Translations

Financial Announcement for the Year Ended March 31, 2017 [Japanese Standard] (consolidated)

May 10, 2017

Stock exchange listing:Tokyo Stock Exchange

Company Name: MEC COMPANY LTD.
Stock Code No.: 4971 Company URL: http://www.mec-co.com/en/
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Date of General Meeting of Shareholders (Scheduled): June 21, 2017
Commencement Date of Dividend Payment (Scheduled): May 31, 2017
Date of Filing the Financial Report (Scheduled): June 22, 2017
Creation of reference materials supplementary to the results: Yes
Holding of briefing sessions regarding the results: Yes (for institutional investors)

(Amounts less than one million yen have been disregarded.)

1. Consolidated Results for the Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Results of operations

(% represent annual changes over the preceding year unless otherwise stated.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	9,259	2.0	1,887	(13.6)	1,888	(14.5)	1,642	8.4
Year ended March 31, 2016	9,078	0.2	2,185	8.8	2,207	3.7	1,514	12.7

Note: Comprehensive income for fiscal year ended March 31, 2017:1,477 million yen (31.5%);fiscal year ended March 31, 2016:1,123 million yen ((42.9%))

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	84.86	-	13.0	11.2	20.4
Year ended March 31, 2016	76.26	-	12.5	14.5	24.1

(Reference) Investment profit or loss according to the equity method:Year ended March 31, 2017: - million yen Year ended March 31, 2016: - million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2017	17,993	13,110	72.9	683.86
Year ended March 31, 2016	15,715	12,250	78.0	632.41

(Reference) Shareholder's equity:Year ended March 31, 2017: 13,110 million yen Year ended March 31, 2016:12,250 million yen

(3) Cash flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	Cash and cash equivalents at fiscal year end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	1,633	(2,461)	1,128	3,723
Year ended March 31, 2016	1,796	(1,372)	(912)	3,422

2. Dividends

	Annual dividend					Total cash dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1Q	2Q	3Q	4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	-	8.00	-	10.00	18.00	354	23.6	2.9
Year ended March 31, 2017	-	10.00	-	10.00	20.00	388	23.6	3.0
Year ending March 31, 2018 (Estimated)	-	10.00	-	10.00	20.00		45.1	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages indicate changes from previous fiscal year for full-year figures, and year-on-year changes for quarterly changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (year to date)	4,750	5.1	650	(36.3)	700	(27.4)	500	(38.5)	26.10
Full year	8,600	-	1,100	-	1,200	-	850	-	44.34

Translations

The Company plans to change its settlement period from fiscal 2017, going from the one-year period ending on March 31 to the one-year period ending on December 31, on condition that the agenda “Partial amendment to the articles of incorporation” is approved at the ordinary general meeting of shareholders scheduled to be held on June 21, 2017. Therefore, the fiscal year ended December 2017, which is the transitional period, will have the accounts settled in March for Japan alone. Assuming a change to the fiscal year, we have set the nine-month period from April 1, 2017 to December 31, 2017 as the consolidated period. Please note that in the settlement ending in December for overseas subsidiaries, the consolidation period is the twelve-month span going from January 1, 2017 to December 31, 2017.
[Reference]
The percentages shown below (percentage change after adjustment) are the rate of change compared with the next term’s performance forecast for the nine-month period (April 1, 2017 to December 31, 2017) of the Company.

Net sales		Operating income		Ordinary income		Net income attributable to parent company’s shareholders	
Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
8,600	5.4	1,100	(34.7)	1,200	(29.3)	850	(43.9)

* Notes
(1) Changes of major subsidiary companies during the period (Change of specific subsidiary companies that involves changes in the scope of consolidation): No
Newly consolidated companies — (company name), Excluded companies — (company name)

(2) 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 of (1): Yes
3) Expected changes to accounting standards: No
4) Restatements: No
Note: For more information, please refer to “4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on page 17 of the attachment.

(3) Number of shares outstanding (Common stock)

1) Number of shares outstanding (including treasury stock) issued as of:	Year ended March 31, 2017	20,071,093 shares	Year ended March 31, 2016	20,071,093 shares
2) Number of shares of treasury stock:	Year ended March 31, 2017	900,089 shares	Year ended March 31, 2016	700,089 shares
3) Average number of shares during the period:	Year ended March 31, 2017	19,355,619 shares	Year ended March 31, 2016	19,863,358 shares

* Display on the status of implementation of audit procedures
At the time of disclosing the financial results, auditing procedures on the financial statements are being carried out based on the Financial Instruments and Exchange Law.

* Explanation of appropriate use of earnings forecasts. 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. Actual results may vary significantly from the forecasts due to various factors. In addition, for matters concerning the above forecasts, please refer to “1. Results of Operations and Analysis of Financial Situation (1) Analysis of results of operations” on page 2 of the attachment.
- The Company plans to hold a briefing session for institutional investors and analysts on Wednesday, May 16, 2017. We have published materials for the briefing session on our website.

