

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

October 31, 2013  
Stock Exchange Listing: TSE

Company Name: MEC COMPANY LTD.  
Securities Code: 4971 URL <http://www.mec-co.com/>  
Representative: Kazuo MAEDA, CEO & President  
Contact: Yoshihiro SAKAMOTO, Investment Relations  
Phone: +81-(0)6-6414-3451

Scheduled date for submitting quarterly reports: November 14, 2013

Commencement Date of Dividend Payment (Scheduled): December 3, 2013

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 – September 30, 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	%
Six months ended September 30, 2013	3,761	17.9	600	53.8	677	83.4	450	69.5
Six months ended September 30, 2012	3,191	(3.2)	390	(17.8)	369	(10.9)	265	-

(Note) Comprehensive: September 30, 2013: 915 million yen (206.3%) September 30, 2012: 298 million (—%)

	Net income per share for quarter	Diluted net income per share for quarter
	Yen	Yen
Six months ended September 30, 2013	22.42	—
Six months ended September 30, 2012	13.23	—

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2013	11,460	9,464	82.6	471.55
September 30, 2012	10,883	8,669	79.7	431.94

(Note) Shareholders' equity: September 30, 2013: 9,464 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, 2012	—	4.00	—	6.00	10.00
Year ending March 31, 2013	—	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	7,300	8.9	1,050	14.4	1,050	9.7	700	11.7	34.88

(Note) Revision of recently announced earnings forecast: None

\* Notes

(1) Changes in important subsidiaries during this quarter (change in specific subsidiary that involves changes in the scope of consolidation): N/A

Newly consolidated companies \_\_\_\_\_ (Company name) ,  
 Companies excluded from the scope of consolidation \_ (Company name)

(2) Application of accounting procedures specified to create consolidated financial statements for quarter: N/A

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

[1] Changes in accounting policies that accompany amendment of accounting standards, etc.: N/A

[2] Changes in accounting policies other than those of [1]: N/A

[3] Changes in accounting estimates: N/A

[4] Restatements: N/A

(4) Number of shares outstanding (Common stock)

[1] Number of shares outstanding (including treasury stock) at the end of the period	2Q of FY ending March 31, 2014	20,071,093 shares	Year ended March 31, 2013	20,071,093 shares
[2] Number of shares of treasury stock at the end of the period	2Q of FY ending March 31, 2014	34 shares	Year ended March 31, 2013	34 shares
[3] Average number of shares during the period (quarterly accumulated total):	2Q of FY ending March 31, 2014	20,071,059 shares	2Q of FY 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 yet to complete the procedures for quarterly review covered by the Financial Instruments and Exchange Act.

\* Explanation of appropriate use of earnings forecasts and other points of note.

The business forecasts and such like stated in this material are based on the information currently available to the Company and certain assumptions that are judged to be rational. The Company does not guarantee it will achieve the forecasts. Consequently, please understand that actual earnings may differ significantly from the forecast figures included in this document. For details of the earnings forecasts, refer to "Analysis of forward-looking information, such as the consolidated earnings forecast" in the attached material.

○ Table of Contents for Attached Material

1.	Qualitative information regarding consolidated results for this quarter .....	2
(1)	Analysis of results of operations .....	2
(2)	Analysis of the financial situation.....	2
(3)	Analysis of forward-looking information, such as the consolidated earnings forecast .....	2
2.	Matters on summary information (notes).....	3
(1)	Changes in important subsidiaries during this quarter .....	3
(2)	Application of accounting procedures specified to create consolidated financial statements for quarter.....	3
(3)	Changes in accounting policies or accounting estimates, and restatement.....	3
3.	Consolidated quarterly financial statements.....	4
(1)	Consolidated quarterly balance sheet.....	4
(2)	Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .....	6
	Consolidated quarterly statements of income	
	Consolidated second quarter .....	6
	Consolidated quarterly statement of comprehensive income	
	Consolidated second quarter.....	7
(3)	Notes on quarterly consolidated financial statements	
	Notes on the premise of a going concern .....	8
	Notes on marked changes in the amount of shareholders' equity.....	8

1. Qualitative information regarding consolidated results for this quarter

(1) Analysis of results of operations

In the world economy in the consolidated second quarter under review (April 1, 2013 to September 30, 2013), although the European economy managed to avoid a critical situation, it seems that it will take some time before a full-scale recovery can be achieved. Also, there were downward risks such as the financial problems of the United States and a slowdown in China's economic growth. In Japan, there was an improvement in the export environment and corporate earnings against the background of monetary easing carried out by the Bank of Japan and the economic policies of the government. However, as ever there are still no signs of a bright outlook for consumer spending.

The electronics industry saw relatively favorable sales of devices such as smartphones and tablet PCs. However, as ever there have been difficult sales conditions for products such as flat-screen TVs and PCs, and no strong demand was observed. A similar situation was seen in the electronics industry where there was weak demand overall except for products for use in smartphones and tablet PCs.

Under such circumstances, the Company's Group has poured its efforts into developing and selling chemicals for high-density, multi-layer electronic substrates mainly for use in displays of smartphones and tablet PCs. Specifically, we made efforts with the TP series of chemicals for use in touch panels and the flat bond series of high-frequency boards for use in base stations. In addition, we achieved higher sales in regions such as South Korea and Taiwan by promoting technical sales and support of chemicals for packages such as high-density electronic substrates. We also moved forward with improving the efficiency of our production systems in the Nishinomiya and Nagaoka plants in Japan.

We were also affected by a weaker yen, and as a result total consolidated sales for the second quarter under review amounted to 3,761 million yen (up 17.9% year-on-year). Operating income was 600 million yen (up 53.8% year-on-year), ordinary income was 677 million yen (up 83.4% year-on-year), and net income for the quarter was 450 million yen (up 69.5% year-on-year).

