

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2015 [Japanese Standard]

January 30, 2015
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 13, 2015

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, securities analysts)

(Amounts less than one million yen have been disregarded)

1. Consolidated financial results (April 1, 2014 – December 31, 2014)

(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, 2014	6,825	13.5	1,551	25.2	1,648	21.8	1,089	16.8
Nine months ended December 31, 2013	6,015	22.1	1,238	64.6	1,353	76.3	933	64.8

(Note) Comprehensive: December 31, 2014: 1,212 million yen (-16.3 %) December 31, 2013: 1,449 million (143.1 %)

	Net income per share for quarter		Diluted net income per share for quarter	
	Yen		Yen	
Nine months ended December 31, 2014	54.30		-	
Nine months ended December 31, 2013	46.50		-	

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2014	13,726	11,284	82.2	562.24
March 31, 2014	12,869	10,265	79.8	511.44

(Note) Shareholders' equity: December 31, 2014: 11,284 million yen March 31, 2014: 10,265 million yen

2. Dividends

	Annual dividend				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	-	5.00	-	5.00	10.00
Year ending March 31, 2015	-	6.00	-		
Year ending March 31, 2015 (forecast)				8.00	14.00

(Note) Revision of recently announced dividends forecast: Yes.

3. Consolidated financial forecast for the year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(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	8,900	11.2	1,900	33.6	2,000	28.9	1,200	29.7	59.79

(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
 Note: For details, please see “Summary of concise accounting procedures or particular accounting procedures” on page 3 of the attached materials.
- (3) Changes of principles, procedures, presentation methods, etc., in accounting procedures
 [1] Changes that accompany amendment of accounting standards, etc.: Yes
 [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)	Nine months ended December 31, 2014	20,071,093 shares	Year ended March 31, 2014	20,071,093 shares
[2] Number of treasury stock at end of term	Nine months ended December 31, 2014	34 shares	Year ended March 31, 2014	34 shares
[3] Average number of shares during term (Quarterly consolidated year to date)	Nine months ended December 31, 2014	20,071,059 shares	Nine months ended December 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 consolidated results for this quarter

(1) Analysis of results of operations

In the world economy in the first three quarters of the current fiscal period (April 1, 2014 – December 31, 2014), the United States continued to firmly expand its economy for both corporations and individuals. However, anxiety has been spreading with regards to emerging countries, centered on Russia, due to factors such as the low price of crude oil and the appreciation of the U.S. dollar. In the European economy, the Greek crisis has been rekindled and the economy has remained sluggish. In addition, China's growth rate has slowed and overall its future outlook is uncertain.

In Japan's economy, the gradual recovery is continuing with a tendency for capital investment to increase and an improved employment situation. However, as a reactionary decline following the last-minute demand that was caused by the consumption tax hike, the situation where consumer spending is weak is continuing.

In the electronics industry, there were strong sales of high-quality LCD TVs such as 4K models that offer an excellent image quality. Although sales of smartphones for China were strong, some high-performance models began facing a tough business situation. In addition, a slowing trend was seen in the growth rate of tablet computers. In the electronic substrate industry, generally the sluggish situation has continued but sales of products for use in smartphones were strong.

Under such circumstances, the Company's Group has poured its efforts into developing and selling new chemicals for high-density electronic substrates. We have actively worked to have our customers introduce into their manufacturing processes the CZ Series of chemicals that dramatically improve the adhesion between copper and resin in the process of manufacturing package substrates for smartphones, tablet computers or PCs. We have also worked to have them adopt chemicals such as the EXE Series that are used in the production of high-density wiring patterns.

As a result, total consolidated sales for the third quarter amounted to 6,825 million yen (up 13.5% year-on-year). Operating income was 1,551 million yen (up 25.2% year-on-year), quarterly ordinary income was 1,648 million yen (up 21.8% year-on-year), and net income for the quarter was 1,089 million yen (up 16.8% year-on-year).

(2) Analysis relating to the financial situation

Cash and deposits and notes and accounts receivable increased due to an increase in sales and so assets came to 13,726 million yen, up 857 million yen year on year.

There was a decrease in the amount of notes payable, income taxes payable and accounts payable, and so liabilities came to 2,442 million yen, down 162 million yen year on year.

As a result of an increase in retained earnings, net assets were 11,284 million yen, up 1,019 million yen compared with the same period of the previous fiscal year.

As a result of the above, the equity ratio reached 82.2%.

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

For details of the earnings forecasts for the fiscal year ending March 31, 2015, please refer to the "Revision to earnings forecast and expected dividend" announced today.

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.

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

Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits)

With regards to the “Accounting Standard for Retirement Benefits” (Corporate Accounting Standard No. 26, May 17, 2012; hereinafter referred to as the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the “Guidance on Accounting Standard for Retirement Benefits”), the provisions set out in Section 35 of the Accounting Standard for Retirement Benefits and Section 67 of the Guidance on Accounting Standard for Retirement Benefits were applied from the first quarter of the current fiscal period. At the same time, we reviewed the method of calculating our retirement benefit obligations and service costs and changed from using the service period basis as the attribution method for projected retirement benefits to benefit formula criteria. In addition, with regards to the method of determining the discount rate, we changed from a discount rate based on the number of years that approximates to the average remaining service period of employees to a single weighted average discount rate that reflects the amount of payment for the expected payment period of retirement benefits and the expected payment period.

