



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2014 [Japanese Standard] (consolidated)

January 31, 2014
Stock Exchange Listing: TSE

Company Name: MEC COMPANY LTD.
Securities Code: 4971 URL <http://www.mec-co.com/>
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Scheduled date for submitting quarterly reports: February 14, 2014

Commencement Date of Dividend Payment (Scheduled): -

Creation of reference materials supplementary to the quarterly results: Yes

Holding of briefing sessions regarding the quarterly results: Yes (for institutional investors)

(Amounts less than one million yen have been disregarded)

1. Consolidated financial results (April 1, 2013 – December 31, 2013)

(1) Financial results

Note: Percentages indicate year-on-year changes for quarter.

	Net sales		Operating income		Ordinary income		Net income for quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2013	6,015	22.1	1,238	64.6	1,353	76.3	933	64.8
Nine months ended December 31, 2012	4,928	1.9	752	5.6	767	(1.0)	566	114.6

(Note) Comprehensive: December 31, 2013: 1,449 million yen (143.1%) December 31, 2012: 596 million (- %)

	Net income per share for quarter	Diluted net income per share for quarter
	Yen	Yen
Nine months ended December 31, 2013	46.50	—
None months ended December 31, 2012	28.21	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2013	12,070	9,898	82.0	493.15
March 31, 2013	10,883	8,669	79.7	431.94

(Note) Shareholders' equity: December 31, 2013: 9,898 million yen March 31, 2013: 8,669 million yen

2. Dividends

	Annual dividend				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	—	4.00	—	6.00	10.00
Year ending March 31, 2014	—	5.00			
Year ending March 31, 2013 (forecast)			—	5.00	10.00

(Note) Revision of recently announced dividends forecast: None

3. Consolidated financial forecast for the year ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Percentages show rates of change that are year-on-year comparisons for the full year and quarter-on-quarter comparisons for the quarter.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	7,800	16.3	1,300	41.6	1,450	51.5	1,000	59.5	49.82

(Note) Revision of recently announced earnings forecast: Yes

* Notes

(1) Changes in important subsidiaries during this quarter (changes to specified subsidiaries accompanying changes in the scope of consolidation): None

Newly consolidated companies — (company name), Excluded companies — (company name)

(2) Application of concise accounting procedures or particular accounting procedures in the creation of consolidated financial statements during this quarter: Yes

(3) Changes of principles, procedures, presentation methods, etc., in accounting procedures

[1] Changes that accompany amendment of accounting standards, etc.: No

[2] Changes other than those in [1]: No

[3] Changes in accounting estimates: No

[4] Restatements: No

(4) Number of outstanding shares (Common shares)

[1] Number of outstanding shares at end of term (including treasury stock)	3Q ended March 31, 2014	20,071,093 shares	Year ended March 31, 2013	20,071,093 shares
[2] Number of treasury stock at end of term	3Q ended March 31, 2014	34 shares	Year ended March 31, 2013	34 shares
[3] Average number of shares during term (Quarterly consolidated year to date)	3Q ended March 31, 2014	20,071,059 shares	3Q ended March 31, 2013	20,071,059 Shares

* Presentation of implementation status of procedures for the quarterly review

These Consolidated Financial Results for the First Quarter are outside the scope of procedures for quarterly review covered by the Financial Instruments and Exchange Act. Thus, at the time of announcing these Consolidated Financial Results for the First Quarter, we have not yet to complete the procedures for quarterly review covered by the Financial Instruments and Exchange Act.

* Explanation of appropriate use of earnings forecasts. Other points of note.

Earnings forecasts have been created based on the available information as of the date of announcing this material and certain assumptions that are judged to be rational and a commitment to the achievement. Actual results may differ from the forecast figures for a variety of reasons. For details of the earnings forecasts, refer to "Qualitative information on consolidated earnings forecasts" on page 2.

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1. Qualitative information regarding results for this quarter

(1) Explanation of results of operations

In the global economy in the consolidated third quarter under review (April 1, 2013 to December 31, 2013), economic growth in Asian countries including China slowed down. However, the European economy gradually recovered and in the U.S. capital investment intensified against the background of an increase in corporate earnings. Hence, the economy as a whole continued to recover at a moderate pace.

In terms of the Japanese economy, there was an improvement in corporate earnings and the export environment due to the economic policies of the government and the weaker yen. In addition, since the fall there has been a gradual recovery in private consumption.

In the electronics industry, the business situation with regards to personal computers is still difficult, but sales of products for use in smartphones, tablet PCs and automobiles have continued to be favorable. Moreover, the electronic substrate industry is in a similar situation.

