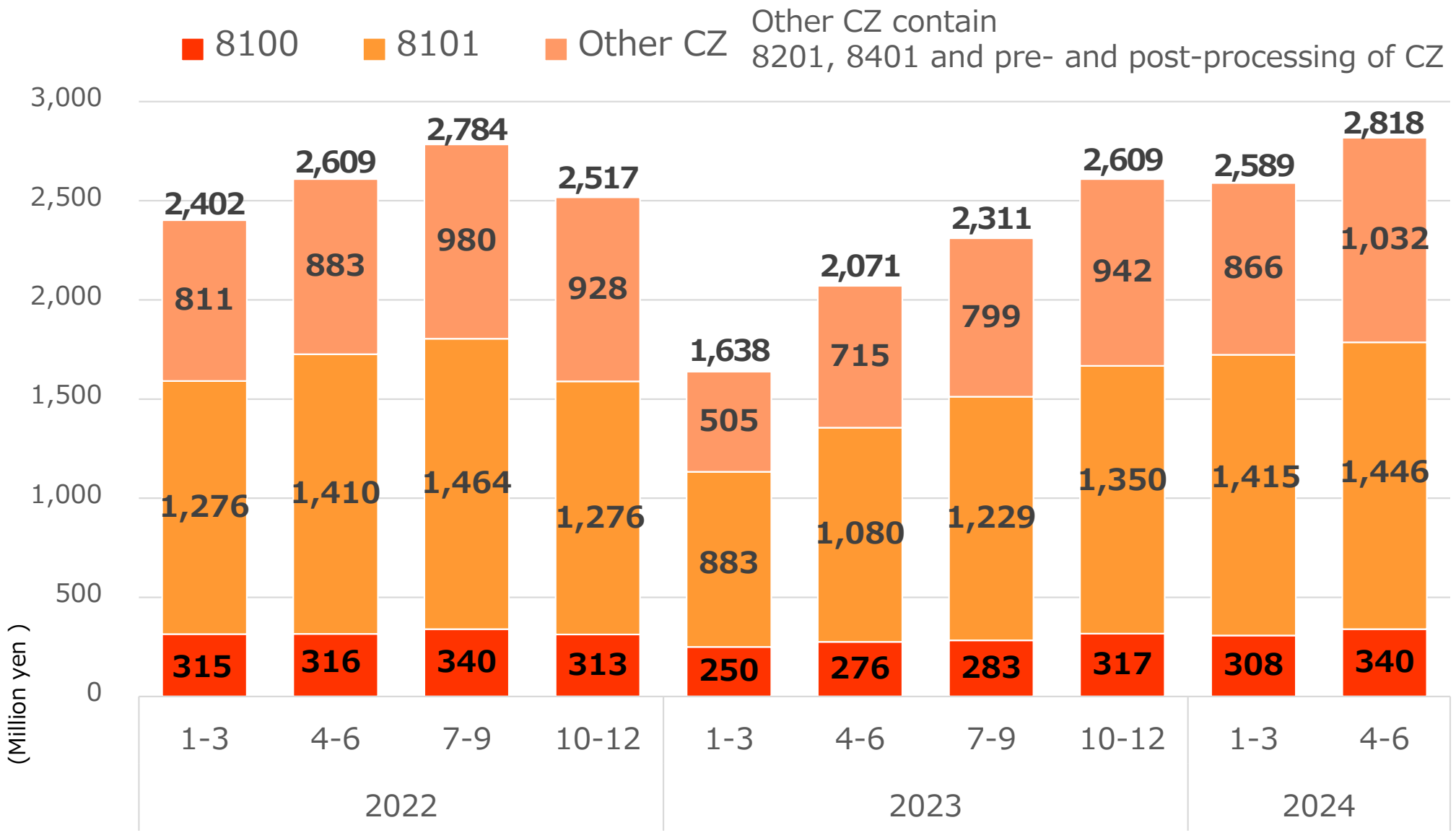


	2022 1-3	2022 4-6	2022 7-9	2022 10-12	2023 1-3	2023 4-6	2023 7-9	2023 10-12	2024 1-3	2024 4-6
Other	1	1	1	3	1	1	0	0	1	3
Materials for PCBs	18	19	38	31	16	27	15	80	37	44
Equipments for PCBs	36	17	13	102	34	31	17	28	391	19
Chemicals for PCBs	3,898	4,134	4,181	3,827	2,712	3,372	3,749	3,929	3,924	4,460

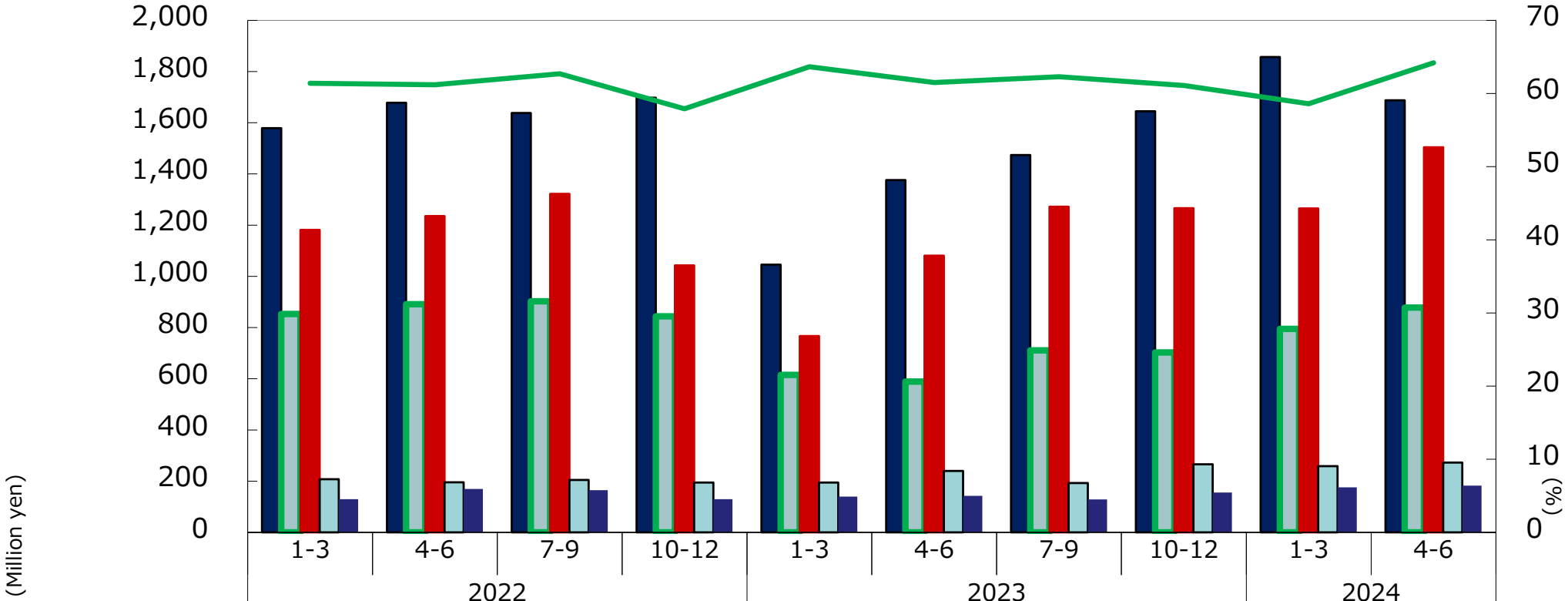
Quarterly performance : Chemical sales (Consolidated)



