Financial Results Briefing for FYE 12/2024

February 14, 2025

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.

FYE12/2024 Key factors

1. Sales: 18,234 million yen(YOY change: UP 30.1%)
   Operating income: 4,562 million yen(YOY change: UP 83.0%)

2. Exchange rate impact (YOY change)
   Sales: Up 624 million yen,
   Operating income: Up 350 million yen.

3. Chemicals
   Sales: 17,478 million yen (YOY change: UP 27.0%)
   Shipments: 42,075 t (YOY change: UP 18.9%)

4. Major products sales (YOY change)
   CZ: UP 31.0% EXE: UP 22.5% SF: UP 19.6% V-Bond: UP 11.8%

Exchange rates

	Initial forecast	Q4 FYE12/2024	Q4 FYE12/2023	Q3 FYE12/2024
N T D	4.48	4.72	4.52	4.72
R M B	19.66	21.04	19.81	20.95
H K D	17.73	19.41	17.96	19.28
T H B	4.01	4.31	4.04	4.24
E U R	150.22	163.79	152.27	163.86
U S D	138.87	151.44	140.55	150.62

- 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.

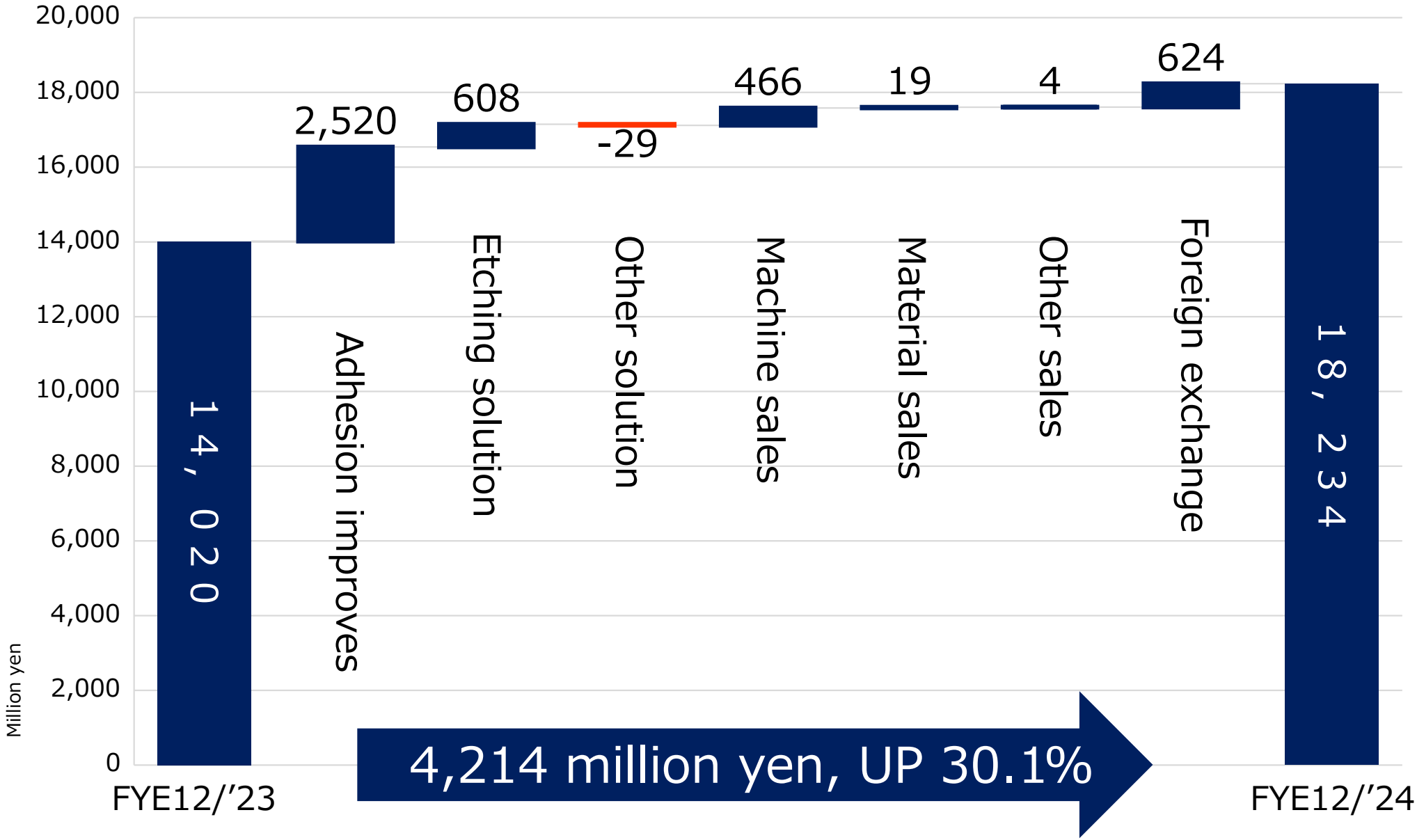
Exchange sensitivity (12 months conversion)(million yen) : NTD: (Sale) 70 (Operating income) 51 RMB: (Sale) 27 (Operating income) 16

FYE12/2024 Results

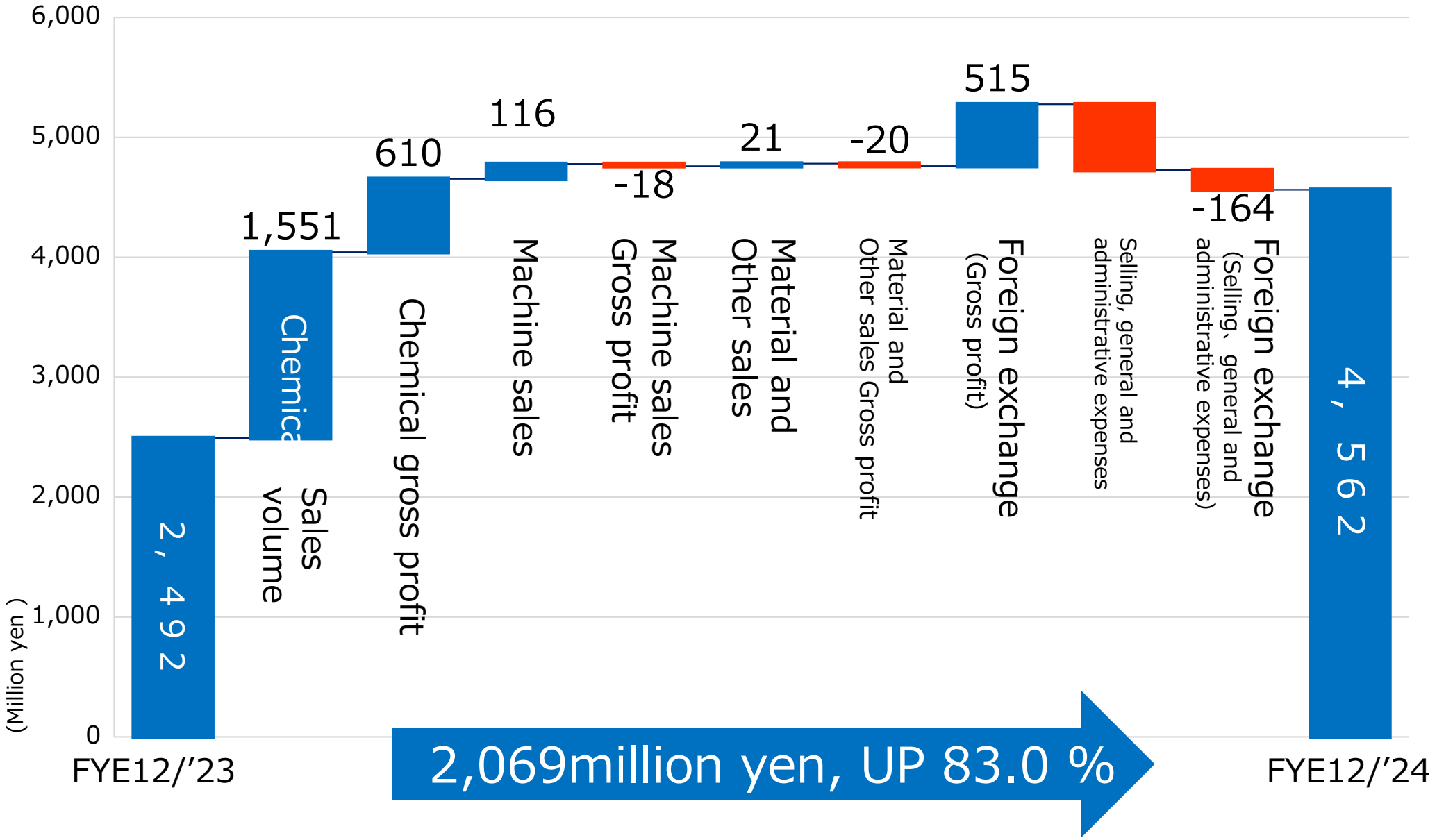
Unit : million yen

	FYE12.2023 Results	FYE12.2024 Results	FYE12.2024 YOY (%)	
Net sales	14,020	18,234	4,214	30.1%
Chemical sales	13,764	17,478	3,713	27.0%
Gross profit	8,316	11,101	2,784	33.5%
Gross profit margin	59.3%	60.9%	1.6ppt	-
SGA	5,824	6,539	715	12.3%
Sales ratio	41.5%	35.9%	-5.6ppt	-
Operating income	2,492	4,562	2,069	83.0%
Operating profit margin	17.8%	25.0%	7.2ppt	-
Ordinary income	2,683	4,682	1,999	74.5%
Ordinary profit margin	19.1%	25.7%	6.6ppt	-
Profit before tax	3,219	4,669	1,450	
Net income	2,304	2,291	-13	-0.6%
EBITDA	3,993	5,487	1,494	37.4%
Net income per share	122.29	122.38	-	-
ROE	9.6%	8.9%	-0.7ppt	-