○ Table of Contents for Attached Material

1. Overview of business results etc. 2
   (1) Analysis relating to the operating results 2
   (2) Analysis relating to the financial situation 4
   (3) Basic policy for profit distribution and dividends for the current and next periods 4
   (4) Risks of business, etc. 5
2. Situation of the Corporate Group 7
3. Basic concept regarding the selection of accounting standards 8
4. Consolidated financial statements and major notes 9
   (1) Consolidated balance sheet 9
   (2) Consolidated statement of income and consolidated statement of comprehensive income 11
   Consolidated statement of income 11
   Consolidated statement of comprehensive income 12
   (3) Consolidated statement of changes in shareholders' equity 13
   (4) Consolidated statement of cash flow 15
   (5) Notes to Consolidated Financial Statements 17
   (Notes on the premise of a going concern) 17
   (Basis of presentation and summary of significant accounting policies for the preparation of consolidated financial statements) 17
   (Changes in accounting policies) 18
   (Additional information) 19
   (Notes to consolidated balance sheet) 20
   (Notes to consolidated statement of income) 20
   (Matters related to consolidated statement of comprehensive income) 21
   (Matters related to consolidated statement of changes in shareholders' equity) 22
   (Consolidated statement of cash flow) 23
   (Retirement benefit) 24
   (Deferred tax accounting) 27
   (Segment information) 27
   (Per share information) 32
   (Important subsequent events) 32
5. Non-consolidated financial statements and major notes 33
   (1) Balance sheet 33
   (2) Statement of income 35
   (3) Statement of changes in shareholders’ equity 37
6. Other 40
   Transfer of Directors 40

1. Overview of business results etc.

(1) Analysis relating to the operating results

[Outline of the current period]

Japan's economy during the current consolidated fiscal year under review (April 1, 2016 - March 31, 2017) saw a gradual recovery trend against the background of a steady employment situation, a recovery in personal consumption, a pick-up in exports, and an increase in industrial investment. However, the impact of the policy of the president of the United States, the problem of the UK’s withdrawal from the EU, increasing global geopolitical risk, and changes in the exchange rates meant that the outlook is uncertain.

In the electronics industry, there has been a continued slump in sales of personal computers and tablet computers, and a slowdown in the growth rate of shipments of smartphones. Miniaturization of electronic parts used in smartphones is proceeding to secure space to increase the battery capacity. Therefore, electronic substrates on which electronic components are mounted are also tending to become higher density ones, and technological innovation for this is progressing. IoT-related markets were expected to see high growth, as ever, and in particular there was steady demand for high-frequency components. The technology of self-driving vehicles is also progressing steadily, and there has been a large increase in demand for the sensors they use in devices such as lasers and cameras. Furthermore, accompanying the miniaturization of sensors, the density of electronic substrates has been increasing in ways we could not have assumed as well.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. In particular, we accelerated the development of the CZ Series of ultra-roughening agents, which command a high market share for use in the production of package substrates for smartphones and tablet computers, and actively promoted sales. With its high reliability, the CZ Series of products have been increasingly adopted in boards for mounting sensors for car makers. With the EXE Series, which manufacturers use to achieve a high-density wiring pattern with the etching method, we have already acquired a high market share for use in displays. And we have steadily had the series adopted for electronic boards mounted on smartphones. The flexible substrates used in smartphones, cars, HMD (Head Mounted Display), robots, and such like are becoming increasingly miniaturized. In connection with this, we will continue making proactive efforts to sell the UT Series of products which can roughen a surface without manufacturers needing to choose a type of copper foil, and a number of board makers are testing them. In addition, demand for the FlatBOND Series of products for use in high-frequency circuit boards that can cope with massive amounts of information processing will expand in the future as a result of the coming of the IoT era. They have been steadily mass-produced by customers and will continue to expand.

AMALPHA is a technique for joining metal and resin directly, and it is used in the process of manufacturing the metal casing of some mobile devices. We continued to focus on sales activities for it, aiming to expand the market.

Looking at a breakdown of sales, sales of chemicals were 8,862 million yen (up 143 million yen, 1.7% compared with the same period last year), sales of materials were 239 million yen (up 85 million yen, up 55.1% year-on-year), machinery sales were 130 million yen (down 47 million yen or 26.8% year-on-year), and other sales were 26 million yen (up 0 million yen, or 1.2%). The breakdown of chemical sales shows there were sales of 5,212 million yen for adhesion improvers, sales of 3,005 million yen for etching agents, and sales of 644 million yen for other chemicals. As a result, total consolidated sales for the consolidated fiscal year under review amounted to 9,259 million yen (up 181 million yen or 2.0% year-on-year). Shipments of chemicals increased by 5.5% compared with the same period of the previous year, and use of our chemicals is expanding. Operating income amounted to 1,887 million yen (down 298 million yen year-on-year or 13.6%). Operating margin was 20.4%, down 3.7 points compared with the 24.1% in the same period last year. The main factors in this were a 71 million yen increase due to changes in our depreciation method, a 64 million yen decrease due to depreciation expenses related to the Amagasaki Headquarters, and a 96 million yen decrease due to expenses for moving costs and fixtures. Ordinary income amounted to 1,888 million yen (down 319 million yen year-on-year or 14.5%). Net income before income taxes amounted to 1,875 million yen (a year-on-year decrease of 278 million yen or 12.9%), and net income attributable to owners of parent was 1,642 million yen (an increase of 127 million yen, up 8.4% from the same period of the previous year). This was mainly due to the fact that the burden rate of corporate tax was low at 12.4% (29.7% in the previous year) due to the coming into force of the Japan-Taiwan Tax Agreement during the fiscal year under review.