Quarterly performance : CZ series sales



Quarterly performance : Region-specific sales and overseas sales ratio

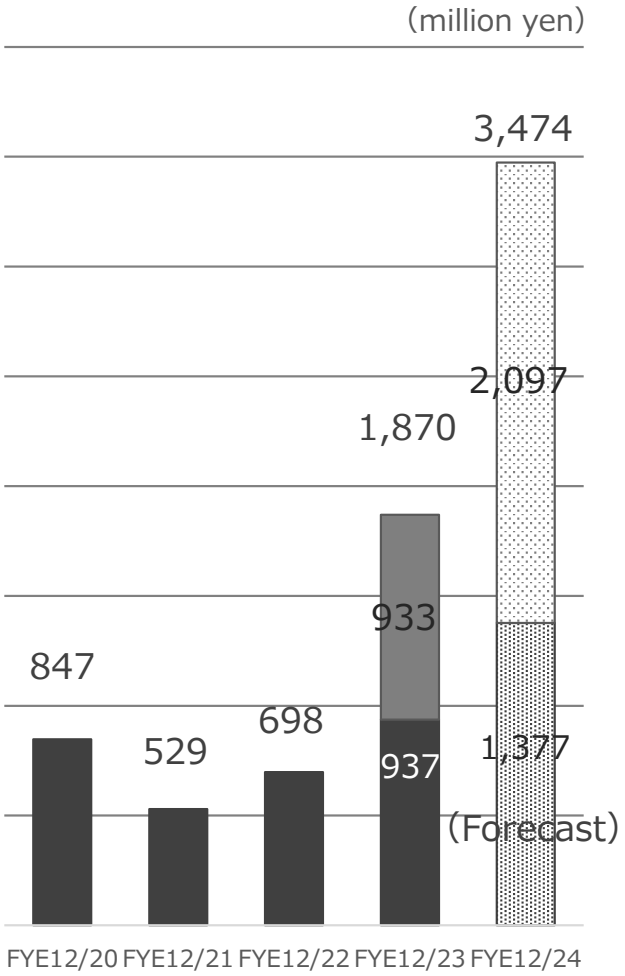


	2022 1-3	2022 4-6	2022 7-9	2022 10-12	2023 1-3	2023 4-6	2023 7-9	2023 10-12	2024 1-3	2024 4-6
Japan	1,579	1,678	1,638	1,698	1,046	1,376	1,474	1,645	1,857	1,688
Taiwan	853	891	903	844	615	589	711	703	795	878
Chaina	1,182	1,236	1,322	1,043	767	1,081	1,272	1,266	1,265	1,504
Europe	208	196	205	195	195	240	193	266	259	273
Thailand	130	170	165	130	140	143	129	156	176	183
Foregin sales ratio	61.4	61.2	62.7	57.9	63.7	61.5	62.3	61.1	58.6	64.2

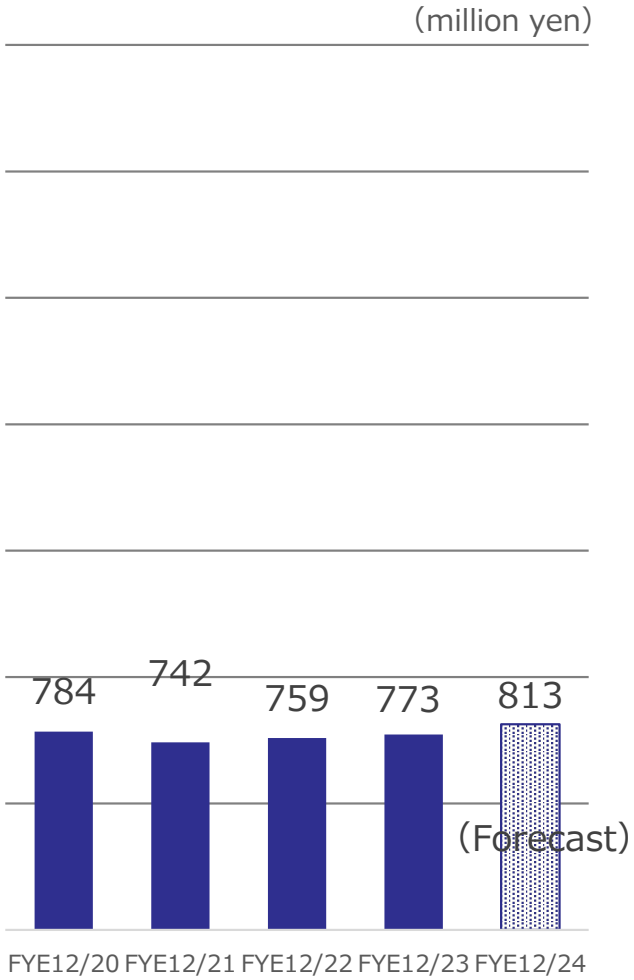
Overseas sales ratio is 79.5%(same period of the previous year: 77.8%) including sales to overseas customers through agents in Japan.