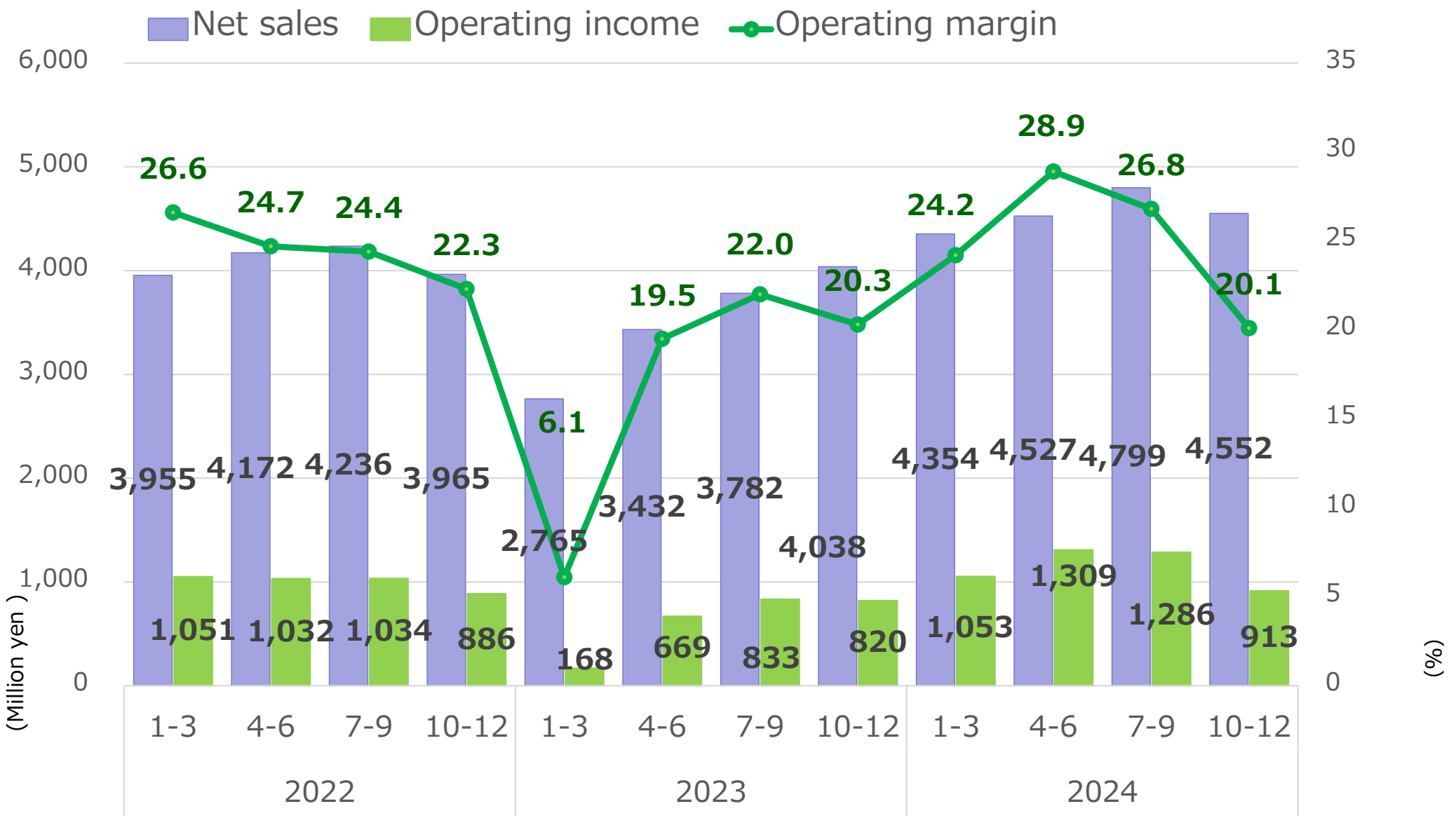
Net sales YOY



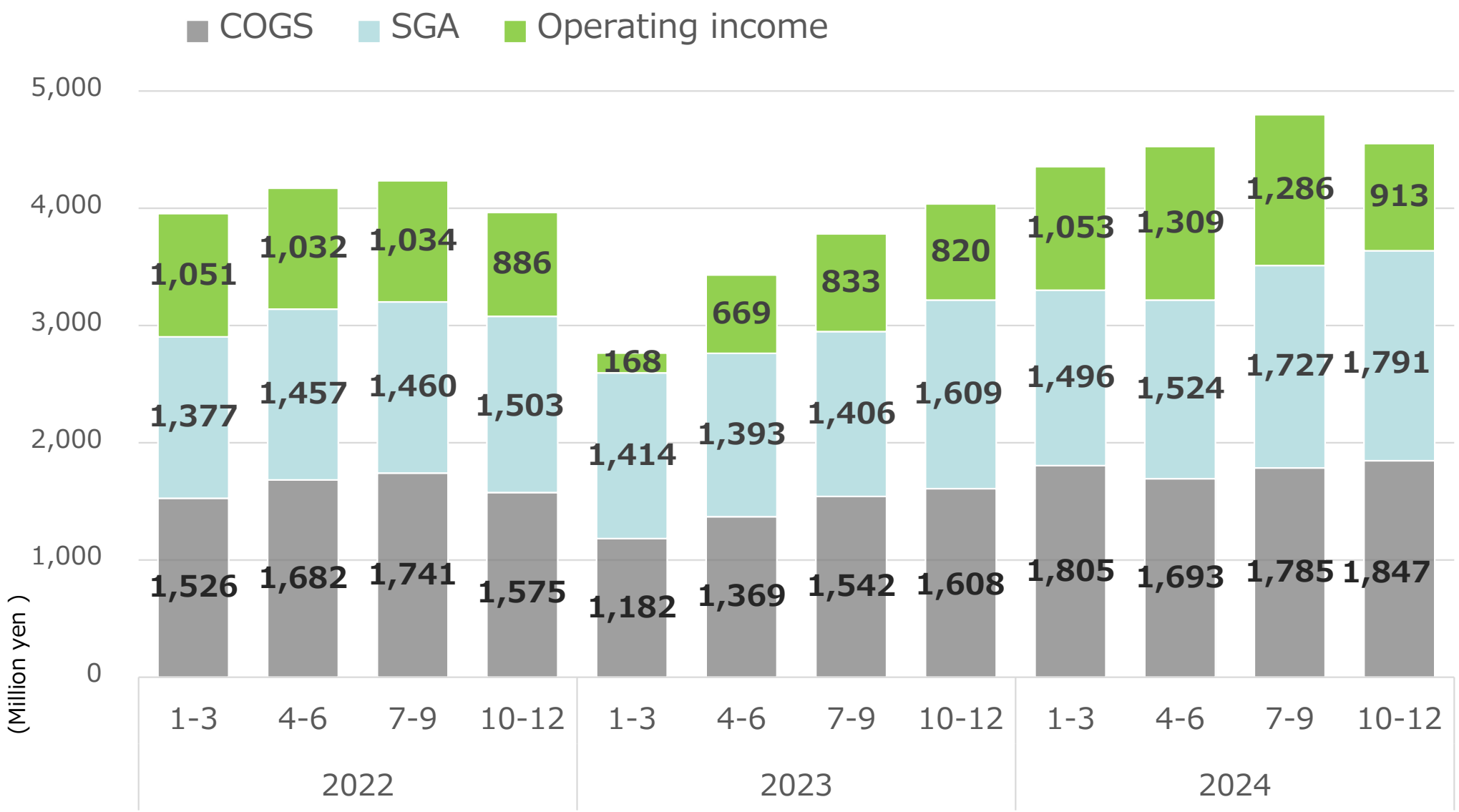
Operating income YOY



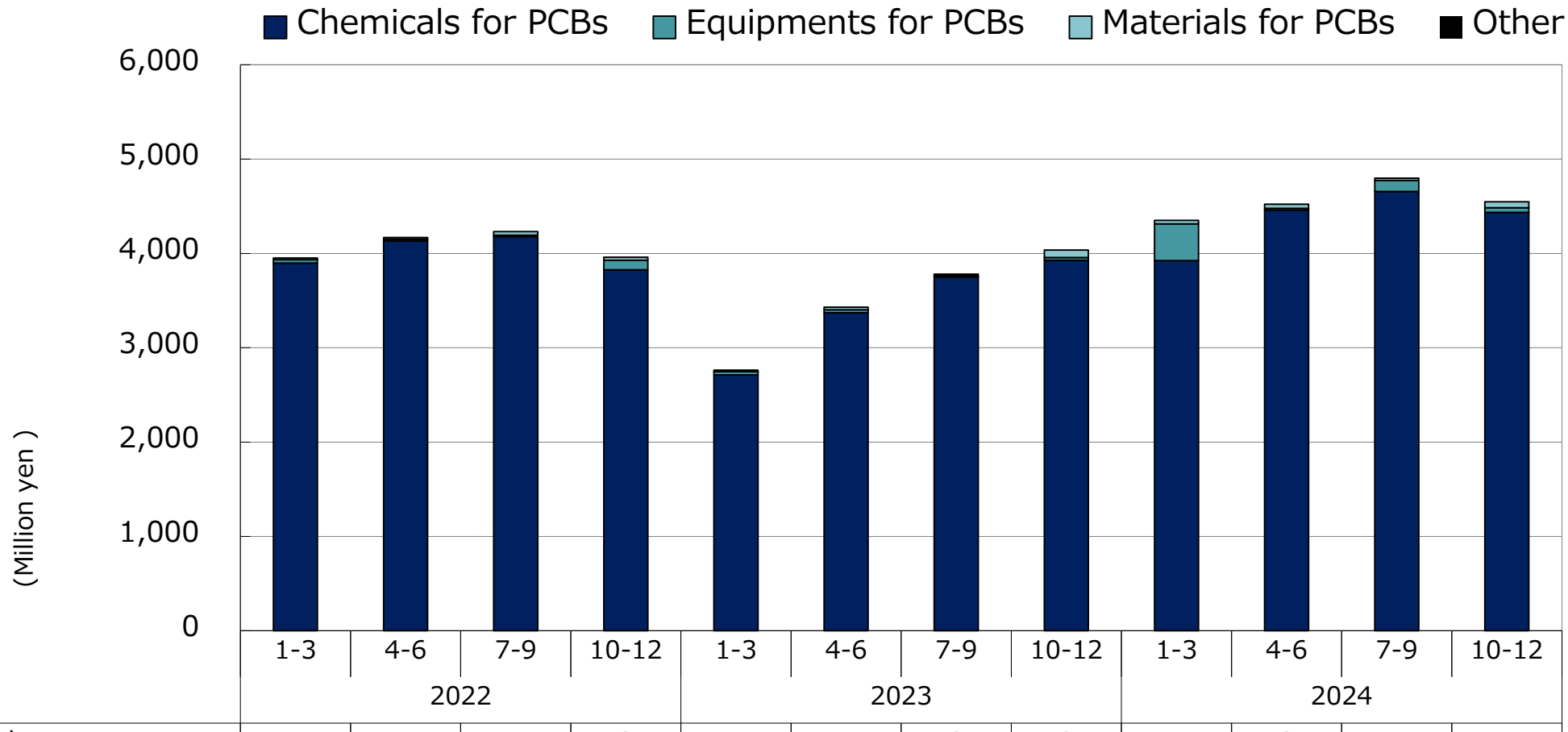
Quarterly performance:
Sales, Operating income, Operating margin (Consolidated)