It should be noted that net sales were down 678 million yen and operating income fell 369 million yen compared with the previous year, affected by the strong yen.

The overseas sales ratio was 54.6%. In MEC Taiwan, sales of chemicals for use in package substrates remained favorable. MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY expanded sales with increasing use of the EXE Series for smartphone electronic boards. MEC FINE CHEMICAL (ZHUHAI) LTD. and MEC Europe performed steadily. Furthermore, in order to enhance our presence in the expanding Southeast Asian market in the future, we have decided to establish a subsidiary in Thailand as our sixth company. It is schedule to start operating in July 2018.

Looking at cash flow, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 3,723 million yen, an increase of 300 million yen from the end of the previous consolidated fiscal year. This was because cash flow from operating activities came to 1,633 million yen, cash flow from investing activities was 2,461 million yen, and cash flow from financing activities was 1,128 million yen.

As a result of the above, ROE was 13.0%, up 0.5 points compared with the same period of the previous year. This was due to the fact that corporate income taxes were low and profit attributable to owners of parent was up 8.4%

from the same period last year.
In addition, the Company negotiated with a business partner to sell its stockholdings. The cross-holding between the two companies was eliminated and there were gains on sale of 21 million yen. Further, regarding the return of profits to shareholders, dividends were up 2 yen per share compared with the previous year, and the dividend payout ratio was 23.6%. We repurchased 200,000 shares of treasury stock in the current fiscal year.
The Amagasaki Headquarters, which started being constructed in 2015, was completed in the 2016 and the head office, research and development, and production functions moved there sequentially and it started operations. We are convinced that consolidating these functions into one site will speed up our decision-making and further accelerate the development of new products. We are keeping an eye on the advent of the IoT era, the use of a huge amount of sensors for self-driving vehicles and robots, and the full-scale arrival of artificial intelligence for processing massive amounts of information. And in connection with this, we will launch more newly developed products onto markets.

[Prospects for the next period]
In the next fiscal year, the Japanese economy will see a gradual recovery trend against the background of a steady employment situation, a recovery in personal consumption, a pick-up in exports, and an increase in industrial investment. However, the impact of the policy of the president of the United States, the problem of the UK’s withdrawal from the EU, increasing global geopolitical risk, and changes in the exchange rates means that the outlook is uncertain.
Although in the electronics industry there are concerns about slowing growth of smartphones, major changes are underway with regards to electronic board manufacturing technology to secure space to increase battery capacity. Furthermore, with the progress of IoT, we believe that our products related to self-driving vehicles and robots will sell well.
The external environment is looking brighter, and we will aim to expand the market share of the CZ Series for smartphones and automobiles. In addition, we also expect sales of chemicals such as the EXE Series for use with displays to be steady. We will focus on having the UT Series and FlatBOND series newly adopted at manufacturers.
We will change the settlement date by making the end of the fiscal year the same as that at consolidated subsidiaries and so the last day of the settlement period which has so far been the end of March will now be moved to the end of December. Hence, the consolidated earnings forecasts for the next fiscal year will relate to the financial statements for nine months for Japan alone, and 12 months for overseas subsidiaries, causing an effect of a reduced number of working days. Therefore, both sales and profits will decline in revenue and earnings compared with this term.
The table below compares the consolidated results for the next fiscal year with those for the term ended December 2016, with the figures revised to match the period of the next fiscal year.
Net sales were 8600 million yen due to higher sales of chemicals (up 441 million yen or 5.4% compared with the period under review), operating income was 1100 million yen (down 585 million yen or 34.7% compared with the period under review), and operating income ratio was 12.8%, down 7.9 points from the 20.7% in the term ended December 2016.
The main factors in this were an increase in depreciation expenses of 150 million yen due to completion of the Amagasaki Headquarters and an increase of 300 million yen in personnel costs, and we expect the figures for profit to be lower than we had hoped for.
ROE is forecast to be 6.4%, down 6.6 points from this term. However, in the future we will continue to improve our management efficiency and enhance ROE while trying to increase sales.