In such an environment, we have been making great efforts to develop new products in our CZ series that has a high market share with regards to package substrates of smartphones, tablet PCs and PCs, and to develop and sell our TP series and EXE series for use in displays. By region, in Taiwan we have seen higher sales of our products for use in packaged substrates of smartphones and tablet PCs for sale in China, and in South Korea we have seen strong sales of our chemicals for use with displays.

As a result, also affected by the weaker yen, net sales for the consolidated third quarter under review amounted to 6,015 million yen (up 22.1% year-on-year). Operating income was 1,238 million yen (up 64.6% year-on-year), ordinary income came to 1,353 million yen (up 76.3% year-on-year), and net income for the quarter posted 933 million yen (up 64.8% year-on-year).

(2) Explanation of the financial situation

As a result of an increase in notes and accounts receivable due to increased sales and cash and cash equivalents associated with the collection of accounts receivable, assets came to 12,070 million yen, up 1,186 million yen compared with the same period of the previous fiscal year.

Liabilities were 2,172 million yen, down 42 million yen compared with the same period of the previous fiscal year, as a result of an increase in deferred tax liabilities due to a decrease in notes and accounts payable and an increase in reserves of subsidiaries.

Net assets were 9,898 million yen, up 1,228 million yen compared with the same period of the previous fiscal year. This was as a result of an increase in retained earnings caused by the increase in net income and the increase in foreign currency translation adjustments due to exchange rate differences of foreign subsidiaries.

As a result of the above, the equity ratio reached 82.0%.

(3) Explanation of forward-looking information such as the consolidated earnings forecast

Sales of our chemicals for use in package substrates and displays of smartphones and tablet PCs, products which have been selling well on a global basis, were higher than expected, and so we expect both sales and profits to exceed the forecasts we announced previously. Hence, we have revised the earnings forecast for the fiscal year ending in 2014 (April 1, 2013 to March 31, 2014) as follows.

	Sales	Operating income	Ordinary income	Net income for the quarter	Net income per share for the quarter
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecast (A)	7,300	1,050	1,050	700	34.88
Currently revised forecast (B)	7,800	1,300	1,450	1,000	49.82
Change in value (B-A)	500	250	400	300	-
Rate of change (%)	6.8	23.8	38.1	42.9	-
Reference: Results for the previous period (ended March 2013)	6,703	917	956	626	

Information on risks pertaining to outlooks

Forward-looking statements are based on currently available information and certain assumptions that the Company considers to be reasonable at the moment. Actual results may differ materially from these forward-looking statements owing to various factors.

Of them, the main ones include but are not limited to the following. Risks, uncertainties and other factors are also described in our securities report, so please refer to it for details.

- Rapid changes in the economic conditions in the Japanese and world markets, and in demand for products and services
- Demand trends of the industry
- Insufficient supply of raw materials or rises in their prices
- Changes in social infrastructure due to rapid technological change
- Rapid changes in exchange rates
- Movements in the businesses of companies that the Company's Group has tie-ups with or cooperates with
- The possibility of incurring expenses resulting from any flaw or defect in our products or services
- Changes in the market value of assets such as land held or investment securities, changes in the appraisal value of deferred tax assets, and changes in other accounting policies
- The occurrence of natural disasters such as earthquakes or floods and other possible elements that could cause confusion in our business activities
- Enforcing of tax systems that potentially could have adverse consequences such as issues with transfer pricing taxation or increases in the corporate tax rate

2. Matters concerning summary information (notes)

- (1) Changes in important subsidiaries during the period under review

N/A

- (2) Application of accounting procedures specified to create consolidated financial statements for quarter

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after the application of tax effect accounting to net income before income taxes for the consolidated accounting year and multiplying quarterly net income before income taxes by this estimated effective tax rate. However, in cases where the result of calculating using this effective tax rate lacks reasonableness in a striking manner, the Company bases calculations on the legal tax rate.

With this in mind, the value of income taxes deferred is included under income taxes.

