

Consolidated Financial Results for the Second Quarter Ended September 30, 2010 (Japanese GAAP)

October 29, 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: November 11, 2010

Schedule date to begin dividend payment: December 7, 2010

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 second quarter ended September 30, 2010 (April 1, 2010 - September 30, 2010)

(1) 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(%)
Six months ended September 30, 2010	3,569	30.2	535	105.3	466	78.6	340	48.7
Six months ended September 30, 2009	2,741	(38.4)	260	(73.8)	261	(74.7)	229	(70.6)

	Net income per share	Diluted net income per share
	¥	¥
Six months ended September 30, 2010	16.96	-
Six months ended September 30, 2009	11.41	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
September 30, 2010	10,830	8,499	78.5	423.46
March 31, 2010	10,746	8,429	78.4	419.96

(Note) Shareholders' equity : September 30, 2010 8,499 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	-	4.00			
Year ending March 31, 2011 (forecast)			-	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(%)	¥
Year ending March 31, 2011	6,881	12.8	978	22.5	852	5.9	534	(25.2)	26.61

(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] Six months ended September 30, 2010	20,371,392 shares	Year ended March 31, 2010	20,371,392 shares
[2] Six months ended September 30, 2010	300,299 shares	Year ended March 31, 2010	300,133 shares
[3] Six months ended September 30, 2010	20,071,186 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 second quarter under review, thanks to economic measures taken by various countries the global economy has gotten over the worst and there has been a trend towards gradual recovery. However, challenging employment conditions have continued and it has been impossible to shake off uncertainty about the future.

In Japan, despite signs of expanding domestic demand, uncertainty exists regarding future economic conditions as a result of falling capital expenditure caused by a stronger yen and a slumping stock market and slumping personal consumption.

Under these conditions, the electronics industry has seen a relatively strong performance in sales of personal computers and smartphones, but sales of flat-screen televisions and motor vehicles are beginning to struggle.

In the printed circuit board industry, during the consolidated first quarter there was strong production of high-density substrates, centering on package substrates, but during the second half of the consolidated second quarter under review production volumes entered a downward trend as a result of widespread inventory adjustments.

Under such business conditions, the Group established a specialist department to strengthen the support system for existing and new customers, and focused on developing new chemicals for use in advanced PCBs and general boards. However, with inventory adjustments implemented during the second half of the second quarter under review, a slumping stock market and strengthening yen, the Company's business environment leaves no room for complacency.

As a result, total accumulative consolidated sales up to the second quarter amounted to 3,569 million yen (an increase of 30.2% in comparison to the same period of the previous year). Operating income was 535 million yen (an increase of 105.3% in comparison to the same period of the previous year), ordinary income was 466 million yen (an increase of 78.6% in comparison to the same period of the previous year) and quarterly net income was 340 million yen (an increase of 48.7% 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 and an increase in land under tangible fixed assets. Consequently, assets increased by 83 million yen compared with the end of the previous fiscal year to 10,830 million yen.

Regarding liabilities, notes and accounts payable-trade increased and deferred tax liabilities decreased as a result of a fall in the market value of shares. Consequently, liabilities were 2,331 million yen, an increase of 13 million yen from the end of the previous fiscal year.

Net assets saw an increase in retained earnings and foreign currency translation adjustment on debits. Consequently, net assets increased 70 million yen from the end of the previous fiscal year to 8,499 million yen.

As a result, the equity ratio reached 78.5%.

(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)	7,314	1,305	1,264	852	42.48
Currently revised forecast (B)	6,881	978	852	534	26.61
Change in value (B-A)	(432)	(326)	(412)	(318)	-
Rate of change (%)	(5.9)	(25.0)	(32.6)	(37.3)	-
(Reference) Results for the previous term (Term ended March 2010)	6,098	798	804	713	35.57

The revision to the sales forecast has been caused by lower than expected shipments of the Company's chemical products in August as a result of inventory adjustments centering on package substrates for Asia as a whole, after positive sales of the Company's chemical products up to July of the consolidated fiscal year under review.