(Reference)

	FYE December 2017 (Million yen)	FYE December 2018 (Million yen)	* Increase or decrease after adjustment (%)
Net sales	8,158	8,600	5.4
Operating income	1,685	1,100	- 34.7
Ordinary income	1,697	1,200	-29.3
Profit attributable to owners of parent	1,514	850	-43.9

*The outlook for the next term is premised on an exchange rate of 110 yen to the U.S. dollar.

（2）Analysis relating to the financial situation

[Analysis of the financial situation]

Assets increased 2,278 million yen to 17,993 million yen compared with the end of the previous consolidated fiscal year. This was due to increases in buildings and structures related to the Amagasaki Headquarters, increases in machinery and equipment and vehicles, increases in assets related to retirement benefits, and decreases in construction premises related to the Amagasaki Headquarters.

There was an increase in borrowings related to construction of the Amagasaki Headquarters, and a fall in accounts payable for equipment. Hence, liabilities came to 4,883 million yen, up 1,418 million yen compared with the end of the previous fiscal year.

Net assets increased by 859 million yen from the end of the previous consolidated fiscal year, coming in at 13,110 million yen. This was due to an increase in retained earnings due to greater net income attributable to owners of the parent, although assets fell due to the acquisition of treasury stock and foreign currency translation adjustments.

As a result of the above, the equity ratio reached 72.9% (78.0% in the same period of the previous year).

[Analysis of cash flow]

Looking at the financial position in the current consolidated fiscal year, cash and cash equivalents (hereinafter referred to as "cash") rose 300 million yen compared with the previous year to record 3,723 million yen.

Outlines of cash flow conditions and reasons for fluctuations at the end of the fiscal year under review are as follows:

(Cash flow from operating activities)

Cash from operating activities amounted to 1,633 million yen (down 163 million yen year-on-year). This was mainly because we recorded net income before income taxes of 1,875 million yen and income taxes paid of 539 million yen.

(Cash flow from investment activities)

As a result of investment activities, cash used amounted to 2,461 million yen (up 1,089 million yen year-on-year). This was mainly because payments to acquire tangible fixed assets came to 2,706 million yen.

(Cash flow from financial activities)

Cash from financing activities amounted to 1,128 million yen (912 million yen was used in the same period of the previous year). This was because the payment of dividends and the payment needed to purchase treasury stock exceeded income from long-term borrowings.

Changes in cash flow indicators

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 2015
Equity ratio (%)	79.7%	79.8%	82.2%	78.0%	72.9%
Equity ratio based on market value (%)	95.0%	125.1%	113.2%	106.9%	135.7%
Debt repayment period (years)	0.7	-	-	-	1.1
Interest coverage ratio	230.1	1637.1	-	-	586.9

Notes:
Equity ratio : Shareholders' equity / total assets
Equity ratio based on market value : Market capitalization / total assets
Debt repayment period : Interest-bearing liability / operating cash flow
Interest coverage ratio : Operating cash flow / interest payments

1 All indicators are calculated based on consolidated financial figures.

2 Market capitalization is calculated by multiplying the closing share price by the number of shares outstanding issued at the end of the period.

3 Operating cash flows are calculated using the cash flow from operating activities in the consolidated statements of cash flows. Interest-bearing liabilities also include all liabilities for which interest is paid out of liabilities recorded on the consolidated balance sheet. In addition, we use the amount of interest paid in the consolidated statements of cash flows as the figure for interest paid.

(3) Basic policy for profit distribution and dividends for the current and next periods

Concerning the allocation of surplus, the Company has the basic policy of maintaining a balance between re-investing profits in business activities for long-term corporate value expansion and returning profits to each stakeholder including the shareholders; the policy is implemented after taking into account the business performance for the corresponding term and future outlooks, etc. As examples of re-investment of profits in business activities, we focus on investment in research and development to strengthen and maintain competitiveness, investment in production equipment, and international strategic investment, and also strive to build up internal reserves to establish a stable financial structure that can support our ongoing business activities.

In addition, with regard to dividends, we intend to reflect the profits of the period in dividends while maintaining the concept of paying stable dividends.
For the fiscal year ended in March 2015, we will distribute a year-end dividend of ¥10 per share, making for a total annual dividend of ¥20 per share when combined with the interim dividend paid of ¥10 per share.
For the next fiscal period, though there is a sense of uncertainty over future economic prospects, we plan to distribute an annual dividend of ¥20 per share, made up of an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share.

(4) Risks of business, etc.

The following section provides an overview of the principal risks that could affect the business results and financial condition of the Group.

1 High dependence on the print circuit board (PCB) industry
The Group carries out PCB and parts material production but because its products for use with PCBs occupy a large portion of its total sales, it is strongly affected by trends in the PCB industry. Therefore, future production trends in the PCB industry could have an impact on our financial results.