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

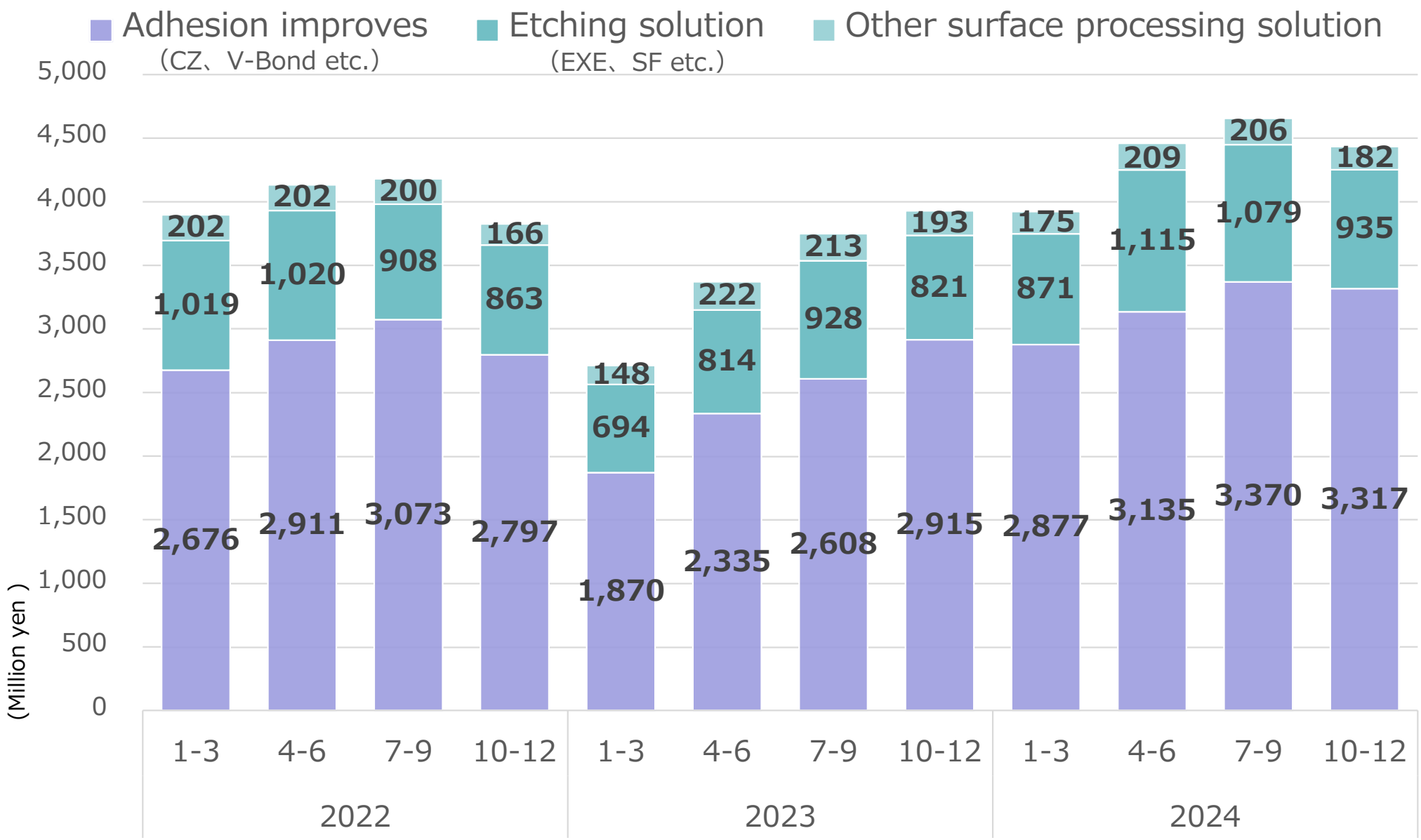


Quarterly performance : Product-specific sales (Consolidated)

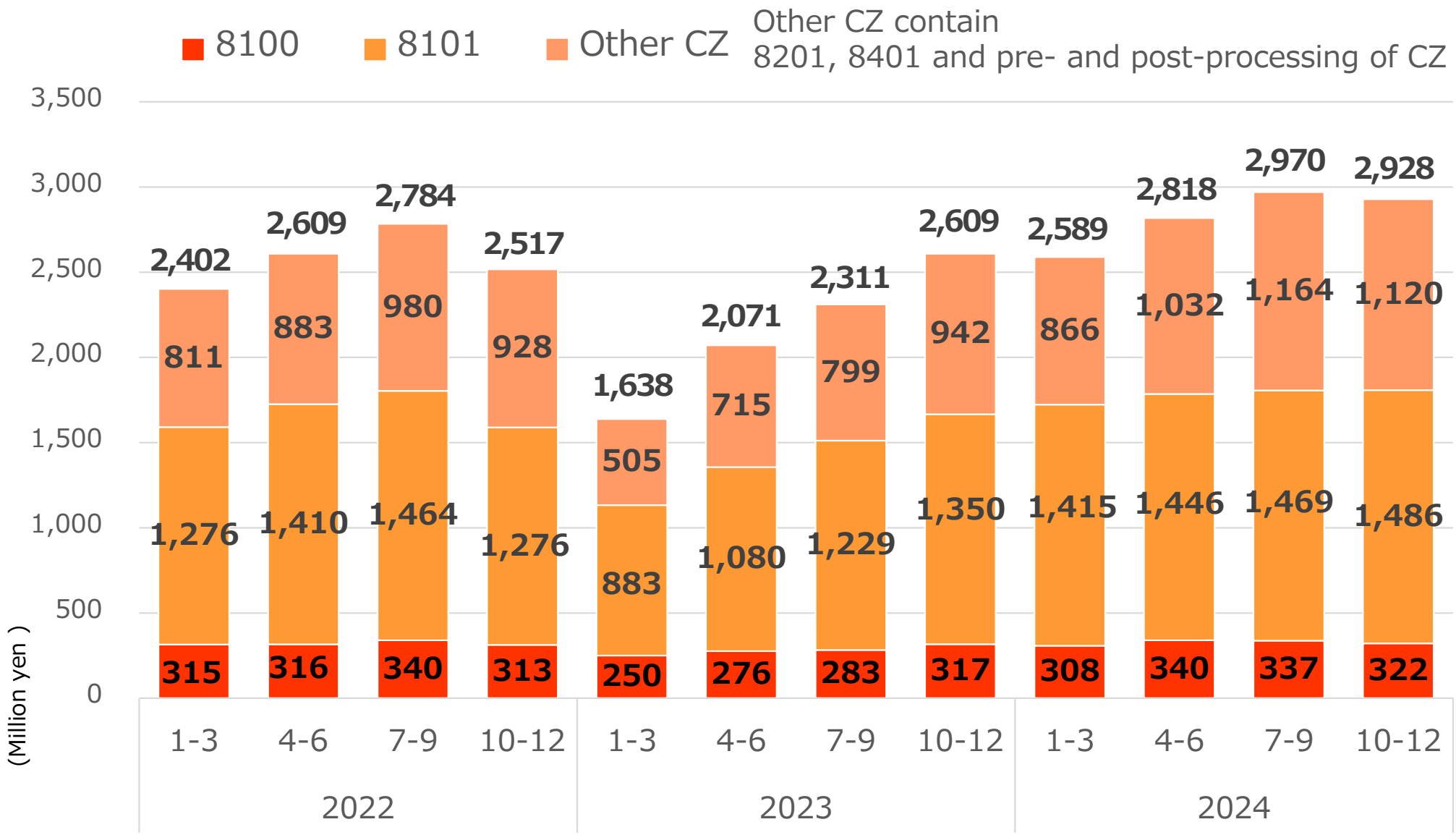


	2022 1-3	2022 4-6	2022 7-9	2022 10-12	2023 1-3	2023 4-6	2023 7-9	2023 10-12	2024 1-3	2024 4-6	2024 7-9	2024 10-12
Other	1	1	1	3	1	1	0	0	1	3	1	1
Materials for PCBs	18	19	38	31	16	27	15	80	37	44	22	64
Equipments for PCBs	36	17	13	102	34	31	17	28	391	19	118	49
Chemicals for PCBs	3,898	4,134	4,181	3,827	2,712	3,372	3,749	3,929	3,924	4,460	4,657	4,436

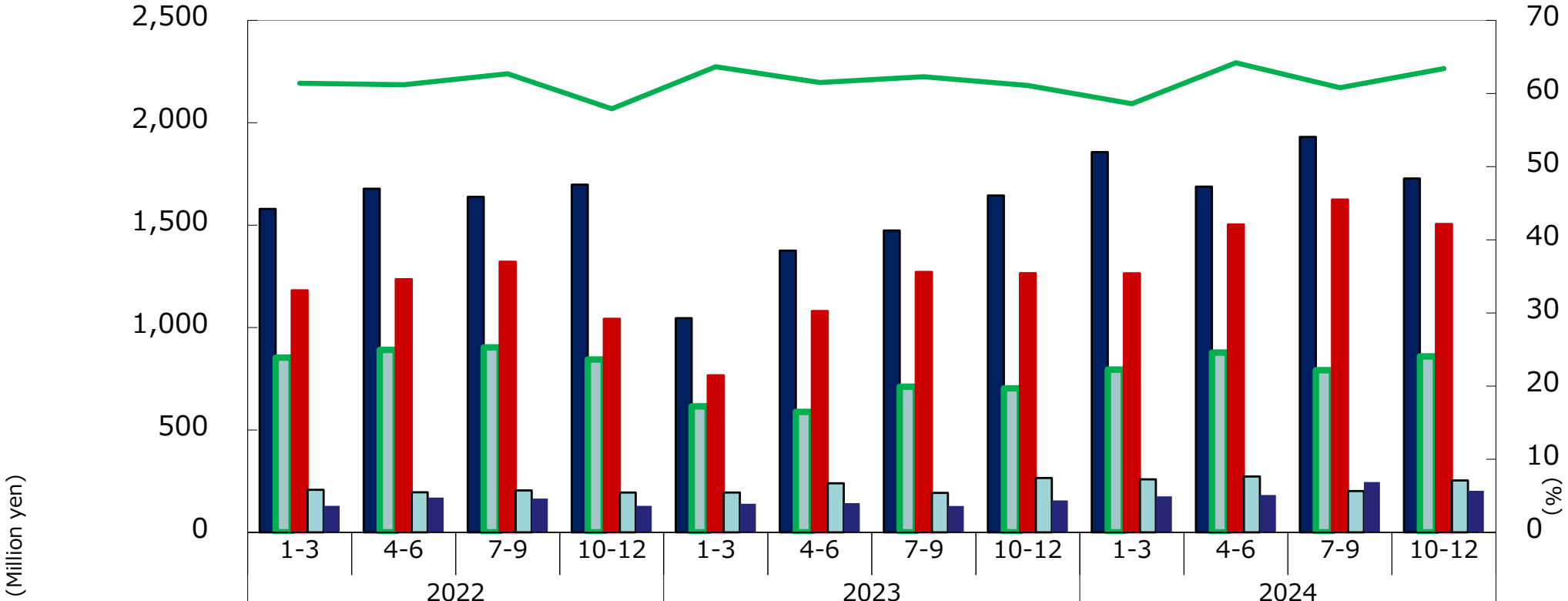
Quarterly performance : Chemical sales (Consolidated)



Quarterly performance : CZ series sales



Quarterly performance : Region-specific sales and overseas sales ratio

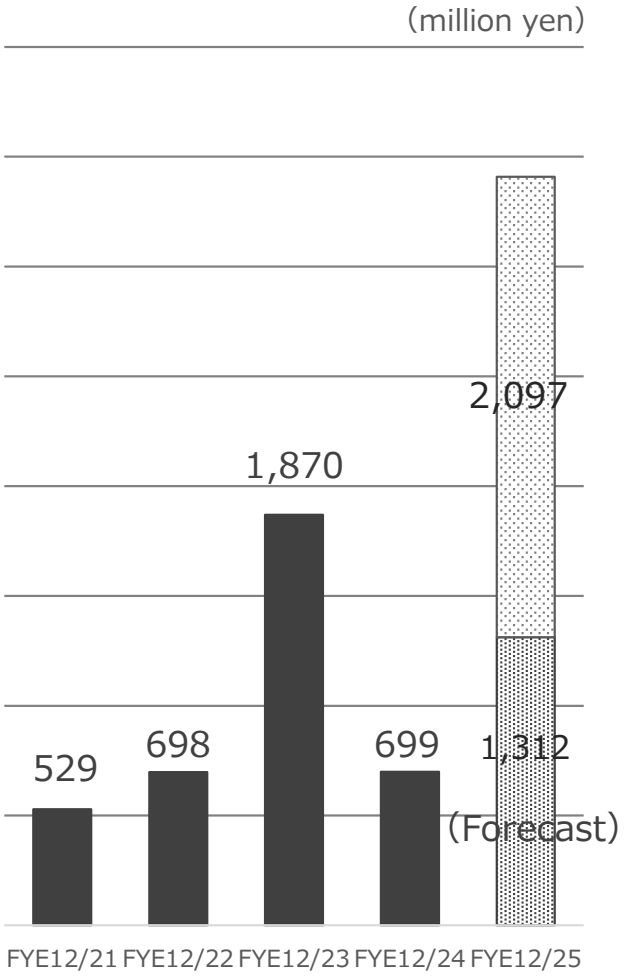


	2022 1-3	2022 4-6	2022 7-9	2022 10-12	2023 1-3	2023 4-6	2023 7-9	2023 10-12	2024 1-3	2024 4-6	2024 7-9	2024 10-12
Japan	1,579	1,678	1,638	1,698	1,046	1,376	1,474	1,645	1,857	1,688	1,931	1,728
Taiwan	853	891	903	844	615	589	711	703	795	878	792	859
Chaina	1,182	1,236	1,322	1,043	767	1,081	1,272	1,266	1,265	1,504	1,625	1,506
Europe	208	196	205	195	195	240	193	266	259	273	202	254
Thailand	130	170	165	130	140	143	129	156	176	183	246	203
Foregin sales ratio	61.4	61.2	62.7	57.9	63.7	61.5	62.3	61.1	58.6	64.2	60.8	63.4