(2) Analysis relating to the financial situation

As a result of an increase in cash, deposits, land and investment securities, assets came to 11,460 million yen, up 577 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 1,996 million yen, down 217 million yen year on year.

As a result of an increase in retained earnings and foreign currency translation adjustments as a result of a higher net profit, net assets were 9,464 million yen, up 795 million yen compared with the same period of the previous fiscal year.

As a result of the above, the equity ratio reached 82.6%.

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

There is no change to the consolidated earnings forecasts for the full year that were announced in the "Financial announcement for the Year Ended Mar. 31, 2013" on May 10, 2013.

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 September 30, 2013
<b>ASSETS</b>		
Current assets:		
Cash and deposits	2,708,651	3,142,233
Notes and accounts receivable-trade	2,236,528	2,251,065
Merchandise and finished goods	267,249	283,540
Work in process	36,068	42,816
Raw materials and supplies	236,919	258,636
Deferred tax assets	165,496	171,758
Other	85,528	59,438
Allowance for doubtful accounts	(9,393)	(9,828)
Total current assets	5,727,049	6,199,661
Non-current assets:		
Property, plant and equipment		
Buildings and structures	3,029,804	3,112,155
Accumulated depreciation	(1,688,246)	(1,746,765)
Buildings and structures, net	1,341,558	1,365,390
Machinery, equipment and vehicles	1,606,835	1,683,510
Accumulated depreciation	(1,223,745)	(1,308,941)
Machinery, equipment and vehicles, net	383,089	374,568
Tools, furniture and fixtures	596,444	648,793
Accumulated depreciation	(468,038)	(496,611)
Tools, furniture and fixtures, net	128,406	152,181
Land	2,789,376	2,838,508
Construction in progress	36,287	21,143
Total property, plant and equipment	4,678,718	4,751,792
Intangible assets	44,651	42,350
Investments and other assets		
Investment securities	332,591	358,775
Deferred tax assets	4,092	4,547
Other	114,617	119,454
Allowance for doubtful accounts	(17,997)	(15,736)
Total investments and other assets	433,303	467,040
Total non-current assets	5,156,672	5,261,183
Total assets	10,883,722	11,460,845

	(Unit: Thousands of yen)	
	As of March 31, 2013	As of September 30, 2013
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable-trade	688,215	592,811
Short-term loans payable	240,000	240,000
Accounts payable-other	240,411	198,702
Accrued expenses	50,139	53,898
Income taxes payable	270,886	154,223
Provision for bonuses	132,302	228,384
Reserve for directors' bonuses	11,350	8,150
Other	219,699	123,816
Total current liabilities	<u>1,853,004</u>	<u>1,599,986</u>
Noncurrent liabilities:		
Deferred tax liabilities	246,631	312,259
Provision for retirement benefits	85,561	52,394
Other	29,102	31,751
Total non-current liabilities	<u>361,295</u>	<u>396,405</u>
Total liabilities	<u>2,214,300</u>	<u>1,996,391</u>
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	7,945,033	8,274,699
Treasury stock	(12)	(12)
Total shareholders' equity	<u>8,985,521</u>	<u>9,315,187</u>
Valuation and translation adjustment		
Valuation difference on available-for-sale securities	32,842	46,510
Foreign currency translation adjustment	(348,942)	102,755
Total valuation and translation adjustment	<u>(316,100)</u>	<u>149,265</u>
Total net assets	<u>8,669,421</u>	<u>9,464,453</u>
Total liabilities and net assets	<u>10,883,722</u>	<u>11,460,845</u>

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

( Unit: Thousands of yen )

	Six months ended September, 2012 〔 From April 1, 2012 To September 30, 2012 〕	Six months ended September 30, 2013 〔 From April 1, 2013 To September 30, 2013 〕
Net sales	3,191,385	3,761,049
Costs of sales	1,169,039	1,419,450
Gross profit	2,022,346	2,341,599
Selling, general and administrative expenses	1,631,902	1,741,037
Operating income	390,443	600,562
Nonoperating income		
Interest income	15,278	14,371
Dividends income	4,374	4,434
Revenue income from trial products	5,030	5,567
Foreign exchange gains	-	47,637
Other	4,190	8,139
Total nonoperating income	28,874	80,150
Nonoperating expenses		
Interest expenses	2,596	574
Share allocation	108	2,018
Loss on valuation of investment securities	7,954	-
Foreign exchange losses	37,917	-
Other	1,001	141
Total Nonoperating expenses	49,578	2,733
Ordinary income	369,739	677,979
Total extraordinary income		
Gain on sales of noncurrent assets	1,530	84
Surrender value of insurance	1,571	-
Total extraordinary income	3,101	84
Extraordinary loss		
Loss on sales of noncurrent assets	1,176	1,435
Loss on retirement of noncurrent assets	3,450	1,362
Total extraordinary loss	4,626	2,797
Income before income taxes	368,214	675,266
Total income taxes	102,707	225,174
Income before minority interests	265,507	450,091
Net income	265,507	450,091

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

( Unit: Thousands of yen )

	Six months ended September 30, 2012 〔 From April 1, 2012 To September 30, 2012 〕	Six months ended September 30, 2013 〔 From April 1, 2013 To September 30, 2013 〕
Income (loss) before minority interests	265,507	450,091
Other comprehensive income		
Valuation difference on available for sales securities	(59,444)	13,667
Foreign currency translation adjustment	92,821	451,698
Other comprehensive income	33,377	465,366
Comprehensive income	298,884	915,457
[Comprehensive income attributable to]		
Comprehensive income attributable to owners of the parent	298,884	915,457
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