2 Research and development expenses
The Group actively develops new products, mainly chemicals for PCBs. As technical innovations are remarkable in the PCB field, we have to make sufficient research and development investment so that we can supply products applying such new technologies. Therefore, our policy provides for investing approximately 10% of sales in R&D studies.
Our policy is to create new demand or enhance sales for new products, which are the outcome of our R&D investment. However, large R&D expenses could have a negative impact on our financial results if new products do not generate enough revenue.
In addition, if we misanalyze market needs and fall behind in developing new products, or if we cannot apply technical innovations, that could be linked to a fall in sales of our products and our financial results could be negatively affected.

3 Overseas operations
The Group consists of the Company and five consolidated subsidiaries. We establish a business structure to apply to the world’s major PCB markets in a comprehensive manner. In particular, to reinforce sales in East Asia where the production of PCBs is rapidly increasing, our members involved in R&D, sales and production are working as one to meet the needs of the Chinese, Taiwanese and South Korean markets. However, if sales in these regions become stagnant or if geopolitical risks occur in these areas, our financial results could be negatively affected.

4 Hollowing out of the Japanese economy
The Company has dealings with almost all the PCB manufacturers in Japan. More and more companies in the PCB industry are moving their bases overseas, aiming to cut production costs. As a result, the production of PCBs in Japan is falling. If this trend further accelerates in the future, it could affect our financial results.

5 Foreign currency risk
The Group’s operations are being carried out not only in the domestic market but also worldwide. Hence, our financial results and such like may be affected by fluctuations in exchange rates.

6 Surging prices of crude oil and raw materials
While inorganic materials are the main components of chemicals for PCBs and parts, the Group’s key products, we use crude oil or copper-based materials as a part of the raw materials. In addition, the Group’s chemical products are kept in polyethylene containers, which are used to transport them, and these containers are significantly affected by crude oil prices.
Although we in the Group endeavor to implement cost-cutting measures including the alteration of raw materials and large-scale and lump-sum procurement, if raw material prices surge in future, our financial results could be negatively affected.

7 Intellectual property rights
The Company recognizes that the management of intellectual property rights for chemical products is

one of the key management issues regarding risk management. We established a specialized department for the management of intellectual property rights to deal with the control of our patent rights worldwide according to our patent strategy. However, we cannot assure that all patents we apply for are registered or that there are no infringements of our patent rights by third parties. Such circumstances, if they occurred, could have a negative impact on our financial results.

8 Environmental regulations

The Group's chemicals for use in manufacturing PCBs and parts use a variety of chemicals. There are regulations in many countries around the world, including Japan, that aim to limit the impact on the environment and health problems that may occur when such chemicals are used.

While we in the Group consider such regulations to be a major business opportunity, if there is a change to them or if the development of new products is delayed beyond our expectations, our financial results could be negatively affected.

9 Recruiting and training of human resources

In light of the further enhancement of R&D and sales competitiveness aiming at reinforcing overseas operations, the Group has aggressively undertaken activities to recruit and train talented people. If we cannot recruit and train the staff required to maintain our business, our financial results could be negatively affected.

10 Change in prices of marketable securities held

The Group owns equity shares in other companies as strategic investments with the aim of building and maintaining business relationships, particularly with business partners. However, in cases where the value of equity shares held decreases considerably and also where no recoverability is recognized as a result of a considerable decrease in stock prices or deterioration of financial conditions or bankruptcy of the investment target company, the recording of impairment losses on equity shares held and the occurrence of evaluation loss could have a negative impact on our earnings and financial results.

11 Evaluation of recoverability of deferred tax assets

The Group determines recoverability after estimating reasonable future taxable income against future deductible amounts, and records deferred tax assets. However, if a question arises regarding recoverability as a result of an actual taxable income differing from the forecast or if a change occurs in the taxation of a country including change of tax rate, re-evaluation of deferred tax assets will be required. In this case, if transfer from deferred tax assets becomes necessary, our earnings and financial results could be negatively affected.