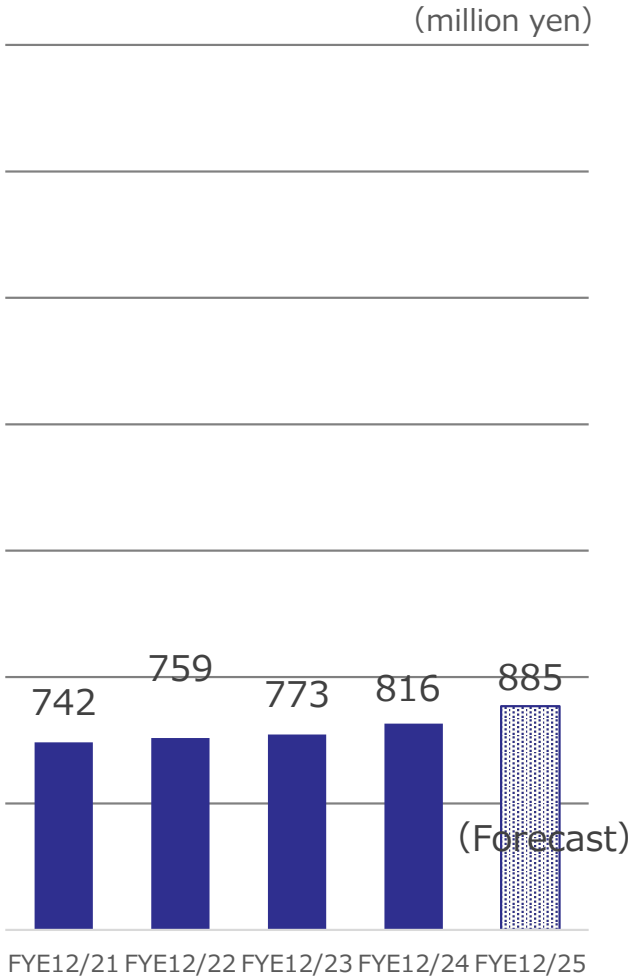
Overseas sales ratio is 78.5%(same period of the previous year: 79.7%) including sales to overseas customers through agents in Japan.

Capital investment, Depreciation expenses and R&D expenses

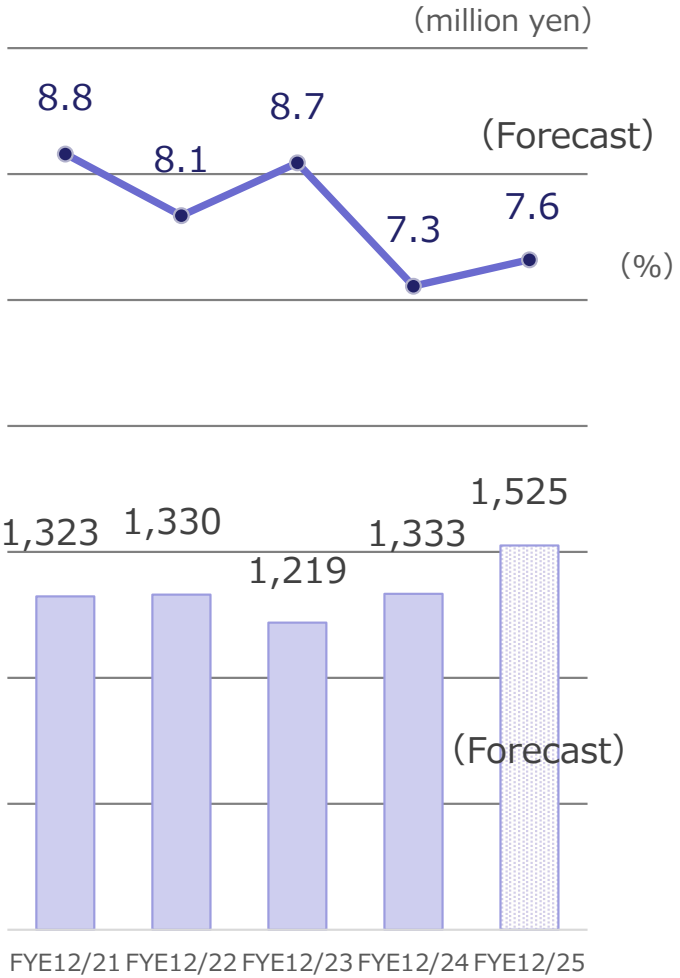
Capital investment



Depreciation expenses



R&D expenses and Ratio of consolidated sales



Capital investment for new production base

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

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 (Generative AI, 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, Satellite communications 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

