

Consolidated Financial Results for the First Quarter Ended June 30, 2010 (Japanese GAAP)

July 30, 2010

Company name: MEC COMPANY LTD.
 Stock exchange listing: TSE - first Section Securities code: 4971
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Schedule date to submit securities report: August 12, 2010

Schedule date to begin dividend payment: -

Creation of reference materials supplementary to the quarterly results: Yes

Holding of briefing sessions regarding the quarterly results: Yes

(Amount less than one million yen has been disregarded)

1. Consolidated financial results for the first quarter ended June 30, 2010 (April 1, 2010 - June 30, 2010)

(1) Consolidated financial results

Note: Percentages indicate changes from previous year.

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	Change(%)	¥ Million	Change(%)	¥ Million	Change(%)	¥ Million	Change(%)
Three months ended June 30, 2010	1,773	48.6	267	420.6	222	164.8	178	239.5
Three months ended June 30, 2009	1,193	(46.2)	51	(90.1)	84	(84.6)	52	(87.8)

	Net income per share	Diluted net income per share
	¥	¥
Three months ended June 30, 2010	8.91	-
Three months ended June 30, 2009	2.63	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
June 30, 2010	11,031	8,569	77.7	426.94
March 31, 2010	10,746	8,429	78.4	419.96

(Note) Shareholders' equity : June 30, 2010 8,569 million yen March 31, 2010 8,429 million yen

2. Dividends

(Record date)	Dividends per share				
	June 30	Sept.30	Dec.31	Year-end	Annual
Year ended March 31, 2010	-	4.00	-	4.00	8.00
Year ending March 31, 2011	-				
Year ending March 31, 2011 (forecast)		4.00	-	4.00	8.00

(Note). Revise of dividends forecast: None

3. Consolidated Financial Forecast for the Year Ending March 31, 2011 (April 1, 2010 - March 31, 2011)

Note: Percentages indicate changes from previous year.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	Change(%)	¥ Million	change(%)	¥ Millions	Change(%)	¥ Million	Change(%)	¥
Six months ending September 30, 2010	3,546	29.4	581	123.0	560	114.6	348	52.0	17.34
Year ending March 31, 2011	7,314	19.9	1,305	63.4	1,264	57.2	852	19.4	42.48

(Note) Revise of consolidated forecast: None

4. Other (for details, see "Others" on p. 3 of the attached materials)

(1) Changes in important subsidiaries during this quarter: None

Newly consolidated companies 0; companies excluded from the scope of consolidation: 0

Note: This refers to changes to specified subsidiaries accompanying changes in the scope of consolidation during the quarter

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

Note: This refers to the application of concise accounting procedures and particular accounting procedures when creating quarterly consolidated financial statements during the quarter.

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

[1] Changes in association with a revision of accounting standards, etc: Yes

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

Note: This refers to changes of principles, procedures, presentation methods, etc, in accounting procedures related to the creation of quarterly consolidated financial statements (Items recorded in changes of basic, important matters, etc, for the creation of quarterly consolidated financial statements)

(4) Number of outstanding shares (Common shares)

[1] Number of outstanding shares at end of term (including treasury stock)

[2] Number of treasury stock at end of term

[3] Average number of shares during term (Quarterly consolidated, cumulative period)

[1] Three months ended June 30, 2010	20,371,392 shares	Year ended March 31, 2010	20,371,392 shares
[2] Three months ended June 30, 2010	300,223 shares	Year ended March 31, 2010	300,133 shares
[3] Three months ended June 30, 2010	20,071,237 shares	Year ended March 31, 2010	20,071,357 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 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. 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 earning forecasts" on page 2.

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1. Qualitative information regarding consolidated results for this quarter

(1) Qualitative information on consolidated operating results

In the global economy during the consolidated first quarter under review, there were concerns about issues such as monetary and fiscal problems in the euro zone. However, thanks to economic measures taken by various countries the global economy has gotten over the worst and there has been a degree of recovery. In Japan also, there have been signs of expanding domestic demand, especially in terms of investment and private consumption.

The electronics industry has seen an ongoing recovery in demand, with a recovery in demand for personal computers, and higher sales of flat-screen televisions, smartphones and other devices. In the printed circuit board industry, there has been strong production of high-density substrates, centering on package substrates.