12 Risk of effects of disasters

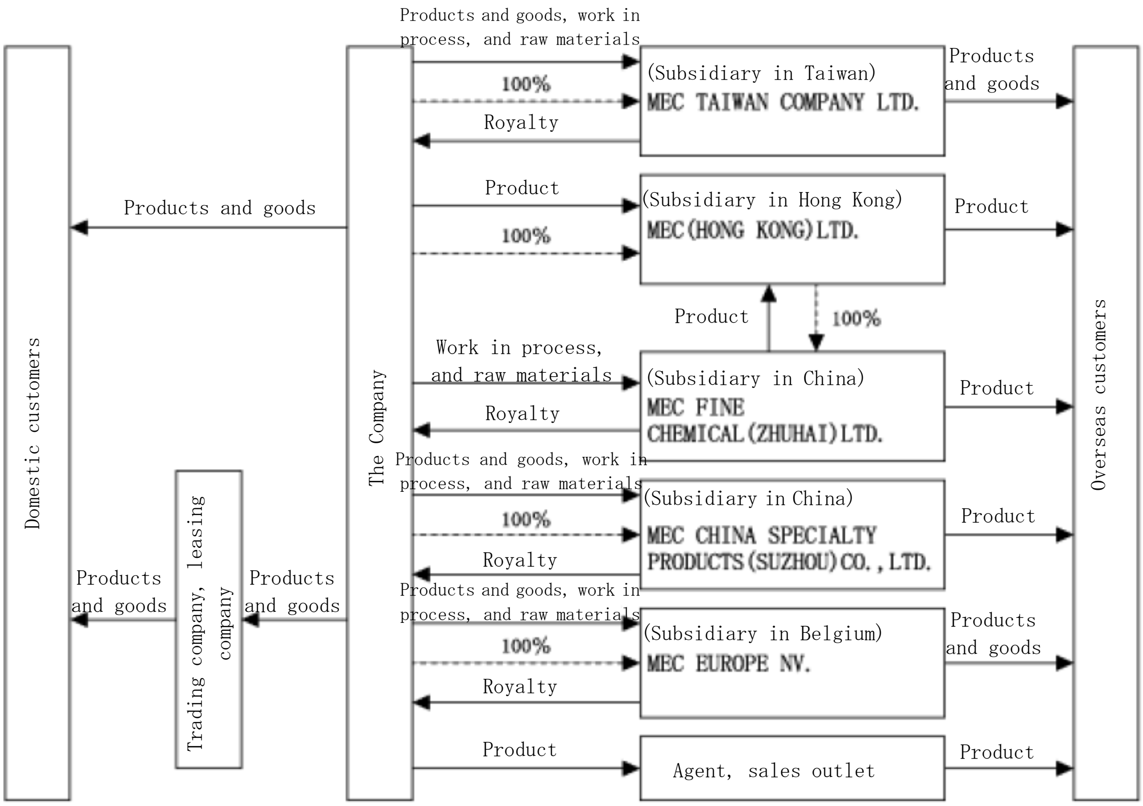
So that the production activities of the Company's Group are not impeded by natural disasters such as earthquakes and floods, and other disasters, we have established production bases that are spread apart geographically. However, in the event that we are affected by disasters or in the event that a disruption of a supply chain means that our production amount of final products such as electronic devices or the like is reduced and the PCBs and parts we produce are also affected by that, then the Group's earnings and financial condition may be impacted. The Group owns equity shares in other companies as strategic investments with the aim of building and maintaining business relationships, particularly with business partners. However, in cases where the value of equity shares held decreases considerably and also where no recoverability is recognized as a result of a considerable decrease in stock prices or deterioration of financial conditions or bankruptcy of the investment target company, the recording of impairment losses on equity shares held and the occurrence of evaluation loss could have a negative impact on our earnings and financial results.

2. Situation of the Corporate Group

The Group consists of the Company and five consolidated subsidiaries. Our consolidated subsidiaries are located in Taiwan, Hong Kong, China, and Europe (Belgium), and we have adopted a system that allows us to meet needs in the markets for PCB and electronic parts all over the world. The Group's businesses are manufacturing and selling chemicals for use in PCB and displays, and selling machinery and materials for use in making PCB.
In addition, the following categories are the same as those stated in "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment Information)."

Category	Company name	Business category	Product category		Main products and services
Japan	MEC COMPANY LTD.	Materials for print circuit board (PCB) and electronic parts	Products	Chemicals for PCB, chemicals for displays	Adhesion promoters, etchants, and other surface treatment agents
Taiwan	MEC TAIWAN COMPANY LTD.				
Hong Kong (Hong Kong, Zhuhai)	MEC (HONG KONG) LTD. MEC FINE CHEMICAL (ZHUHAI) LTD.			Machinery for PCB	Chemical treatment machines, various types of pre-processing and post-processing machinery
China (Suzhou)	MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.		Goods	Materials for PCB	Copper foil, dry film
Europe	MEC EUROPE NV.		Other		Mechanical repair

A diagram of the Group's business system is as follows.



Note: The Company almost always directly sells products and goods to overseas customers; however, it sells some of them via a trading company or leasing company.

Business relationship   Investment relationship

Our subsidiary in Taiwan (MEC TAIWAN COMPANY LTD.), has a 0.05% stake in our subsidiary in Belgium (MEC EUROPE NV).

3. Basic Policy for the Selection of Accounting Standards

   The Company's Group is conducting activities such as information gathering and investigation, in preparation for application of IFRS in the future.

4. Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	4,700,530	4,718,329
Notes and accounts receivable - trade	2,570,287	2,784,578
Merchandise and finished goods	330,732	289,112
Work in process	39,329	83,204
Raw materials and supplies	214,345	293,452
Deferred tax assets	198,798	212,240
Other	70,935	353,112
Allowance for doubtful accounts	(11,504)	(11,947)
Total current assets	8,113,455	8,722,081
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,275,293	6,248,274
Accumulated depreciation	(2,025,237)	(2,103,366)
Buildings and structures, net	※ 1,250,055	※ 4,144,907
Machinery, equipment and vehicles	1,912,511	2,165,250
Accumulated depreciation	(1,575,526)	(1,495,486)
Machinery, equipment and vehicles, net	336,985	669,764
Tools, furniture and fixtures	817,325	972,954
Accumulated depreciation	(583,927)	(619,127)
Tools, furniture and fixtures, net	233,398	353,827
Land	※ 2,853,550	※ 2,842,430
Construction in progress	1,837,922	101,045
Total property, plant and equipment	6,511,912	8,111,974
Intangible assets	161,525	155,103
Investments and other assets		
Investment securities	416,453	462,583
Net defined benefit asset	405,065	479,261
Deferred tax assets	12,466	10,720
Other	127,097	81,782
Allowance for doubtful accounts	(32,338)	(29,836)
Total investments and other assets	928,743	1,004,511
Total non-current assets	7,602,182	9,271,590
Total assets	15,715,637	17,993,671

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	821,729	1,072,085
Current portion of long-term loans payable	―	500,000
Accounts payable - other	267,821	286,776
Accrued expenses	68,367	69,955
Income taxes payable	273,936	244,989
Provision for bonuses	211,463	227,956
Provision for directors' bonuses	25,800	32,797
Accounts payable - facilities	938,966	205,259
Other	156,177	477,709
Total current liabilities	2,764,261	3,117,529
Non-current liabilities		
Long-term loans payable	―	1,250,000
Deferred tax liabilities	628,681	397,122
Net defined benefit liability	47,624	50,812
Provision for Share-based compensation	―	43,484
Other	24,618	24,350
Total non-current liabilities	700,924	1,765,769
Total liabilities	3,465,185	4,883,299
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	446,358	456,912
Retained earnings	10,993,841	12,252,190
Treasury shares	(591,925)	(835,654)
Total shareholders' equity	11,442,416	12,467,590
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70,698	121,571
Foreign currency translation adjustment	621,182	385,223
Remeasurements of defined benefit plans	116,154	135,986
Total accumulated other comprehensive income	808,035	642,782
Total net assets	12,250,452	13,110,372
Total liabilities and net assets	15,715,637	17,993,671

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	9,078,197	9,259,839
Cost of sales	※1 3,042,595	※1 3,214,591
Gross profit	6,035,601	6,045,247
Selling, general and administrative expenses	※2,※3 3,850,078	※2,※3 4,157,782
Operating profit	2,185,523	1,887,465
Non-operating income		
Interest income	39,123	21,312
Dividend income	9,814	10,039
Trial products income	20,206	24,542
Other	14,960	13,745
Total non-operating income	84,104	69,640
Non-operating expenses		
Interest expenses	—	2,179
Sales discounts	4,996	4,478
Foreign exchange losses	54,042	36,676
Waste disposal costs	—	18,630
Other	2,650	6,858
Total non-operating expenses	61,689	68,822
Ordinary profit	2,207,938	1,888,283
Extraordinary income		
Gain on sales of non-current assets	※4 6,142	※4 6,769
Gain on sales of investment securities	—	21,908
Total extraordinary income	6,142	28,677
Extraordinary losses		
Loss on sales of non-current assets	※5 1,347	—
Loss on retirement of non-current assets	※6 58,317	※6 16,868
Loss on valuation of investment securities	—	5,999
Employees' pension fund dissolution loss	—	18,625
Total extraordinary losses	59,664	41,493
Profit before income taxes	2,154,416	1,875,467
Income taxes - current	587,544	497,593
Income taxes - deferred	52,162	(64,663)
Total income taxes	639,707	232,929
Profit	1,514,709	1,642,538
Profit attributable to owners of parent	1,514,709	1,642,538

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	1,514,709	1,642,538
Other comprehensive income		
Valuation difference on available-for-sale securities	(73,508)	51,087
Foreign currency translation adjustment	(242,910)	(235,958)
Remeasurements of defined benefit plans, net of tax	(74,459)	19,832
Total other comprehensive income	※ (390,877)	※ (165,038)
Comprehensive income	1,123,831	1,477,499
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,123,831	1,477,499
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity

Previous fiscal year (April 1, 2015 to March 31, 2016)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	594,142	446,358	9,800,268	(12)	10,840,756
Cumulative effects of changes in accounting policies					―
Restated balance	594,142	446,358	9,800,268	(12)	10,840,756
Changes of items during period					
Dividends of surplus			(321,136)		(321,136)
Net income			1,514,709		1,514,709
Purchase of treasury shares				(591,912)	(591,912)
Disposal of treasury shares					
Profit on disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	―	―	1,193,572	(591,912)	601,660
Balance at end of current period	594,142	446,358	10,993,841	(591,925)	11,442,416