Ultra-high density
Ultra-high frequency

Cutting-edge

Chemical adhesion promoter
AP series

CZ-8401
×Chemical adhesion promoter
AP series

Advanced

CZ-8201

CZ-8101

General-purpose

CZ-8100



Flat Organic
Adhesion Promotor



Super finely roughen +
Organic Adhesion Promotor

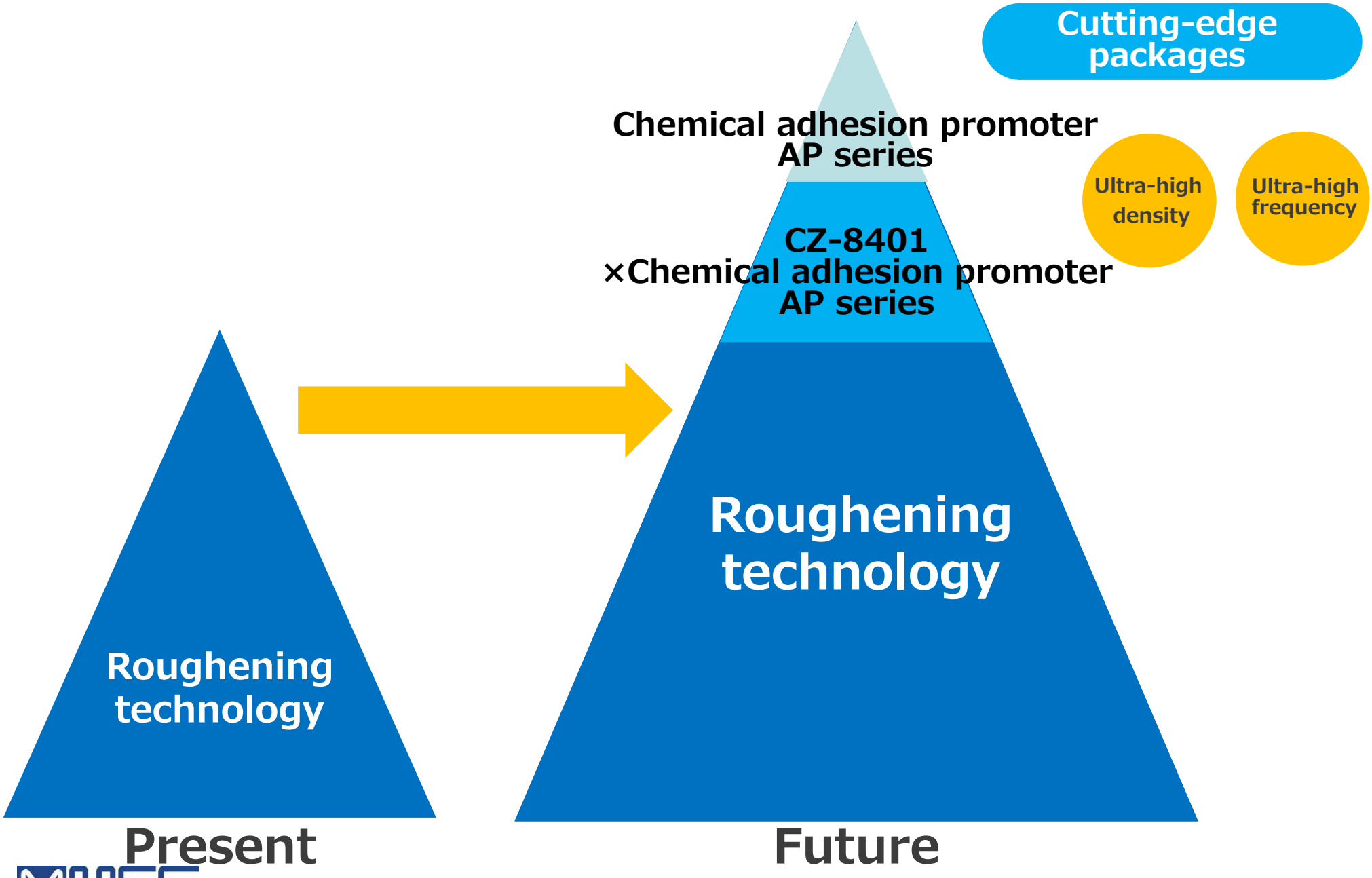


Very finely roughened



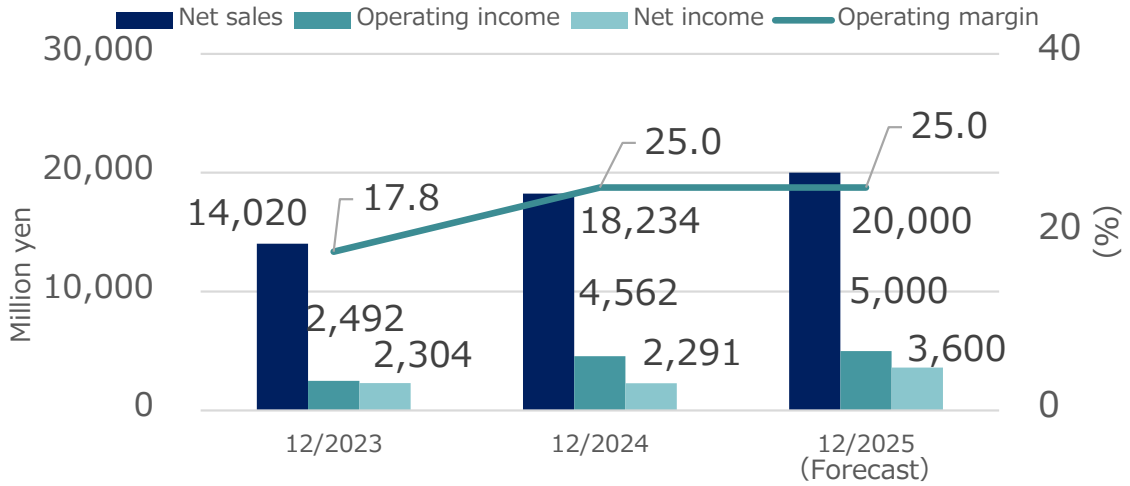
Finely roughened

Market trend



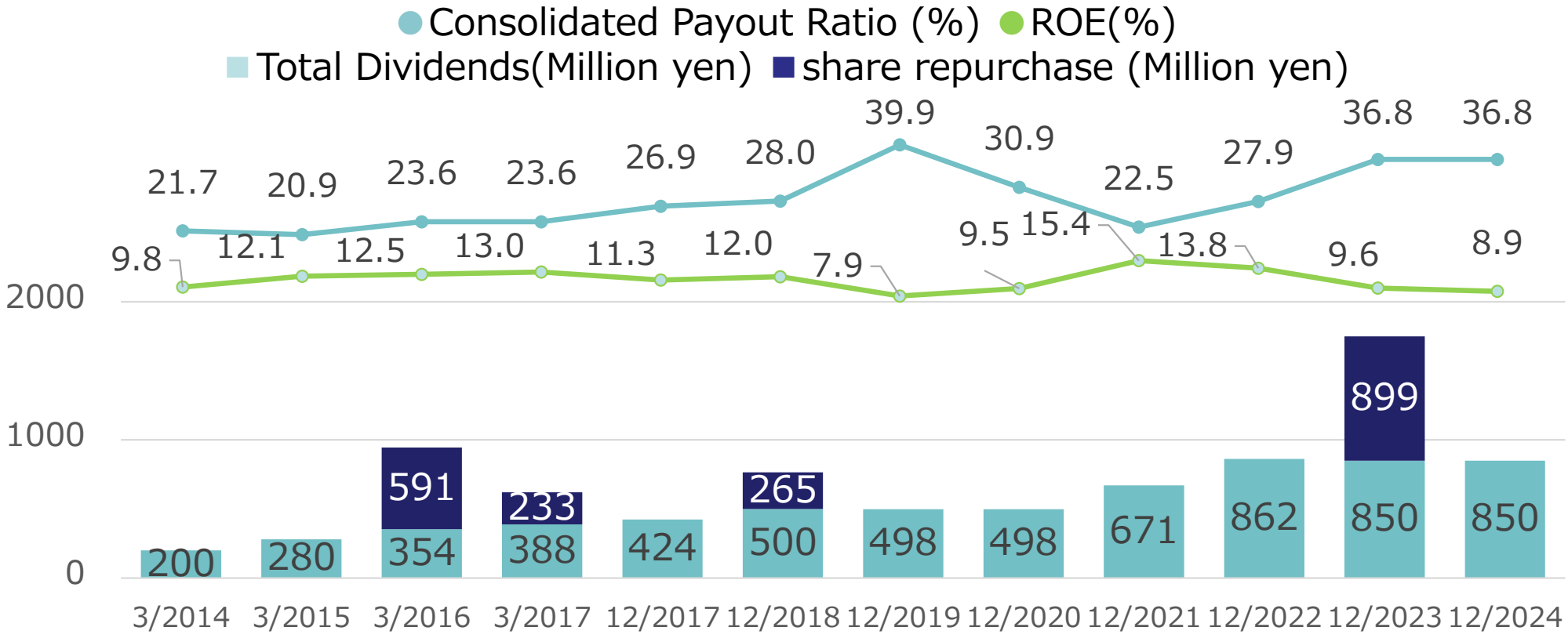
FYE12/2025 full-year forecast

	FYE12/2024 (56th term)		FYE12/2025 (57th term)					
	Full-year		February 14,2025					
			1H			Full-year		
	Amount (million yen)	Profit ratio (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)	Amount (million yen)	Profit ratio (%)	YOY change (%)
Net sales	18,234	-	9,600	-	8.1%	20,000	-	9.7%
Operating income	4,562	25.0	2,250	23.4	-4.8%	5,000	25.0	9.6%
Ordinary income	4,682	25.7	2,300	24.0	-12.9%	5,100	25.5	8.9%
Net income	2,291	12.6	1,450	15.1	-23.3%	3,600	18.0	57.1%
Net income per share(yen)	122.38	-	77.44	-	-	192.26	-	-



Exchange rates	FYE12/2024	FYE12/2025
NTD	4.72	4.76
RMB	21.04	21.08
HKD	19.41	19.48
THB	4.31	4.22
EUR	163.79	164.84
USD	151.44	152.33

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



Consolidated Dividend Payout Ratio

Medium-term goal(consolidated payout ratio)
30%

ROE

Quantitative targets
At least 10%

FYE12/2025 Annual dividends per share(Forecast)

55.0円 (2Q-end 25.0 yen, Fiscal year-end 30.0 yen,
consolidated payout ratio:28.6%)