Capital investment, Depreciation expenses and R&D expenses

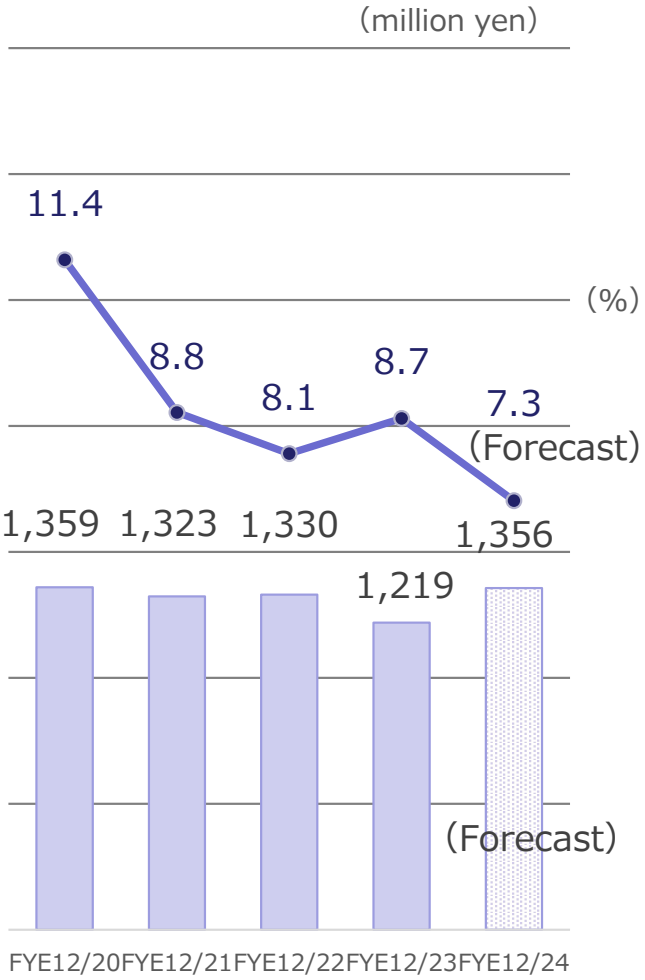
Capital investment



Depreciation expenses



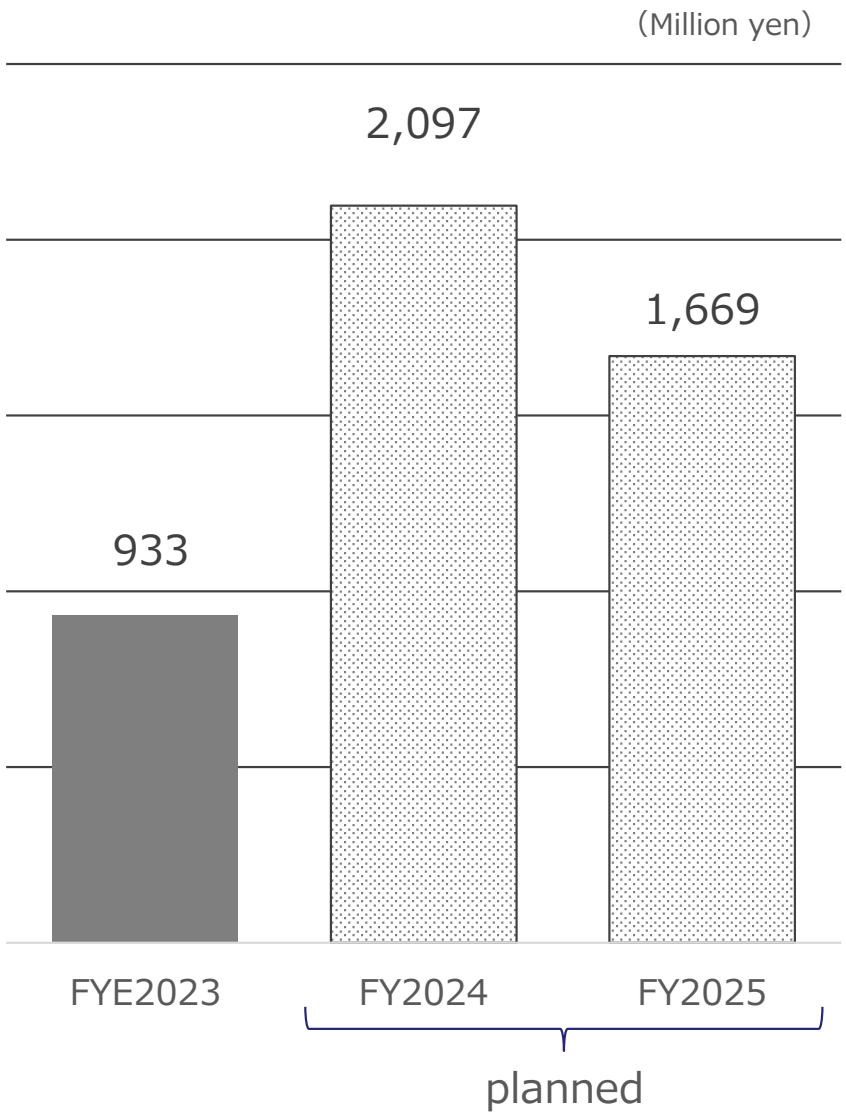
R&D expenses and Ratio of consolidated sales



Capital investment for new production base
- FY2023 933 million yen
- FY2024 2,097 million yen (Forecast)

Depreciation expenses for new production base
200-250 million/year

Capital investment
new production base Kitakyushu Plant (tentative name)



Depreciation expenses for new production base
200-250 million/year

Kitakyushu Plant (tentative name)



Location
Wakamatsu-ku, Kitakyushu City,
Fukuoka Prefecture

Site area
29,889 ㎡

Production capacity Approx.
30,000 t/year (planned)

Total investment Approx.
4.7 billion yen (including land acquisition costs)

Start of construction
August 2024 (planned)

Commencement of operations
October 2025 (planned)

MEC's technology
&
Our future plans

Examples of major chemical applications and final products

Major chemical	Characteristic	Final products
Super-roughening type adhesive enhancement CZ series	A copper surface treatment agent that enhances adhesion between copper and resin. It is mainly an adhesion improver for PKG substrates, and is also used for high-density PCBs.	Infrastructure (5G/6G-related, data centers, etc.) and high-function devices (PCs, smartphones, tablet PCs, etc.)
Adhesion improvers for multilayer substrates V-Bond series	A copper surface treatment agent that enhances adhesion between copper and resin. Adhesion improver mainly for multilayer substrates. Not used for PKG substrates.	Automobile, smartphones, etc.
Anisotropic etchant EXE series	Fine wiring can be formed through subtraction. Etching agent for COF substrates.	TV and PC monitors, etc.
Selective etchant SF series	Etching agent with selectivity to copper.	Tablet PCs, etc.

Our future plans

Business environment

- In the short term, it will be affected by the semiconductor market, which is in a recovery phase.
- 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

