

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 | <u>1,913,698</u> | <u>1,704,116</u> |
| 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 | <u>548,782</u> | <u>613,361</u> |
| Total | <u>2,462,481</u> | <u>2,317,477</u> |
| 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 | <u>8,944,107</u> | <u>8,845,523</u> |
| 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 | <u>(372,846)</u> | <u>(416,450)</u> |
| Total net assets | <u>8,569,260</u> | <u>8,429,072</u> |
| Total liabilities and net assets | <u>11,031,741</u> | <u>10,746,550</u> |

(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