ESG effort

Environment

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

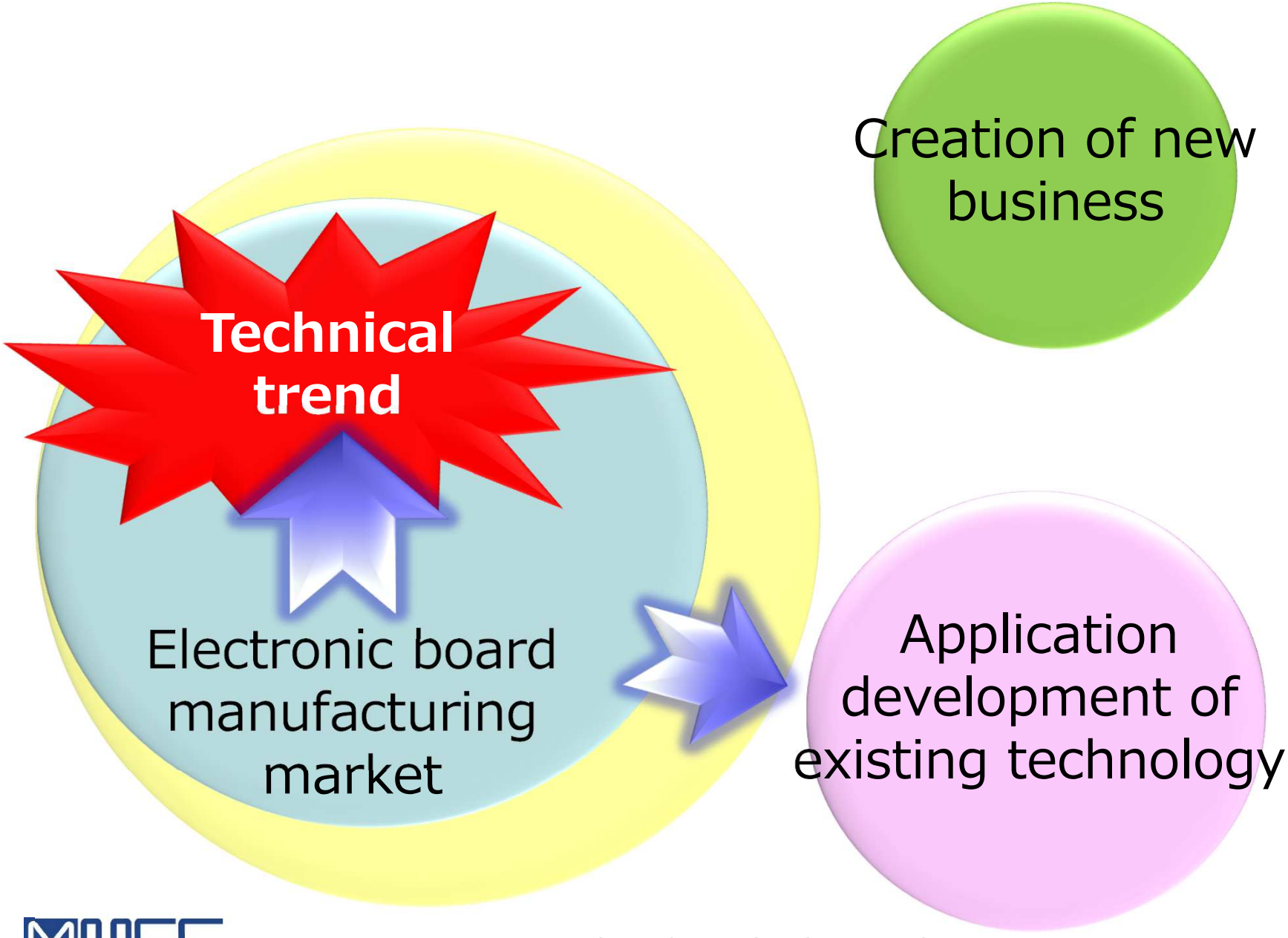
Social

- 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

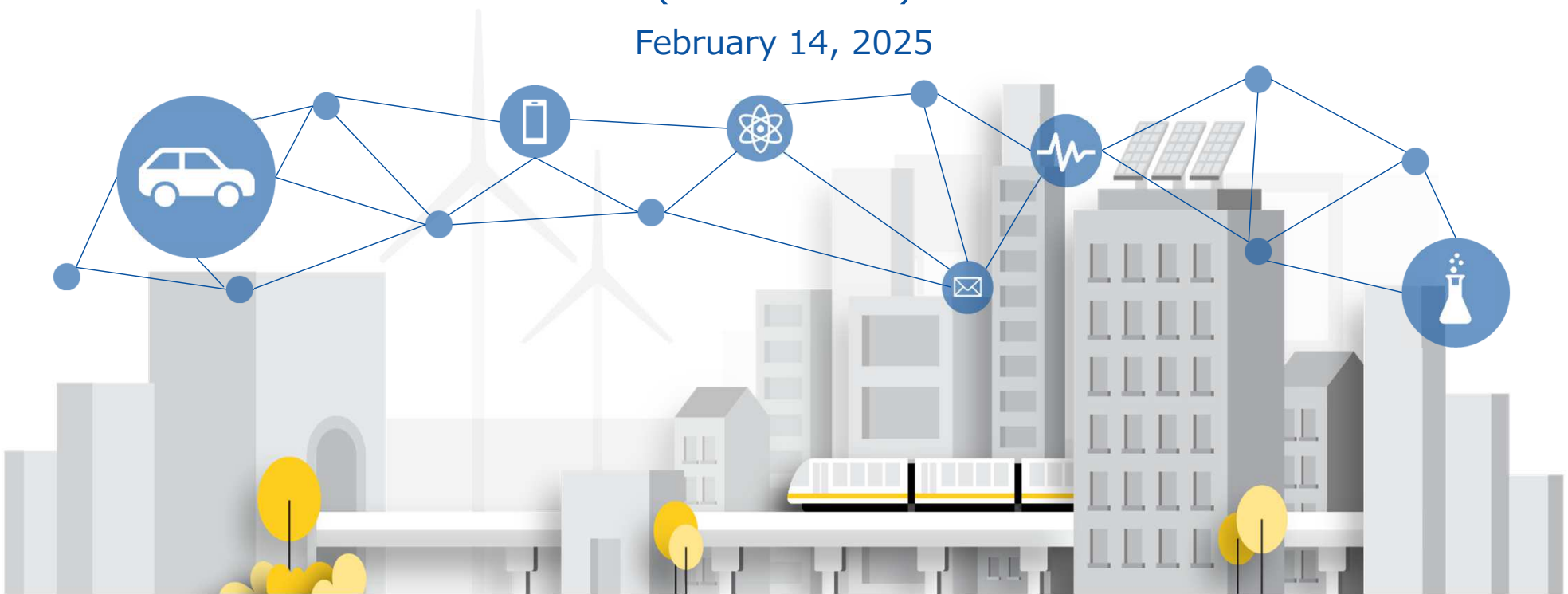


MEC COMPANY LTD.
Securities code:4971

2030 Vision
Phase 2

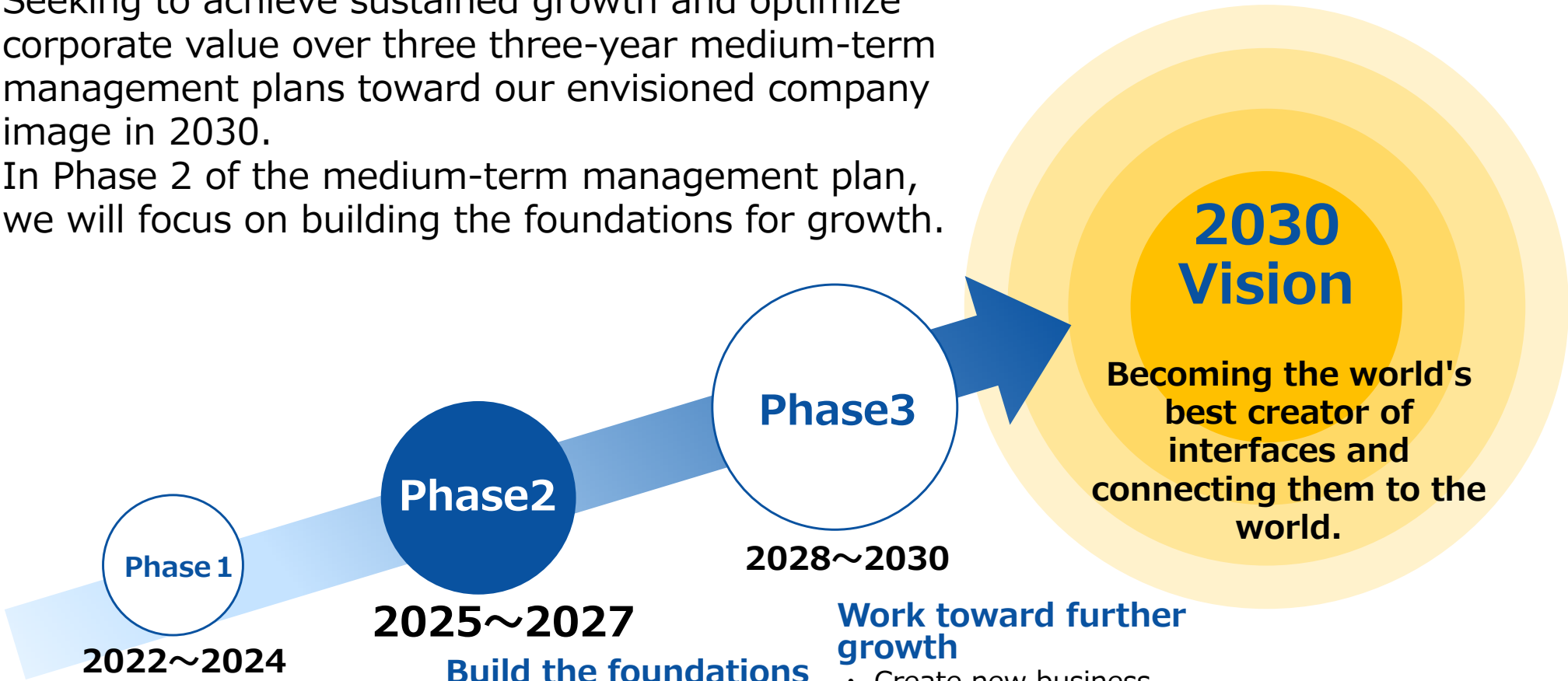
Medium-term Management Plan
(2025-2027)

February 14, 2025



Positioning of this Medium-Term Management Plan

Seeking to achieve sustained growth and optimize corporate value over three three-year medium-term management plans toward our envisioned company image in 2030.
In Phase 2 of the medium-term management plan, we will focus on building the foundations for growth.



Promote and reinforce ESG management

Changes in Performance

COVID-19, which surfaced at the end of 2019, had a significant impact on the electronics industry. In FY2021, net sales surged dramatically due to extraordinary demand. However, in FY2023, net sales substantially declined as we experienced a pullback, resulting in a decrease in profits, and both the consolidated operating income margin and ROE fell below target levels. In FY2024, net sales and operating income reached record highs. Taking into consideration business rationality and management efficiency on our way towards the ideal corporate image for 2030, it was decided to dissolve and liquidate MEC (HONG KONG) LTD. whose sales activities are continuously being reduced, and to make its subsidiary MEC FINE CHEMICAL (ZHUHAI) LTD. a wholly owned subsidiary of the Company. Due to the increase in income taxes from recording taxes in Japan and China associated with this group organization, net income decreased. Furthermore, ROE fell short of the target due to the impact of an increase in accumulated comprehensive income caused by factors such as the depreciation of the Japanese yen. In terms of capital investment, some have been deferred to Phase 2.

	2021	2022	2023	2024	2024 Targets
Consolidated operating margin	26.2%	24.5%	17.8%	25.0%	At least 20%
ROE	15.4%	13.8%	9.6%	8.9%	At least 10%
Investment in research and development	8.8%	8.1%	8.7%	7.3%	Approximately 10% of consolidated sales
Capital investment		¥ 0.69 billion	¥ 1.87 billion	¥ 0.69 billion	Approximately 5 billion yen cumulative
(Cumulative)	—		¥ 3.26 billion		
Shareholder returns	22.5%	27.9%	36.8%	36.8%	Consolidated payout ratio : 30%
(Annual dividend per share)	(35 yen)	(45 yen)	(45 yen)	(45 yen)	
(Share buybacks)	—	—	Implemented	—	Flexibly implement according to the circumstances

Key Opportunities for the Company

Expanding Markets

Next-generation communications networks
(5G/6G, optical communications, satellite communications)

Internet of Things (IoT)
(Everything is connected to the Internet)

Diversification of AI
(DX, edge AI, healthcare, etc.)

Next-generation mobility
(Self-driving cars, autonomous driving assistance systems)

Required Technologies

High-speed information processing

Low power consumption

Miniaturization

Low signal loss

Expanding needs for high-density integration

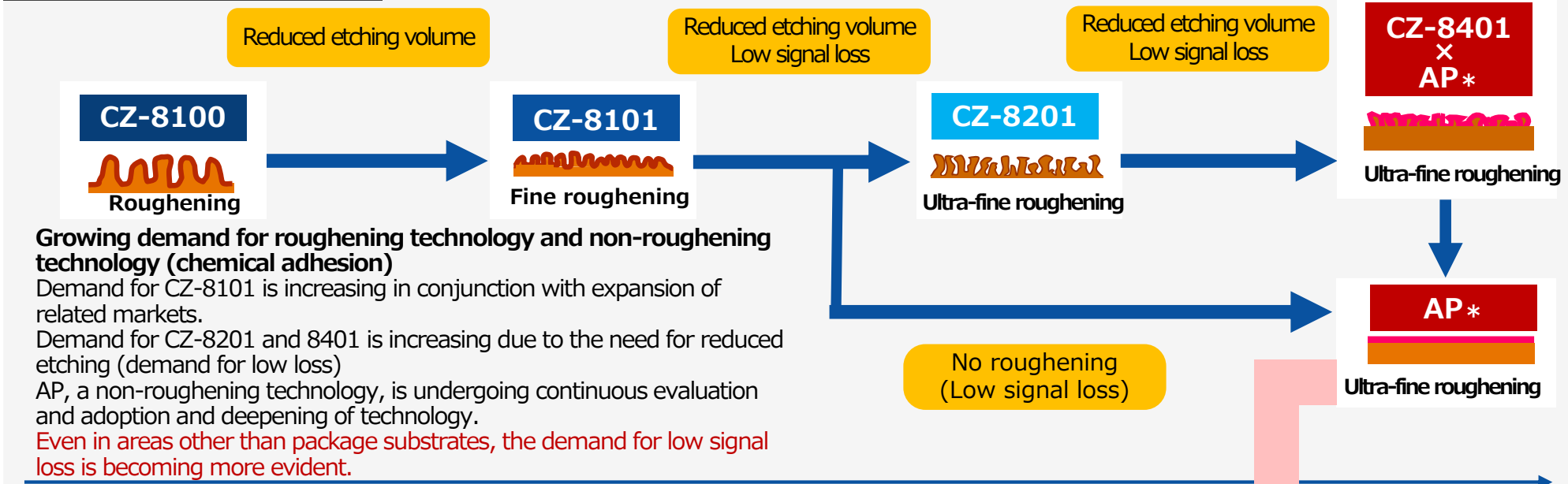
Expanding markets in core businesses
(Semiconductor and electronic substrate markets)

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Expanding demand for adhesion enhancement using ultra-fine and non-roughening technologies
(Higher signal speeds, higher densities)

Changes in Copper Adhesion Surface Technology

Package Substrates



Growing demand for roughening technology and non-roughening technology (chemical adhesion)

Demand for CZ-8101 is increasing in conjunction with expansion of related markets.

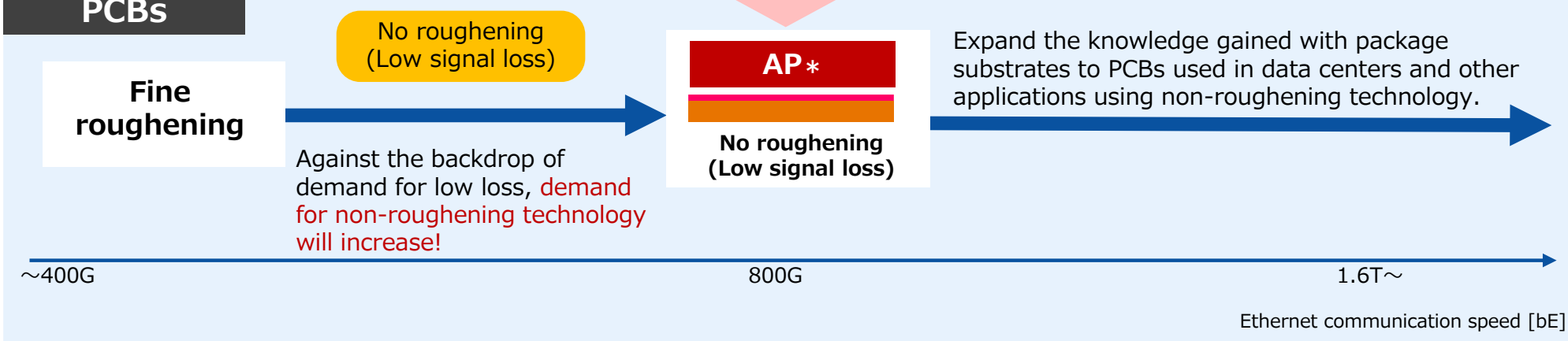
Demand for CZ-8201 and 8401 is increasing due to the need for reduced etching (demand for low loss)

AP, a non-roughening technology, is undergoing continuous evaluation and adoption and deepening of technology.

Even in areas other than package substrates, the demand for low signal loss is becoming more evident.