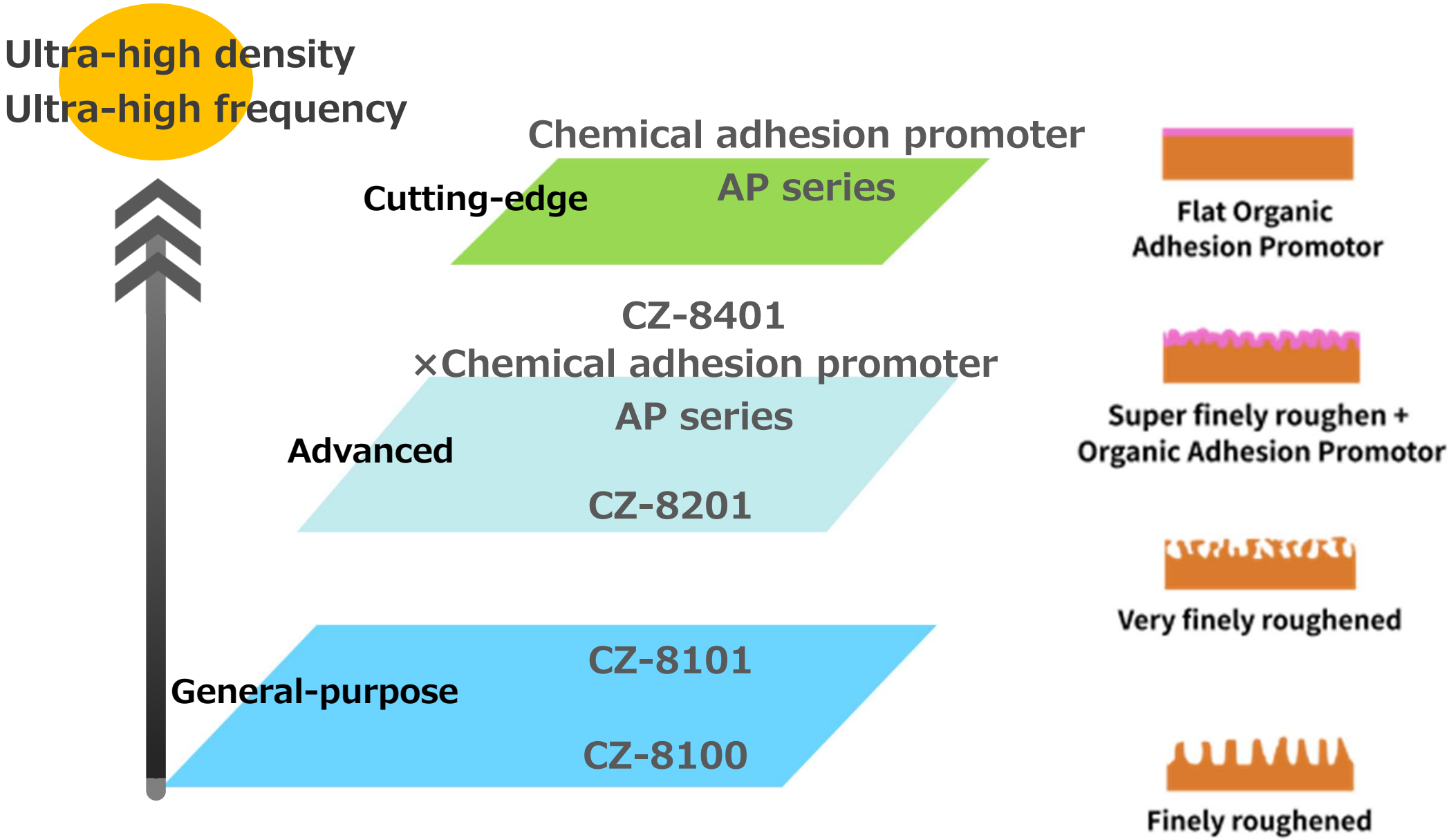
CZ : In the short term, demand will be affected by the semiconductor market is a recovery phase. In the medium to long term, demand is expected to increase due to an increase in PKG substrates and an increase in size and multilayer structure.

V-Bond : In the short term, the automobile market and smartphone market will recover.

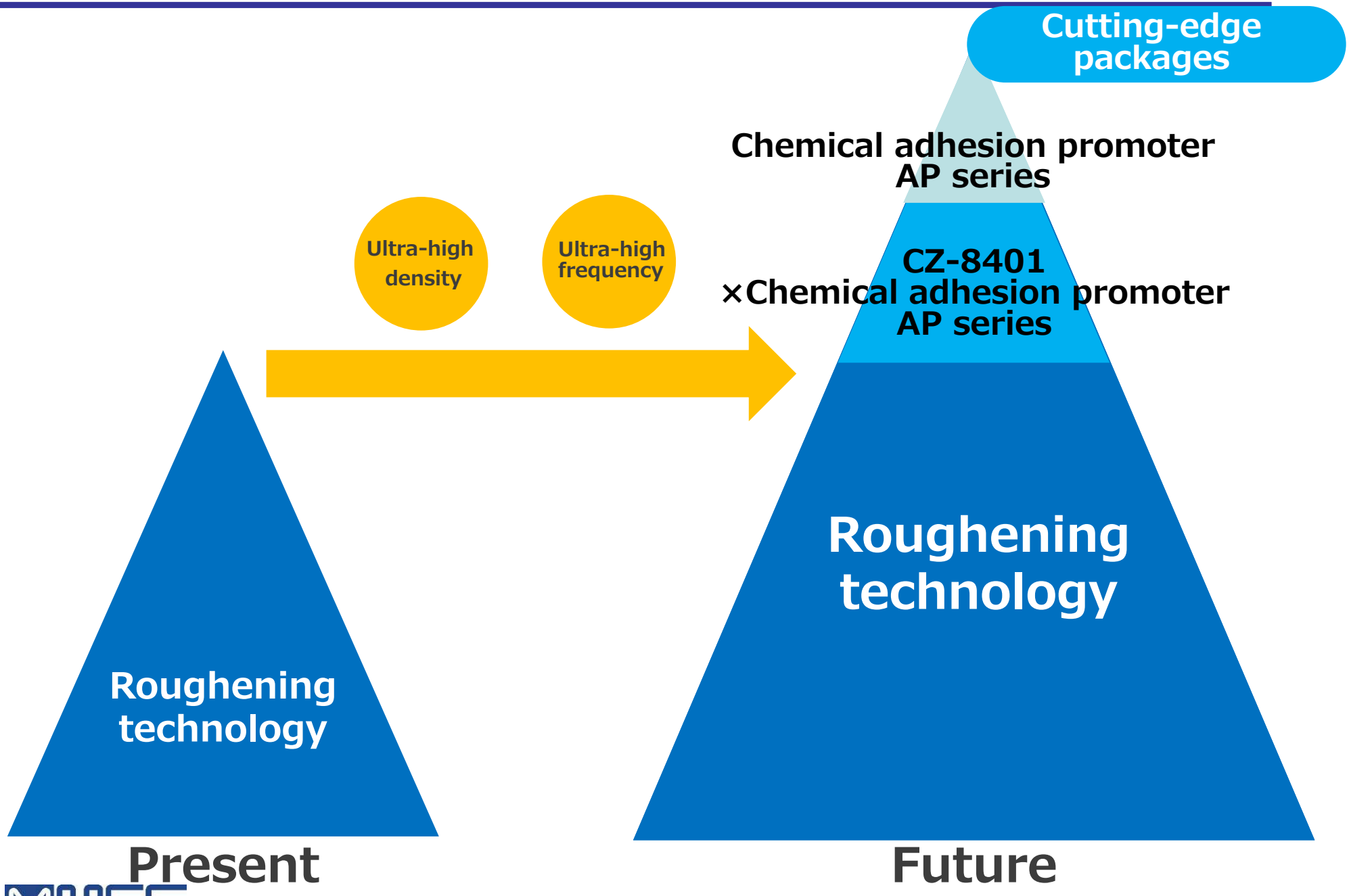
EXE : In the short term, display inventory adjustments are progressing and there is a recovery trend. Continuity is unclear.

SF : Demand will be affected by the demand trend for tablet PCs.