Under such business conditions, the Company strove to develop chemicals for use in advanced PCBs and chemicals that were optimized to suit the characteristics of demand in each market for general boards. At the same time, it established new departments so as to be able to offer total support to customers, and worked hard to increase sales.

As a result, total consolidated sales for the first quarter amounted to 1,773 million yen (an increase of 48.6% in comparison to the same period of the previous year). Operating income was 267 million yen (an increase of 420.6% in comparison to the same period of the previous year), ordinary income was 222 million yen (an increase of 164.8% in comparison to the same period of the previous year) and quarterly net income was 178 million yen (an increase of 239.5% in comparison to the same period of the previous year).

(2) Qualitative information on consolidated financial position

Assets, liabilities and net assets

Looking at assets, we acquired land for new business use and this led to a reduction in cash and deposits. However, there was an increase in money received and trade receivables accompanying the higher sales. Consequently, assets increased by 285 million yen compared with the end of the previous fiscal year.

Liabilities were 2,462 million yen, an increase of 145 million yen from the previous year, mainly as a result of an increase in accrued expenses. Net assets were 8,569 million yen, an increase of 140 million yen from the previous year, mainly as a result of an increase in retained earnings.

As a result, the equity ratio reached 77.7%.

(3) Qualitative information on consolidated earnings forecasts

Revision of consolidated earnings forecast figures for the full term ending March 31, 2011 (April 1, 2010 ~ March 31, 2011)

	Sales	Operating income	Ordinary income	Net income	Net income per share
	¥ Million	¥ Million	¥ Million	¥ Million	¥
Previously announced forecast (A)	6,885	1,098	1,060	716	35.67
Currently revised forecast (B)	7,314	1,305	1,264	852	42.48
Change in value (B-A)	428	206	204	136	
Rate of change (%)	6.2	18.8	19.3	19.1	
(Reference) Results for the previous term (Term ended March 2010)	6,098	798	804	713	35.57

Our first quarter results have steadily exceeded the results in the same period of the previous year and our original plan.

Domestic sales of high-density substrates, centering on package substrates, were brisker than expected and there were higher sales of chemicals including new products. Therefore, we expect second-quarter and full-year earnings to exceed our initial forecasts.

Accordingly, on July 26, 2010 we announced a revision to the earnings forecasts we announced on May 14, 2010.

2. Other information

(1) Summary of changes to significant subsidiaries

N/A

(2) Summary of concise accounting procedures or particular accounting procedures

1. Concise accounting procedures

With respect to determination of the collectability of deferred income tax assets, in cases where no marked changes have been recognized in the management environment, etc, or in the occurrence of temporary differences since the end of the previous consolidated accounting year, the Company determines the collectability of deferred income tax assets based on the future earnings forecast and tax planning used in the settlement of accounts for the previous consolidated accounting year. In cases where there have been marked changes in the management environment, etc, or where marked changes have been recognized in the occurrence of temporary differences since the end of the previous consolidated accounting year, the Company determines the collectability of deferred income tax assets based on the future earnings forecast and tax planning used in the settlement of accounts for the previous consolidated accounting year also taking the impact of significant changes into consideration.

2. Accounting treatment specific to the preparation of quarterly consolidated financial statements

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) Summary of principles, procedures, presentation methods, etc, in accounting procedures

1. Changes in association with a revision of accounting standards, etc.

From the consolidated first quarter under review, we have been applying "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18; March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).

This application has a minimal effect on our profit and loss, and a minimal effect on changes in the amount of our asset retirement obligations.

2. Changes in the presentation of the financial statements

Based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; December 26, 2008) we have applied “Partially Revised Cabinet Office Ordinance including the regulation for terminology, forms and preparation of quarterly financial statements” (Cabinet Office Ordinance No. 5; March 24, 2009). As a result of this application, during the consolidated first quarter under review the item of “Quarterly net income before minority interests” has been presented.