- (3) Changes in accounting policies or accounting estimates, and restatement

N/A

3. Consolidated Quarterly Financial Statements
(1) Balance sheet

	(Unit: Thousands of yen)	
	As of March 31, 2013	As of December 31, 2013
ASSETS		
Current assets:		
Cash and deposits	2,708,651	3,469,588
Notes and accounts receivable-trade	2,236,528	2,512,198
Merchandise and finished goods	267,249	279,688
Work in process	36,068	32,512
Raw materials and supplies	236,919	254,005
Deferred tax assets	165,496	197,755
Other	85,528	55,649
Allowance for doubtful accounts	(9,393)	(10,887)
Total current assets	5,727,049	6,790,511
Non-current assets:		
Property, plant and equipment		
Buildings and structures	3,029,804	3,121,287
Accumulated depreciation	(1,688,246)	(1,777,132)
Buildings and structures, net	1,341,558	1,344,155
Machinery, equipment and vehicles	1,606,835	1,682,084
Accumulated depreciation	(1,223,745)	(1,306,117)
Machinery, equipment and vehicles, net	383,089	375,966
Tools, furniture and fixtures	596,444	646,065
Accumulated depreciation	(468,038)	(496,081)
Tools, furniture and fixtures, net	128,406	149,983
Land	2,789,376	2,842,052
Construction in progress	36,287	710
Total property, plant and equipment	4,678,718	4,712,869
Intangible assets	44,651	43,211
Investments and other assets		
Investment securities	332,591	419,988
Deferred tax assets	4,092	4,566
Other	114,617	114,545
Allowance for doubtful accounts	(17,997)	(15,342)
Total investments and other assets	433,303	523,757
Total non-current assets	5,156,672	5,279,838
Total assets	10,883,722	12,070,349

	(Unit: Thousands of yen)	
	As of March 31, 2013	As of December 31, 2013
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	688,215	618,518
Short-term loans payable	240,000	240,000
Accounts payable-other	240,411	225,922
Accrued expenses	50,139	74,730
Income taxes payable	270,886	241,201
Provision for bonuses	132,302	158,485
Reserve for directors' bonuses	11,350	21,262
Other	219,699	162,746
Total current liabilities	1,853,004	1,742,867
Noncurrent liabilities:		
Deferred tax liabilities	246,631	353,270
Provision for retirement benefits	85,561	44,231
Other	29,102	31,875
Total non-current liabilities	361,295	429,377
Total liabilities	2,214,300	2,172,244
NET ASSETS		
Shareholders' equity:		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	7,945,033	8,657,489
Treasury stock	(12)	(12)
Total shareholders' equity	8,985,521	9,697,977
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	32,842	84,196
Foreign currency translation adjustment	(348,942)	115,930
Total valuation and translation adjustment	(316,100)	200,127
Total net assets	8,669,421	9,898,104
Total liabilities and net assets	10,883,722	12,070,349

(2) Quarterly consolidated statement of income and quarterly statements of comprehensive income
 (Statement of income)
 (Consolidated cumulative third quarter)

(Unit: Thousands of yen)

	Nine months ended December, 2012 〔 From April 1, 2012 To December 31, 2012 〕	Nine months ended December 31, 2013 〔 From April 1, 2013 To December 31, 2013 〕
Net sales	4,928,233	6,015,035
Costs of sales	1,762,532	2,156,564
Gross profit	3,165,701	3,858,471
Selling, general and administrative expenses	2,413,176	2,619,752
Operating income	752,524	1,238,719
Nonoperating income		
Interest income	21,042	22,824
Dividends income	7,833	8,945
Revenue income from trial products	9,274	11,309
Foreign exchange gains	-	64,122
Other	6,456	11,565
Total nonoperating income	44,606	118,767
Nonoperating expenses		
Interest expenses	3,686	855
Share allocation	157	3,057
Foreign exchange losses	24,107	-
Other	1,643	317
Total Nonoperating expenses	29,594	4,230
Ordinary income	767,536	1,353,256
Total extraordinary income		
Gain on sales of noncurrent assets	2,358	424
Surrender value of insurance	1,571	-
Total extraordinary income	3,930	424
Extraordinary loss		
Loss on sales of noncurrent assets	1,888	1,702
Loss on retirement of noncurrent assets	10,086	3,616
Total extraordinary loss	11,975	5,318
Income before income taxes	759,490	1,348,361
Total income taxes	193,343	415,124
Income before minority interests	566,147	933,237
Net income	566,147	933,237

(Statements of comprehensive income)
 (Consolidated cumulative third quarter)

(Unit: Thousands of yen)

	Nine months ended December 31, 2012 〔 From April 1, 2012 To December 31, 2012 〕	Nine months ended December 31, 2013 〔 From April 1, 2013 To December 31, 2013 〕
Income (loss) before minority interests	566,147	933,237
Other comprehensive income		
Valuation difference on available for sales securities	(38,624)	51,354
Foreign currency translation adjustment	68,748	464,873
Other comprehensive income	30,124	516,227
Comprehensive income	596,271	1,449,464
[Comprehensive income attributable to]		
Comprehensive income attributable to owners of the parent	596,271	1,449,464
Comprehensive income attributable to minority interests	-	-

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

N/A

(Notes on marked changes in the amount of shareholders' equity)

N/A