Our products & PKG Substrate trend



Market trend



New production base

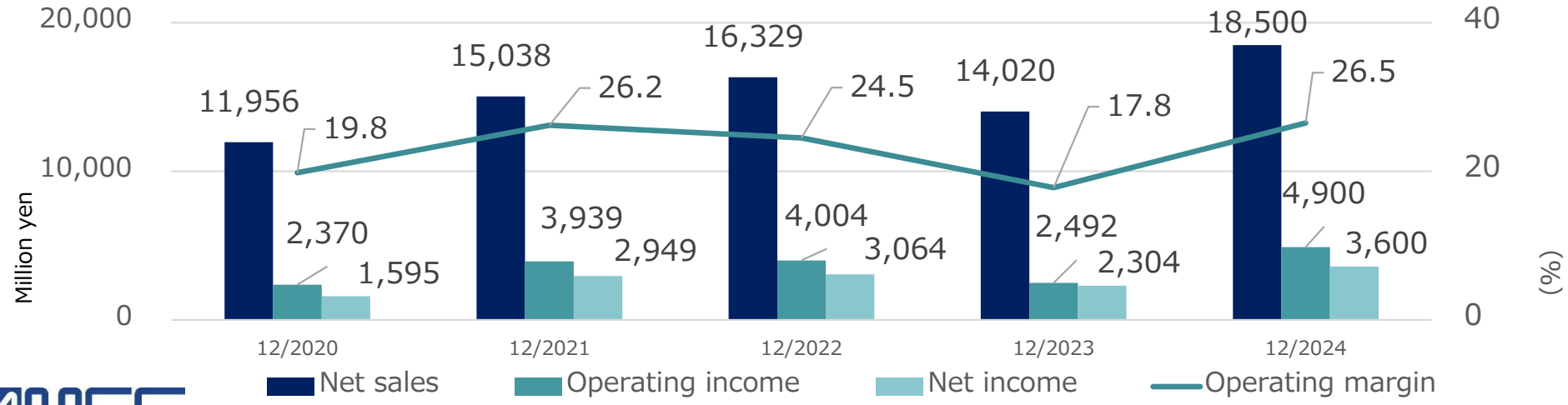




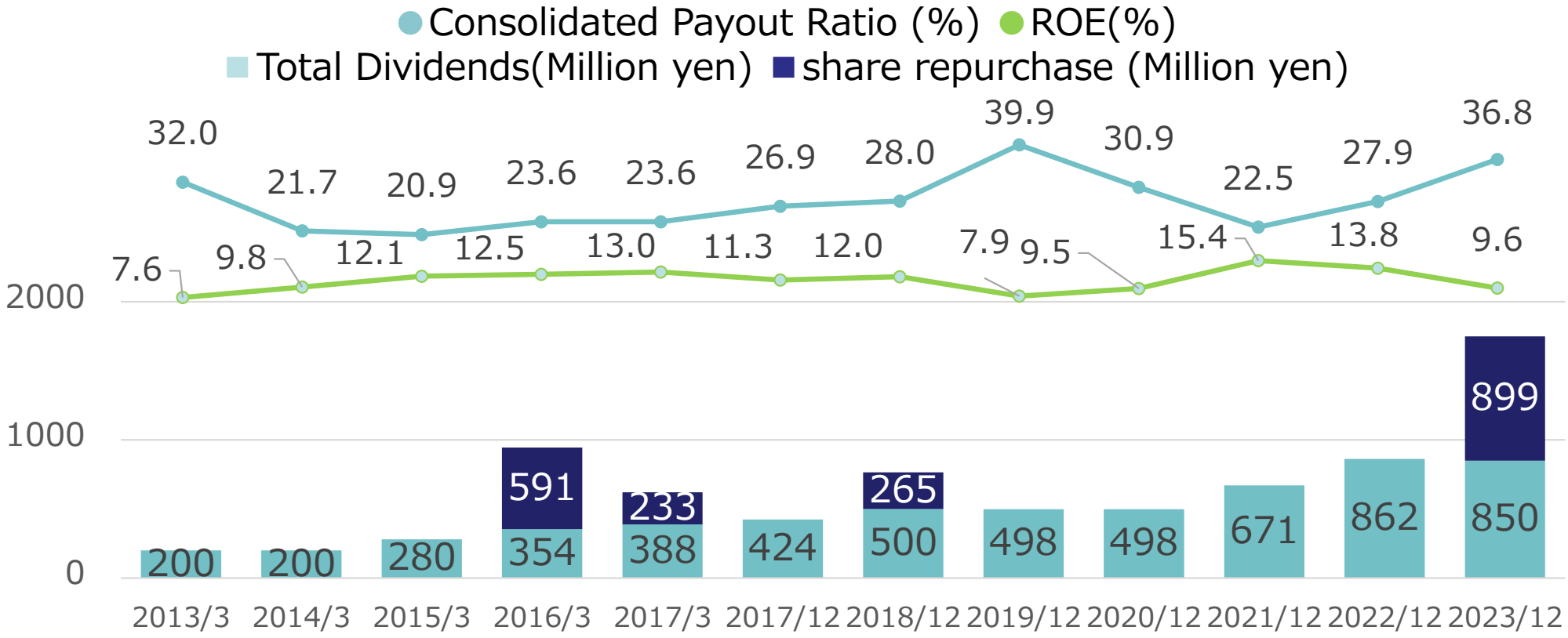
Location	10 Koyomachi, Wakamatsu-ku, Kitakyushu City, Fukuoka Prefecture
Site area	29,889 ㎡
Start of construction	August 2024 (planned)
Total investment	Approx. 4.7 billion yen (including land acquisition costs)
Investment plan	Own funds and debt financing (planned)
Production capacity	Approx. 30,000 t/year (planned)
Number of newly hired employees	10 to 20 (planned)
Commencement of operations	October 2025 (planned)

FYE12/2024 full-year forecast

	FYE12/2023 (55th term)		FYE12/2024 (56th term)					
	Full-year		May 10, 2024 Full-year			August 8, 2024 Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	14,020	-	17,000	-	21.3%	18,500	-	32.0%
Operating income	2,492	17.8	3,650	21.5	46.4%	4,900	26.5	96.6%
Ordinary income	2,683	19.1	3,800	22.4	41.6%	5,200	28.1	93.8%
Net income	2,304	16.4	2,650	15.6	15.0%	3,600	19.5	56.2%
Net income per share(yen)	122.29	-	141.52	-	-	192.26	-	-



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 20.0 yen, Fiscal year-end 25.0 yen,
consolidated payout ratio:23.4%)

ESG effort

Environment

- Development of products that reduce environmental impact.
- Appropriate chemical substance management.
- Measures to address climate change.