Deployment of the same technologies on PCBs

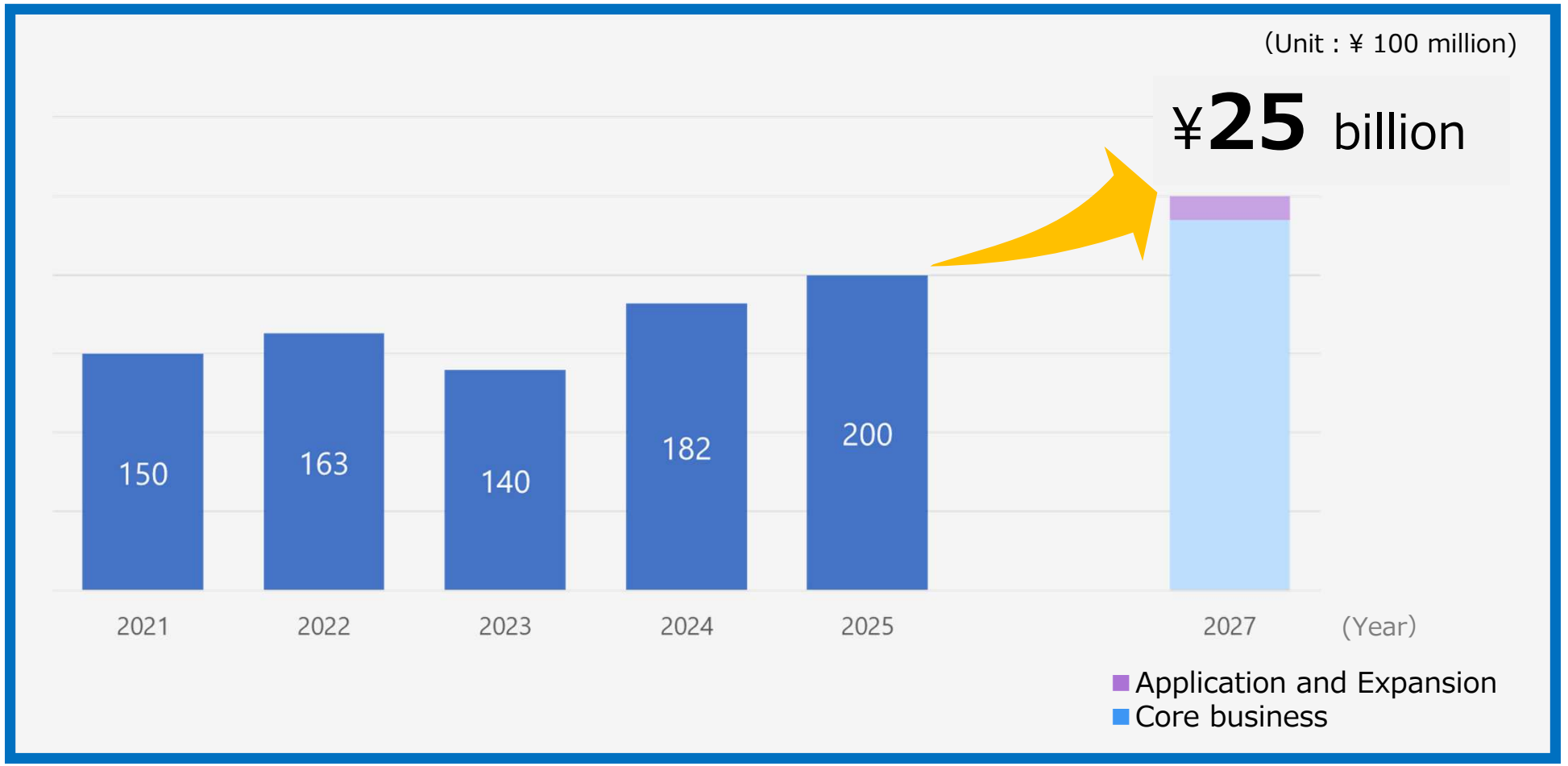
PCBs



*AP : Adhesion Promotor

Changes in Sales and Targets

While maintaining our superiority in core businesses, we aim to establish de facto standards in new technology areas. Additionally, by working on the application and expansion of existing technologies, we seek to achieve 25 billion yen in sales in 2027.



Phase 2 Targets

Quantitative Targets

Consolidated sales

FY 2027

¥**25** billion

Core business ¥23.5 billion
Application and Expansion ¥1.5 billion

Consolidated operating margin

At least **20**%

ROE

At least **10**%

Qualitative Targets

Maintain and bolster profitability in existing markets

- Reinforce relationships with customers
- Maintain market share for ultra-fine roughening adhesion treatment
- Create solutions in the non-roughening technology (chemical adhesion) area
- Develop environmentally-conscious products

Develop business in areas where existing technologies can be applied and expanded

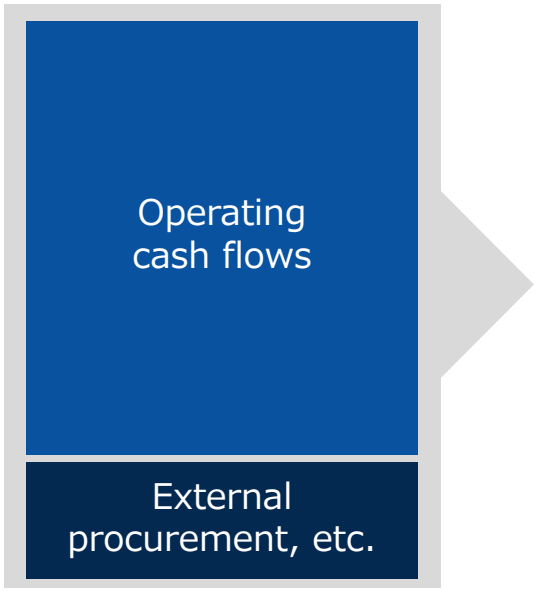
Create new business

Build structures for stable global supply

Advance and strengthen ESG management

Capital Policy

Basic Policy on Cash Allocation



Investment in growth	● Investment in R&D ● M&A ● Reinforce global supply structures ● Reinforce technical support and marketing structures
Reinforce foundations	● Investment in human capital ● Reinforce ESG management
Shareholder returns	● Dividends ● Flexible share buybacks

*The size of each item is not an indicator of the amount.

Investment in research and development

Approximately **10**%

of consolidated sales every year

Capital investment

Approximately **8 billion** yen

over three years

Shareholder returns

Maintain and increase the annual dividend per share
(Consolidated payout ratio target: **30**%)

Flexibly implement share buybacks according to the circumstances

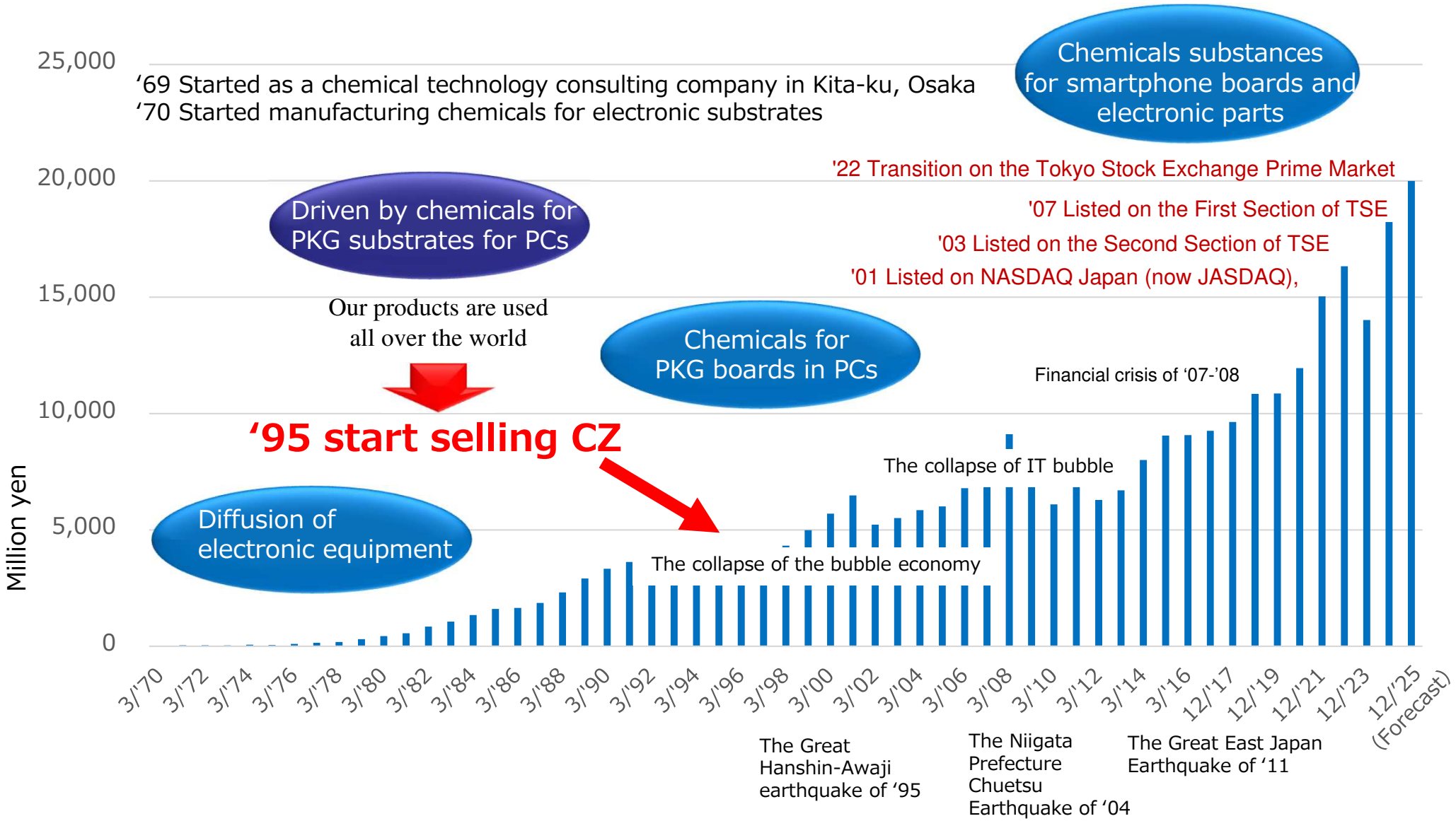
Appendix

Corporate profile

(As of December 31, 2024)

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	18,234 million JPY (Consolidated)
Stock listing	Tokyo Stock Exchange Prime Market Securities code: 4971
Number of employees	480 persons (Consolidated) 277 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»

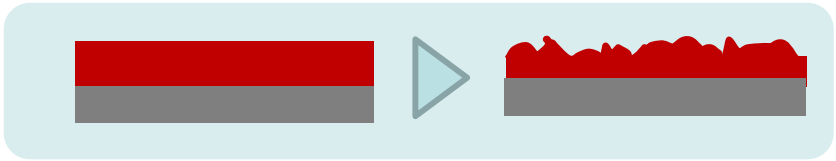




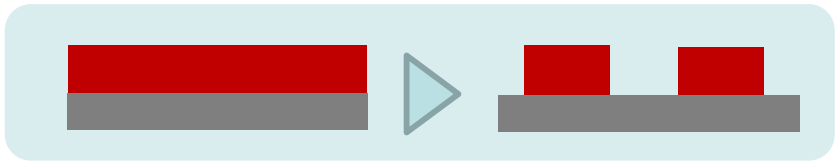
MEC's core technologies

Creating and Fostering Value at Various Interfaces

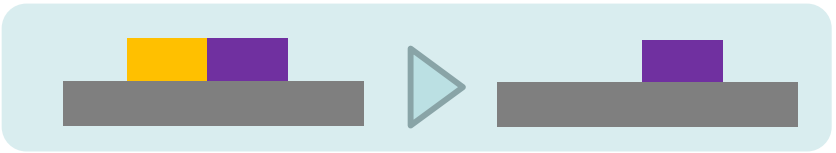
- **Roughen** the surface, and **physically improve adhesion** CZ,V-Bond