3. Consolidated quarterly financial statements**(1) Consolidated quarterly balance sheets**

	(Unit: 1,000yen)	
	As of June 30, 2010	As of March 31, 2010
ASSETS		
Current assets:		
Cash and deposits	2,671,555	4,081,071
Notes and accounts receivable-trade	2,057,440	1,979,655
Merchandise and finished goods	254,493	233,356
Raw materials and supplies	195,979	190,971
Deferred tax assets	126,810	121,768
Other	46,455	47,894
Allowance for doubtful accounts	(9,413)	(10,215)
Total current assets	5,343,322	6,644,503
Non-current assets:		
Property, plant and equipment		
Buildings and structures	2,709,119	2,711,708
Accumulated depreciation	(1,430,059)	(1,413,547)
Buildings and structures, net	1,279,060	1,298,160
Machinery, equipment and vehicles	1,501,230	1,504,004
Accumulated depreciation	(1,186,068)	(1,164,365)
Machinery, equipment and vehicles, net	315,162	339,639
Tools, furniture and fixtures	569,345	547,659
Accumulated depreciation	(416,022)	(406,566)
Tools, furniture and fixtures, net	153,323	141,093
Land	3,313,370	1,182,290
Construction in progress	20,271	440,673
Total property, plant and equipment	5,081,188	3,401,857
Intangible assets		
Goodwill	5,441	7,254
Other	40,949	42,902
Total intangible assets	46,390	50,157
Investments and other assets		
Investment securities	441,380	530,054
Other	120,660	121,165
Allowance for doubtful accounts	(1,200)	(1,188)
Total investments and other assets	560,840	650,031
Total non-current assets	5,688,419	4,102,046
Total	11,031,741	10,746,550

	(Unit: 1,000yen)	
	As of June 30, 2010	As of March 31, 2010
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	707,673	612,499
Short-term loans payable	480,000	480,000
Accounts payable-other	213,791	227,756
Accrued expenses	206,297	38,088
Accrued income taxes	133,039	126,754
Reserve for bonuses	82,024	131,477
Reserve for directors' bonuses	4,875	-
Other	85,998	87,539
Total current liabilities	1,913,698	1,704,116
Non-current liabilities:		
Deferred tax liabilities	368,790	445,276
Provision for retirement benefits	68,784	59,694
Other	111,207	108,390
Total non-current liabilities	548,782	613,361
Total	2,462,481	2,317,477
NET ASSETS		
Shareholders' equity:		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	7,996,391	7,897,763
Treasury stock	(92,785)	(92,740)
Total shareholders' equity	8,944,107	8,845,523
Valuation and translation adjustments:		
valuation difference on available-for-sale securities	50,633	84,858
Foreign currency translation and adjustment	(425,480)	(501,309)
Total valuation and translation adjustment	(372,846)	(416,450)
Total net assets	8,569,260	8,429,072
Total liabilities and net assets	11,031,741	10,746,550

(2) Consolidated quarterly statements of income

(Unit: 1,000yen)

	Three months ended June 30, 2009 (From April 1, 2009 To June 30, 2009)	Three months ended June 30, 2010 (From April 1, 2010 To June 30, 2010)
Net sales	1,193,431	1,773,301
Costs of sales	408,303	736,460
Gross profit	785,128	1,036,841
Selling, general and administrative expenses	733,705	769,112
Operating income	51,423	267,728
Non-operating income		
Interest income	11,437	3,560
Dividends income	3,837	2,664
Gain on sales of investment securities	1,582	-
Profit share allocation	-	5,218
Foreign exchange gains	13,157	-
Other	6,475	3,349
Non-operating income	35,490	14,793
Non-operating expenses		
Interest expenses	1,567	1,318
Share allocation	916	-
Loss on valuation of investment securities	-	1,221
Loss on abandonment of inventories	-	53,777
Other	1,347	3,529
Non-operating expenses	3,832	59,846
Ordinary income	84,081	222,675
Extraordinary income		
Gain on sales of non-current assets	-	440
Surrender value of insurance	9,479	1,549
Reverval of allowance for doubtful accounts	-	912
Extraordinary income	9,479	2,902
Extraordinary loss		
Loss on sales of non-current assets	1,004	-
Loss on retirement of non-current assets	198	1,693
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	2,572
Extraordinary loss	1,202	4,266
Income before income taxes	92,358	221,311
Income taxes-current	39,661	42,397
	-	178,913
Net income	52,696	178,913

(3) Notes on the premise of a going concern

N/A

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

N/A