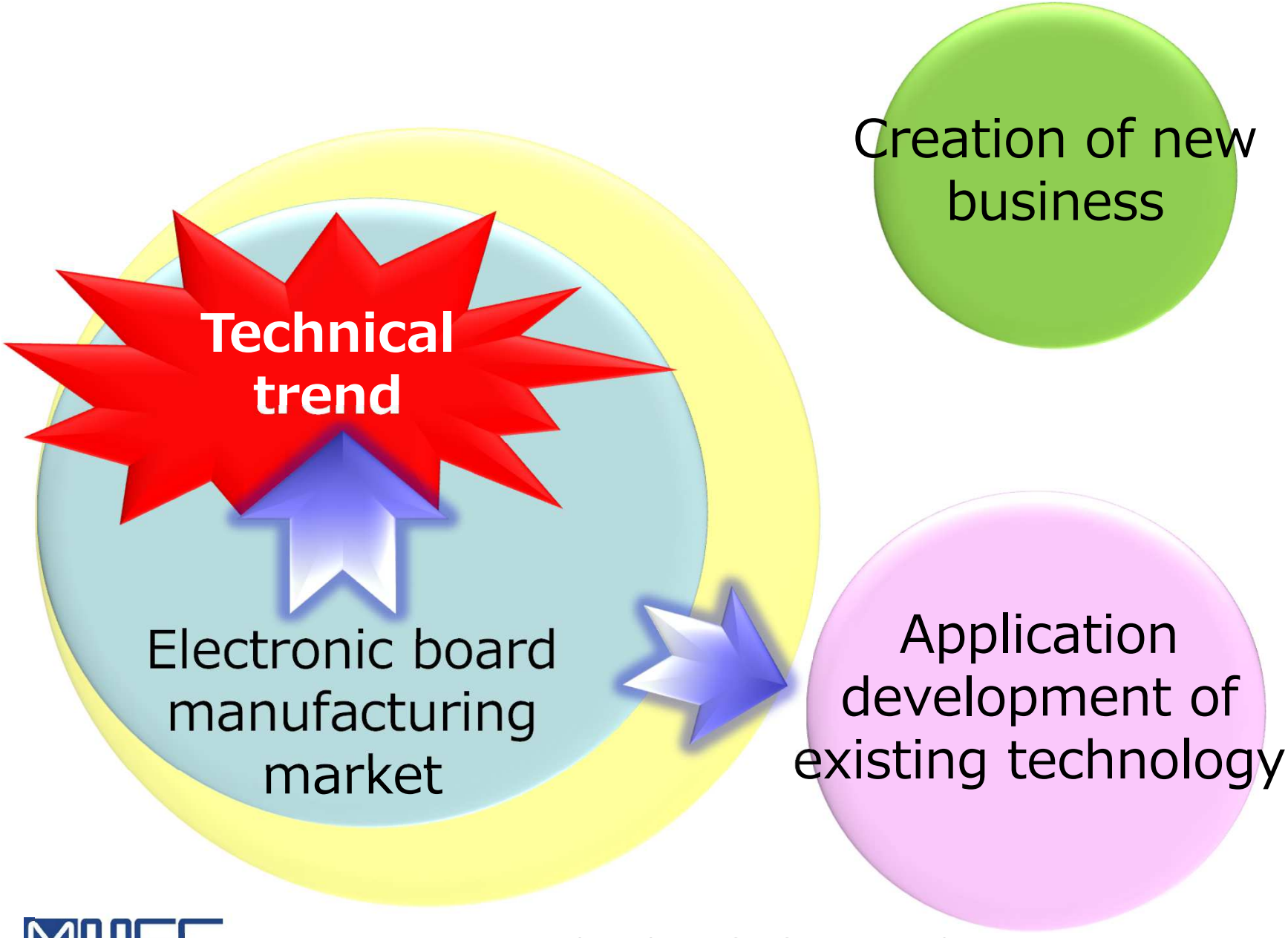
Social

- Human Capital Strategy.
- Utilization of diverse human resources (empowerment of women, WLB, promotion of men taking childcare leave, etc.).
- Contribution to social development (5G, autonomous driving).

Governance

- Reinforcement of management foundations (CG system, various committees, risk management, etc.).

Aiming to expand the business domain



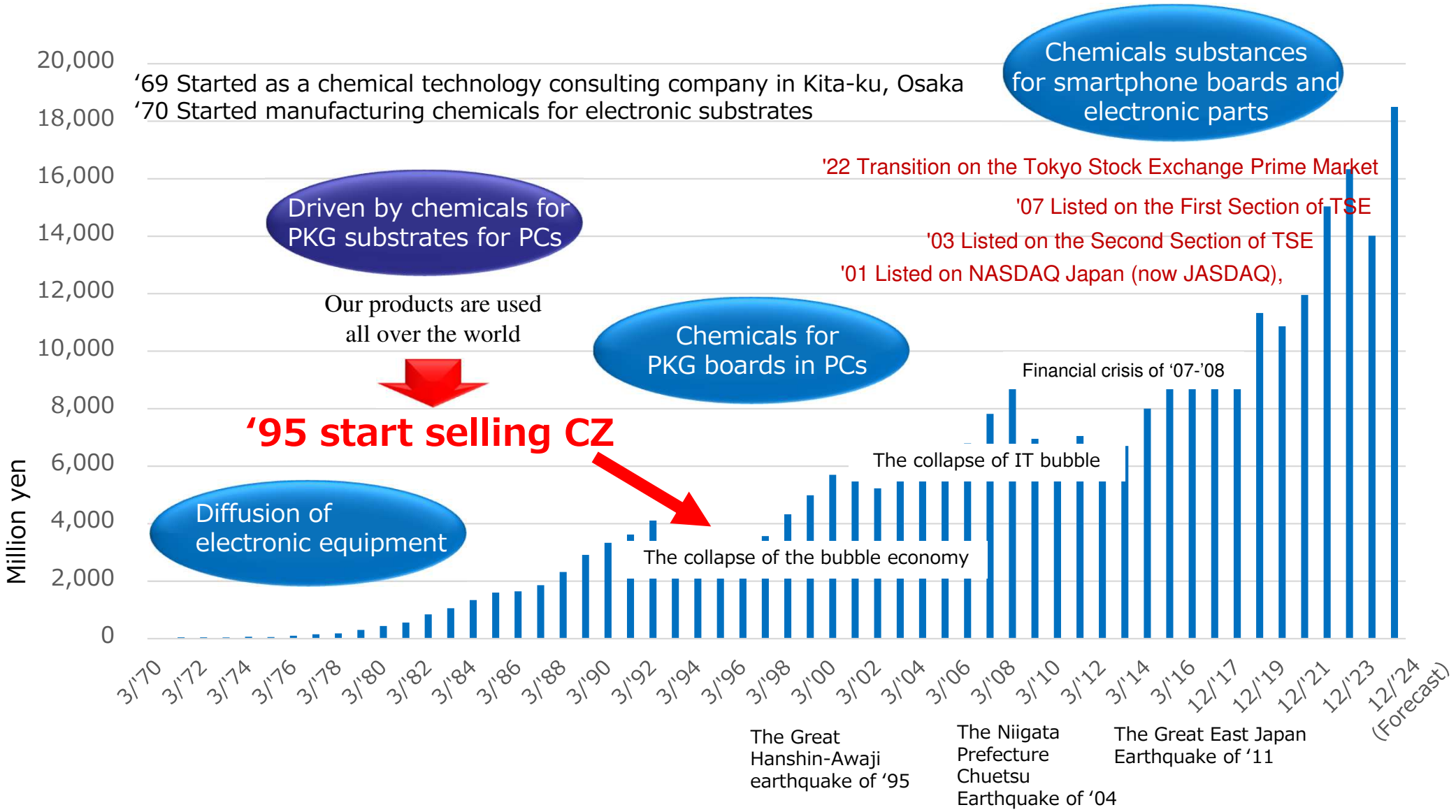
Appendix

Corporate profile

(As of December 31, 2023)

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

MEC sales trend since foundation



Process of commercialization







From R&D
To Factory

Beaker experiment ⇒ Scale-up experiment ⇒ Production line verification







To customers



Manufacturing ⇒ Quality inspection ⇒ Filling

Example of product usage process

«Drying»



«Water Rinse»



«Chemical Treatment»