With regards to the application of retirement benefit accounting standards, in accordance with the specific transitional provisions set forth in Section 37 of the Accounting Standard for Retirement Benefits in the beginning of the third quarter of the fiscal year under review, we have been adding or subtracting the monetary amount of impact accompanying the change in the method of calculating the retirement benefit obligations and service costs to or from retained earnings.

The impact that this change has on the Company is immaterial.

3. Consolidated Quarterly Financial Statements
(1) Balance sheet

	(Unit: Thousands of yen)	
	As of March 31, 2014	As of December 31, 2014
ASSETS		
Current assets:		
Cash and deposits	4,070,511	4,449,331
Notes and accounts receivable-trade	2,362,368	2,762,381
Merchandise and finished goods	343,709	303,040
Work in process	37,464	43,569
Raw materials and supplies	257,004	203,822
Deferred tax assets	221,417	214,769
Other	71,374	78,629
Allowance for doubtful accounts	(25,780)	(27,527)
Total current assets	7,338,072	8,028,015
Non-current assets:		
Property, plant and equipment		
Buildings and structures	3,203,590	3,236,235
Accumulated depreciation	(1,839,194)	(1,905,573)
Buildings and structures, net	1,364,396	1,330,662
Machinery, equipment and vehicles	1,828,802	1,888,933
Accumulated depreciation	(1,363,465)	(1,435,815)
Machinery, equipment and vehicles, net	465,337	453,117
Tools, furniture and fixtures	690,355	734,271
Accumulated depreciation	(517,114)	(554,989)
Tools, furniture and fixtures, net	173,241	179,281
Land	2,832,331	2,842,654
Construction in progress	3,070	37,105
Total property, plant and equipment	4,838,376	4,842,823
Intangible assets	42,282	41,194
Investments and other assets		
Investment securities	405,090	492,776
Net defined benefit asset	137,703	216,340
Deferred tax assets	6,391	6,531
Other	101,851	99,407
Allowance for doubtful accounts	(263)	(269)
Total investments and other assets	650,773	814,786
Total non-current assets	5,531,432	5,698,804
Total assets	12,869,504	13,726,820

	(Unit: Thousands of yen)	
	As of March 31, 2014	As of December 31, 2014
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	891,647	735,989
Accounts payable-other	355,622	271,684
Accrued expenses	59,908	83,047
Income taxes payable	351,175	181,333
Provision for bonuses	220,157	142,228
Reserve for directors' bonuses	30,950	32,947
Other	179,797	300,586
Total current liabilities	2,089,259	1,747,817
Noncurrent liabilities:		
Deferred tax liabilities	420,316	608,957
Net defined benefit liability	67,619	58,112
Other	27,073	27,116
Total non-current liabilities	515,009	694,186
Total liabilities	2,604,268	2,442,004
NET ASSETS		
Shareholders' equity:		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	8,649,354	9,545,753
Treasury stock	(12)	(12)
Total shareholders' equity	9,689,842	10,586,241
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	73,635	125,404
Foreign currency translation adjustment	429,794	508,370
Remeasurements of defined benefit plans	71,963	64,799
Total valuation and translation adjustment	575,393	698,573
Total net assets	10,265,235	11,284,815
Total liabilities and net assets	12,869,504	13,726,820

(2) Quarterly consolidated statement of income and quarterly statements of comprehensive income

Statement of income

(Statement of income)

(Unit: Thousands of yen)

	Nine months ended December 31, 2013 〔 From April 1, 2013 To December 31, 2013 〕	Nine months ended December 31, 2014 〔 From April 1, 2014 To December 31, 2014 〕
Net sales	6,015,035	6,825,453
Costs of sales	2,156,564	2,479,206
Gross profit	3,858,471	4,346,247
Selling, general and administrative expenses	2,619,752	2,795,104
Operating income	1,238,719	1,551,142
Nonoperating income		
Interest income	22,824	24,113
Dividends income	8,945	8,059
Revenue income from trial products	11,309	12,053
Foreign exchange gains	64,122	41,800
Other	11,565	15,447
Total nonoperating income	118,767	101,474
Nonoperating expenses		
Interest expenses	855	-
Share allocation	3,057	3,761
Other	317	781
Total Nonoperating expenses	4,230	4,542
Ordinary income	1,353,256	1,648,074
Total extraordinary income		
Gain on sales of noncurrent assets	424	3,057
Total extraordinary income	424	3,057
Extraordinary loss		
Loss on sales of noncurrent assets	1,702	10
Loss on retirement of noncurrent assets	3,616	4,401
Total extraordinary loss	5,318	4,411
Income before income taxes	1,348,361	1,646,720
Total income taxes	415,124	556,906
Income before minority interests	933,237	1,089,814
Net income	933,237	1,089,814

(Statements of comprehensive income)		(Unit: Thousands of yen)	
	Nine months ended December 31, 2013 〔 From April 1, 2013 To December 31, 2013 〕	Nine months ended December 31, 2014 〔 From April 1, 2014 To December 31, 2014 〕	
Income (loss) before minority interests	933,237	1,089,814	
Other comprehensive income			
Valuation defference on available for sales securities	51,354	51,768	
Foreign currency translation adjustment	464,873	78,575	
Remeasurements of defined benefit plans, net of tax	-	(7,163)	
Other comprehensive income	516,227	123,180	
Comprehensive income	1,449,464	1,212,994	
[Comprehensive income attributable to]			
Comprehensive income attributable to owners of the parent	1,449,464	1,212,994	
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