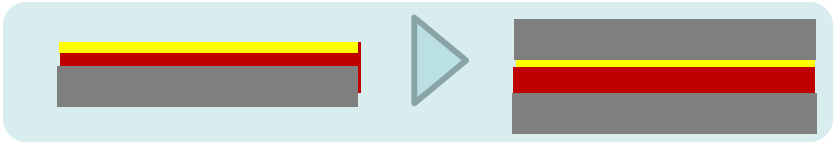
- **Pattern formation** EXE



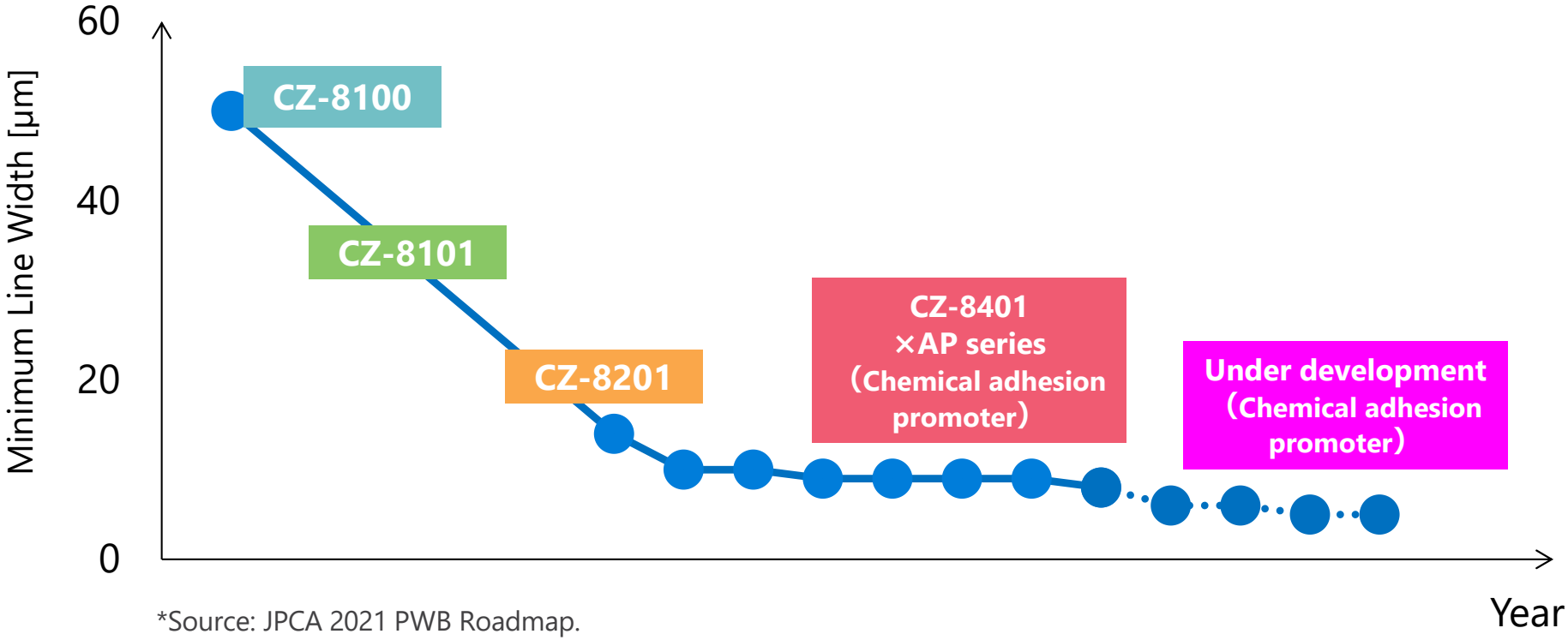
- **Selective etching** SF



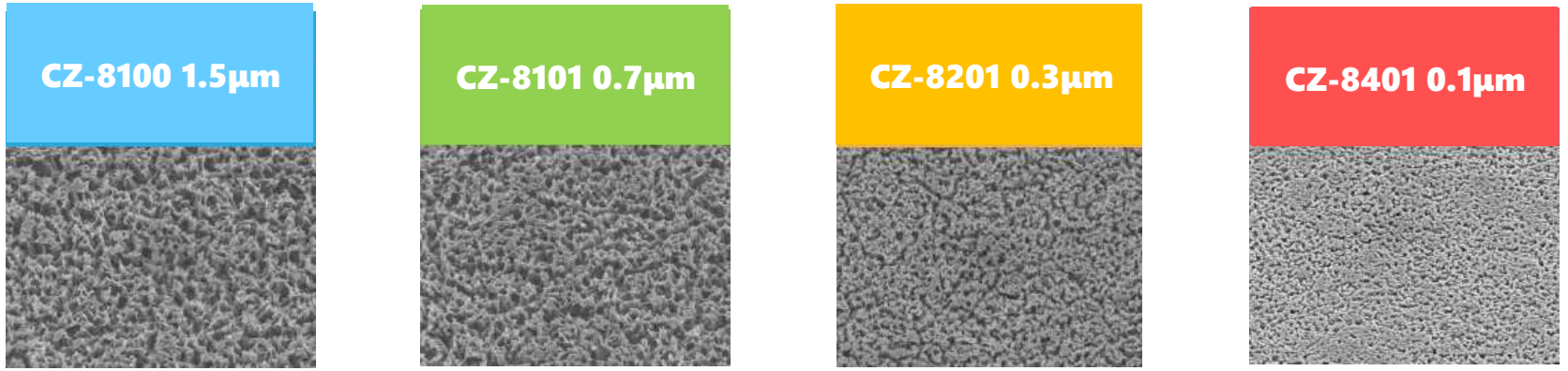
- **Treat** the surface, and **chemically adhesion promoter**



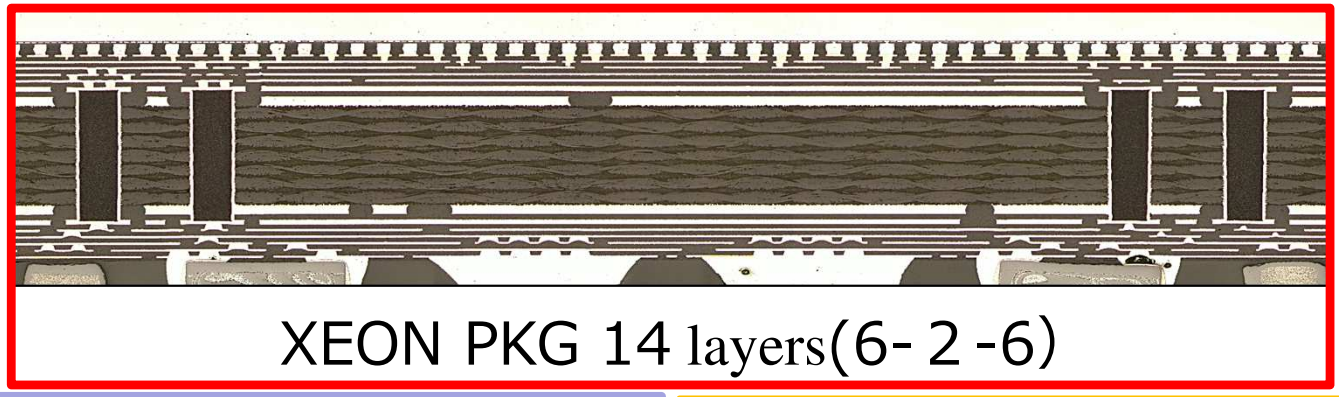
CZ series roadmap



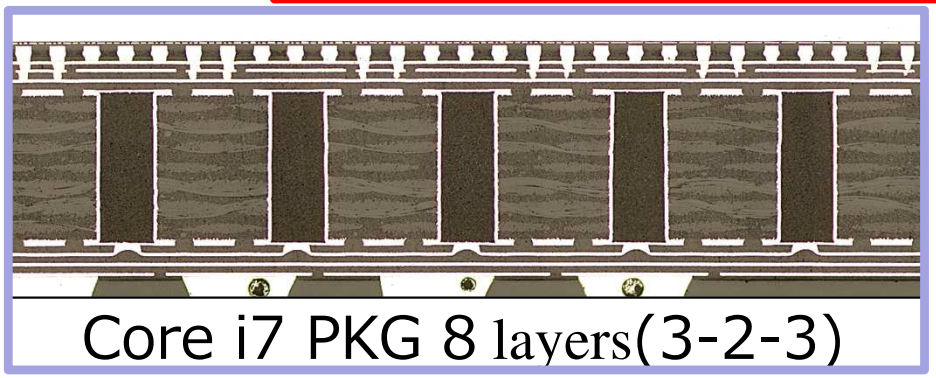
*Source: JPCA 2021 PWB Roadmap.



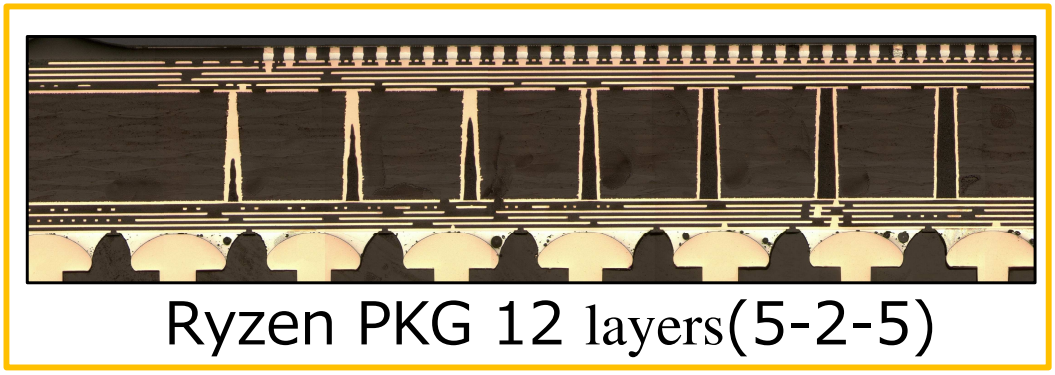
Cross section observation



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**

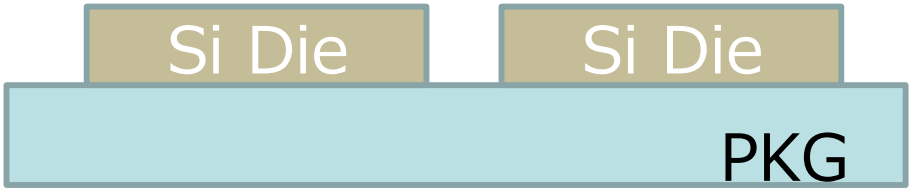
Evolution of the PKG substrate



One PKG
One Si Die

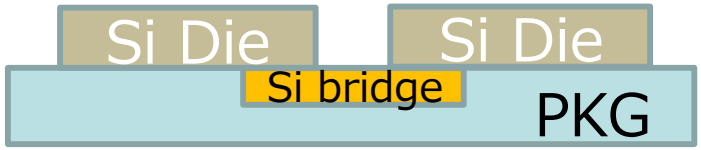
Chiplet

Mounting multiple semiconductors



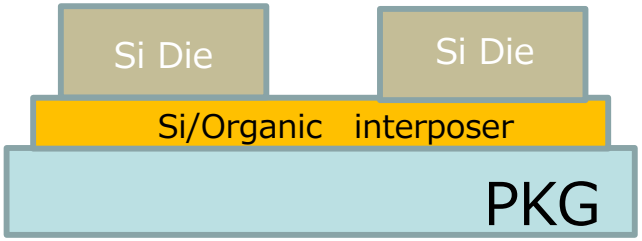
EMIB

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



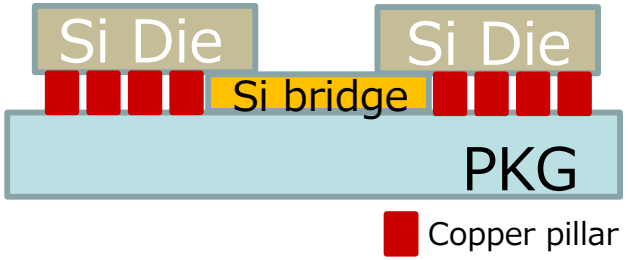
CoWoS

(**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

N
E
W

Plans in progress



Kitakyushu Plant (tentative name)
Maximum capacity 2,500 t /m (Plan)



MEC TAIWAN
1,200 t / m



MEC SUZHOU
1,350 t / m



MEC ZHUHAI
1,000 t / m



MEC EUROPE
400 t / m



MEC THAILAND
500 t / m

As of December 31, 2024

Creating and Fostering Value at Various Interfaces

This presentation includes forward-looking statements (such as predictions and business forecasts) made in February 14, 2025. 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.