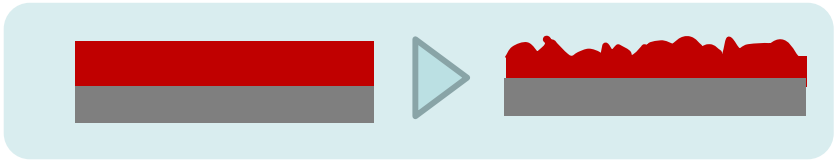




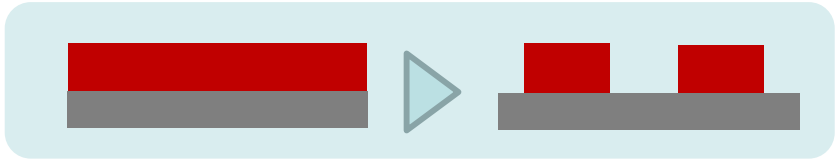
MEC's core technologies

Creating and Fostering Value at Various Interfaces

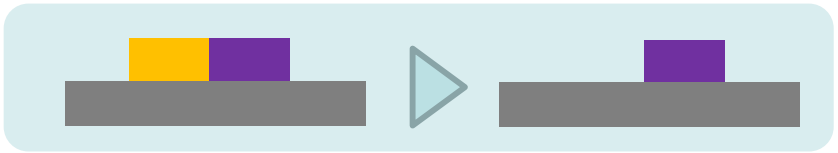
- **Roughen** the surface, and **physically improve adhesion** — CZ,V-Bond



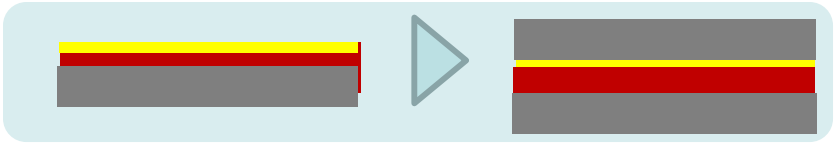
- **Pattern formation** — EXE



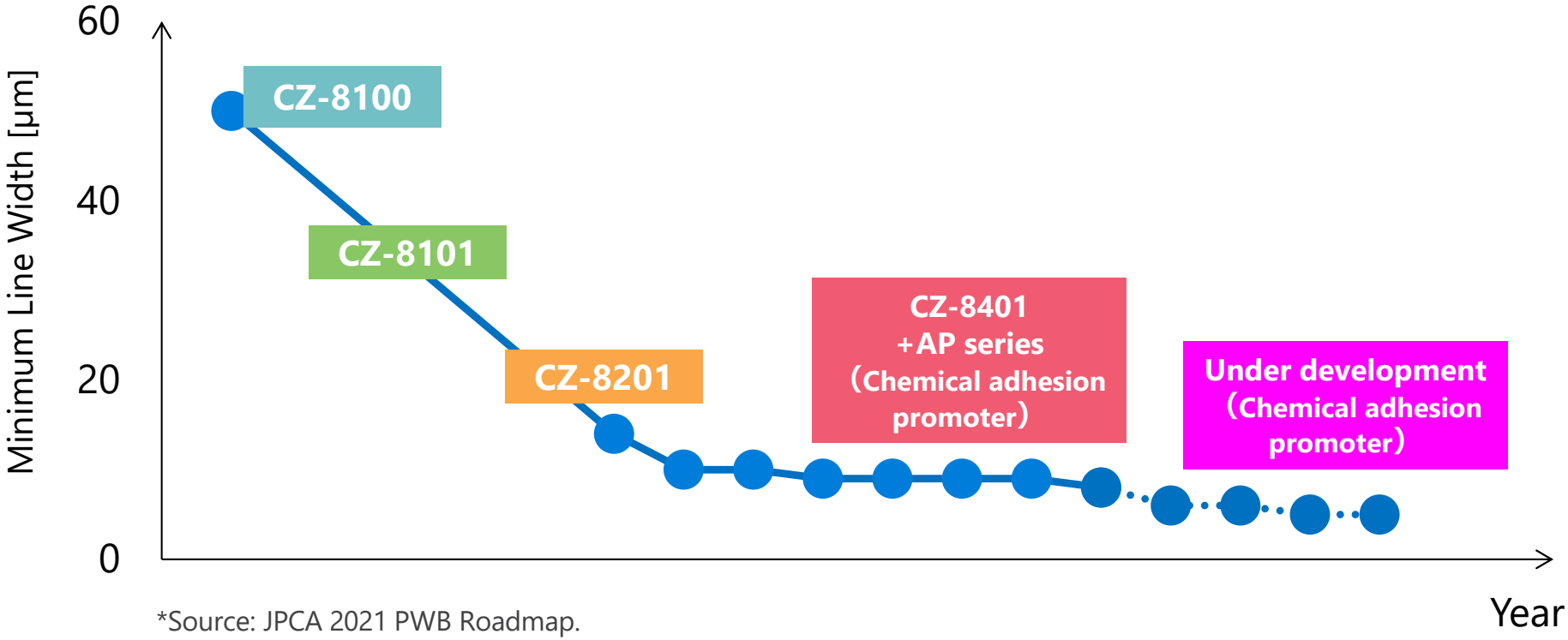
- **Selective etching** — SF



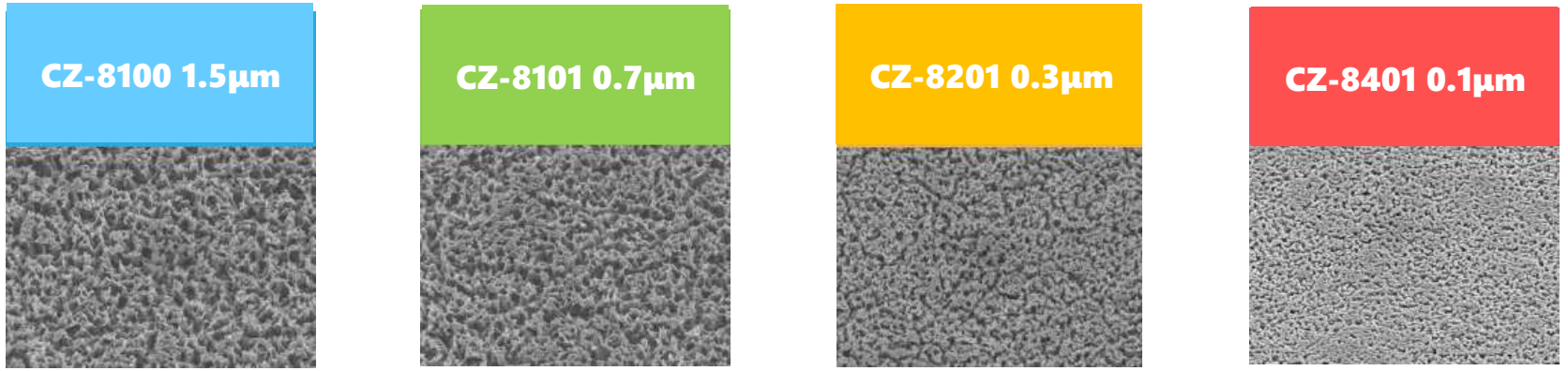
- **Treat** the surface, and **chemically adhesion promoter**