The revision to profits was caused by a decrease in the gross profit margin for chemical products in addition to exchange rate losses caused by the stronger yen and impairment losses on marketable investment securities. Accordingly, on October 27, 2010 we announced a revision to the interim and full year earnings forecasts announced on July 26, 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 second 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 September 30, 2010	As of March 31, 2010
ASSETS		
Current assets:		
Cash and deposits	2,634,033	4,081,071
Notes and accounts receivable-trade	1,993,981	1,979,655
Merchandise and finished goods	248,076	233,356
Raw materials and supplies	186,629	190,971
Deferred tax assets	126,800	121,768
Income taxes receivable	2,828	-
Other	55,370	47,894
Allowance for doubtful accounts	(9,834)	(10,215)
Total current assets	5,237,886	6,644,503
Non-current assets:		
Property, plant and equipment		
Buildings and structures	2,678,385	2,711,708
Accumulated depreciation	(1,426,906)	(1,413,547)
Buildings and structures, net	1,251,478	1,298,160
Machinery, equipment and vehicles	1,486,626	1,504,004
Accumulated depreciation	(1,169,980)	(1,164,365)
Machinery, equipment and vehicles, net	316,645	339,639
Tools, furniture and fixtures	555,052	547,659
Accumulated depreciation	(413,252)	(406,566)
Tools, furniture and fixtures, net	141,800	141,093
Land	3,281,817	1,182,290
Construction in progress	39,875	440,673
Total property, plant and equipment	5,031,617	3,401,857
Intangible assets		
Goodwill	3,627	7,254
Other	39,639	42,902
Total intangible assets	43,266	50,157
Investments and other assets		
Investment securities	399,778	530,054
Other	121,259	121,165
Allowance for doubtful accounts	(3,270)	(1,188)
Total investments and other assets	517,768	650,031
Total non-current assets	5,592,652	4,102,046
Total	10,830,539	10,746,550

	(Unit: 1,000yen)	
	As of September 30, 2010	As of March 31, 2010
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	667,038	612,499
Short-term loans payable	480,000	480,000
Accounts payable-other	198,277	227,756
Accrued expenses	40,915	38,088
Accrued income taxes	111,341	126,754
Reserve for bonuses	156,604	131,477
Reserve for directors' bonuses	5,100	-
Other	89,653	87,539
Total current liabilities	1,748,931	1,704,116
Non-current liabilities:		
Deferred tax liabilities	399,371	445,276
Provision for retirement benefits	78,762	59,694
Other	104,097	108,390
Total non-current liabilities	582,231	613,361
Total	2,331,162	2,317,477
NET ASSETS		
Shareholders' equity:		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	8,157,925	7,897,763
Treasury stock	(92,816)	(92,740)
Total shareholders' equity	9,105,609	8,845,523
Valuation and translation adjustments:		
valuation difference on available-for-sale securities	61,410	84,858
Foreign currency translation and adjustment	(667,643)	(501,309)
Total valuation and translation adjustment	(606,233)	(416,450)
Total net assets	8,499,376	8,429,072
Total liabilities and net assets	10,830,539	10,746,550

(2) Consolidated quarterly statements of income

(Unit: 1,000yen)

	Six months ended September 30, 2009 〔 From April 1, 2009 To September 30, 2009 〕	Six months ended September 30, 2010 〔 From April 1, 2010 To September 30, 2010 〕
Net sales	2,741,779	3,569,195
Costs of sales	1,008,190	1,493,648
Gross profit	1,733,589	2,075,546
Selling, general and administrative expenses	1,472,694	1,539,860
Operating income	260,894	535,686
Non-operating income		
Interest income	21,149	6,849
Dividends income	5,846	4,419
Gain on sales of investment securities	1,582	-
Profit share allocation	-	5,218
Other	13,112	5,728
Non-operating income	41,691	22,215
Non-operating expenses		
Interest expenses	3,171	2,626
Loss on sales of securities	420	-
Loss on valuation of investment securities	574	66,205
Loss on abandonment of inventories	31,672	16,756
Other	5,601	5,950
Non-operating expenses	41,440	91,539
Ordinary income	261,146	466,363
Extraordinary income		
Gain on sales of non-current assets	-	1,407
Surrender value of insurance	9,479	1,549
Reveral of allowance for doubtful accounts	1,324	-
Reversal of foreign currency translation adjustments	16,845	-
Extraordinary income	27,648	2,957
Extraordinary loss		
Loss on sales of non-current assets	1,023	1,965
Loss on retirement of non-current assets	1,775	2,829
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	2,572
Extraordinary loss	2,799	7,368
Income before income taxes	285,995	461,952
Income taxes	56,985	121,505
Income before minority interests	-	340,447
Net income	229,010	340,447

(3) Notes on the premise of a going concern

N/A

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

N/A