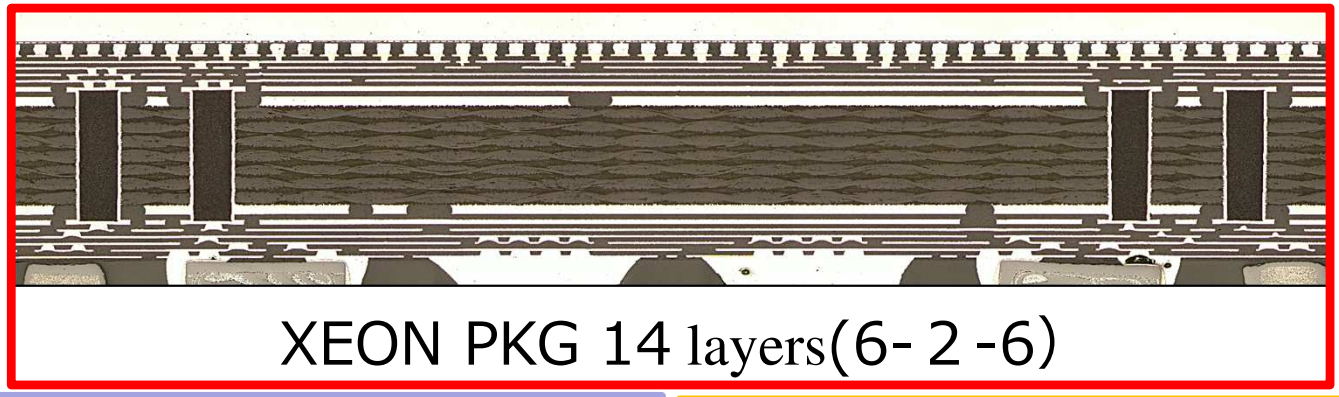
CZ series roadmap



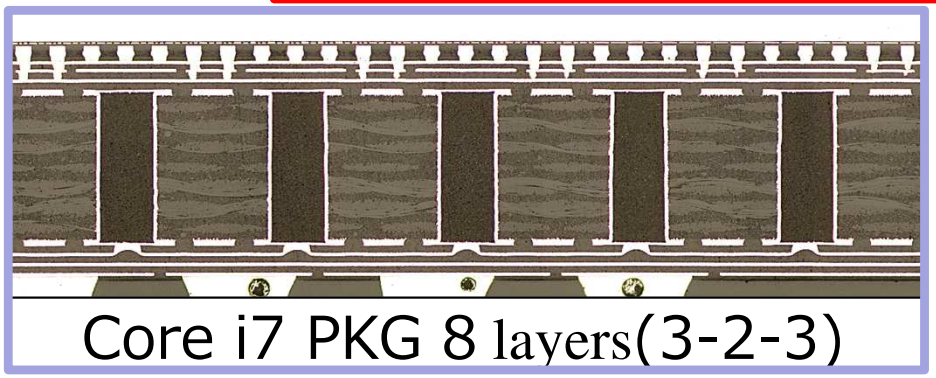
*Source: JPCA 2021 PWB Roadmap.



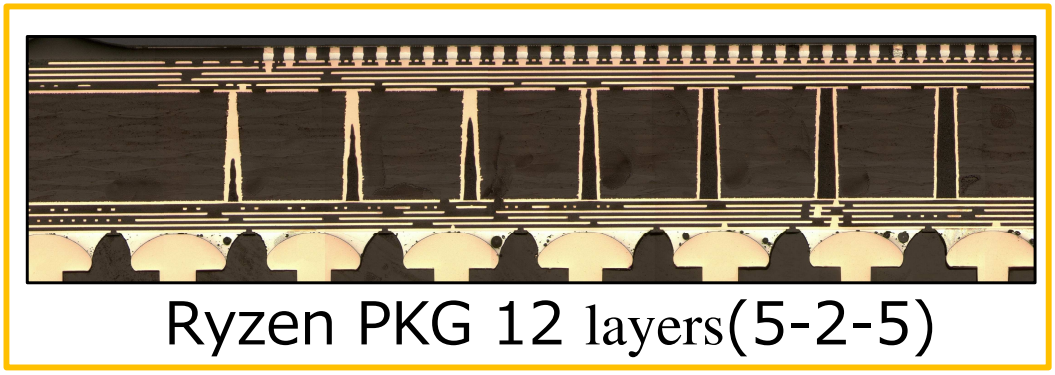
Cross section observation



XEON PKG 14 layers(6- 2 -6)



Core i7 PKG 8 layers(3-2-3)



Ryzen PKG 12 layers(5-2-5)

	cm^2	Layers
XEON	**27.44**	**14**
Core i7	**14.44**	**8**
Ryzen 7	**16.00**	**12**

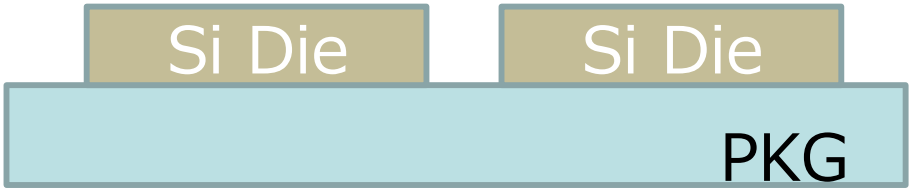
Evolution of the PKG substrate



One PKG
One Si Die

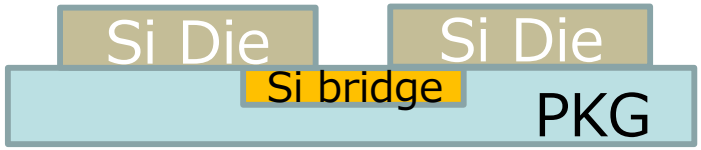
Chiplet

Mounting multiple semiconductors



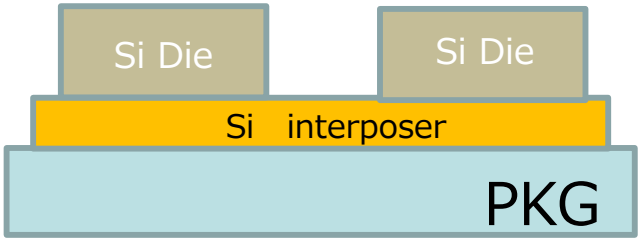
EMIB

(**E**mbedded **M**ulti-die **I**nterconnect **B**ridge)



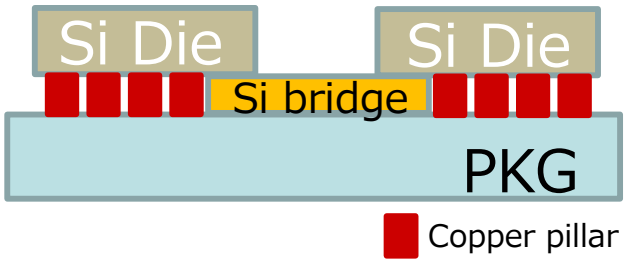
CoWoS

(**C**hip **o**n **W**afer **o**n **S**ubstrate)



EFB

(**E**levated **F**anout **B**ridge)



PKG size is big and layers are increase.

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

As of December 31, 2023

Creating and Fostering Value at Various Interfaces

This presentation includes forward-looking statements (such as predictions and business forecasts) made in August 8, 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.