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	144,206	864,092	190,613	1,198,912	12,039,669
Cumulative effects of changes in accounting policies					―
Restated balance	144,206	864,092	190,613	1,198,912	12,039,669
Changes of items during period					
Dividends of surplus					(321,136)
Net income					1,514,709
Purchase of treasury shares					(591,912)
Disposal of treasury shares					
Profit on disposal of treasury shares					
Net changes of items other than shareholders' equity	(73,508)	(242,910)	(74,459)	(390,877)	(390,877)
Total changes of items during period	(73,508)	(242,910)	(74,459)	(390,877)	210,782
Balance at end of current period	70,698	621,182	116,154	808,035	12,250,452

Current fiscal year (April 1, 2016 to March 31, 2017)

(in thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	594,142	446,358	10,993,841	(591,925)	11,442,416
Cumulative effects of changes in accounting policies			4,593		4,593
Restated balance	594,142	446,358	10,998,434	(591,925)	11,447,010
Changes of items during period					
Dividends of surplus			(388,781)		(388,781)
Net income			1,642,538		1,642,538
Purchase of treasury shares				(358,865)	(358,865)
Disposal of treasury shares				115,135	115,135
Profit on disposal of treasury shares		10,553			10,553
Net changes of items other than shareholders' equity					
Total changes of items during period	—	10,553	1,253,756	(243,729)	1,020,580
Balance at end of current period	594,142	456,912	12,252,190	(835,654)	12,467,590

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	70,698	621,182	116,154	808,035	12,250,452
Cumulative effects of changes in accounting policies	(214)			(214)	4,379
Restated balance	70,484	621,182	116,154	807,821	12,254,831
Changes of items during period					
Dividends of surplus					(388,781)
Net income					1,642,538
Purchase of treasury shares					(358,865)
Disposal of treasury shares					115,135
Profit on disposal of treasury shares					10,553
Net changes of items other than shareholders' equity	51,087	(235,958)	19,832	(165,038)	(165,038)
Total changes of items during period	51,087	(235,958)	19,832	(165,038)	855,541
Balance at end of current period	121,571	385,223	135,986	642,782	13,110,372

(4) Consolidated statement of cash flow

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,154,416	1,875,467
Depreciation	360,211	368,904
Increase (decrease) in allowance for doubtful accounts	89	1,287
Increase (decrease) in provision for share-based compensation	－	43,484
Increase (decrease) in provision for bonuses	7,180	16,493
Increase (decrease) in provision for directors' bonuses	(22,030)	6,997
Increase (decrease) in net defined benefit liability	(11,516)	3,505
Decrease (increase) in net defined benefit asset	7,941	(74,196)
Interest and dividend income	(48,938)	(31,352)
Interest expenses	－	2,179
Loss (gain) on valuation of investment securities	－	5,999
Decrease (increase) in notes and accounts receivable - trade	(98,077)	(284,171)
Decrease (increase) in inventories	(45,445)	(114,397)
Increase (decrease) in notes and accounts payable - trade	183,625	256,660
Other, net	(75,225)	65,560
Subtotal	2,412,230	2,142,423
Interest and dividend income received	51,001	33,379
Interest expenses paid	－	(2,783)
Income taxes refund	11,294	－
Income taxes paid	(677,651)	(539,614)
Net cash provided by (used in) operating activities	1,796,874	1,633,405
Cash flows from investing activities		
Payments into time deposits	(2,107,006)	(1,658,283)
Proceeds from withdrawal of time deposits	2,067,301	1,851,213
Purchase of property, plant and equipment	(1,221,342)	(2,706,983)
Proceeds from sales of property, plant and equipment	7,043	10,568
Purchase of intangible assets	(102,182)	(39,041)
Purchase of investment securities	(14,952)	(8,912)
Proceeds from sales of investment securities	－	52,282
Other, net	(1,192)	37,455

Net cash provided by (used in) investing activities	(1,372,331)	(2,461,701)
Cash flows from financing activities		
Repayments of long-term loans payable	－	(250,000)
Proceeds from long-term loans payable	－	2,000,000
Purchase of treasury shares	(591,912)	(358,865)
Proceeds from sales of treasury shares	－	125,689
Cash dividends paid	(320,402)	(388,757)
Net cash provided by (used in) financing activities	(912,315)	1,128,065
Effect of exchange rate change on cash and cash equivalents	(87,213)	705

(5) Notes on the consolidated financial statements

(Notes on the premise of a going concern)

N/A

(Basis of presentation and summary of significant accounting policies for the preparation of consolidated financial statements)

1 Scope of Consolidation

Number of consolidated subsidiaries 5

Name of consolidated subsidiaries

The names are stated in “2. Situation of the Corporate Group” and so they are omitted here.

2 Fiscal Year-End of Consolidated Subsidiaries

The fiscal year-end of all consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-end. For major intervening transactions that occurred between the fiscal year-end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.

3 Summary of Significant Accounting Policies

(1) Basis and Methods of Valuation of Significant Assets

i) Marketable securities

Other marketable securities

Securities with determinable market value:

Stated at the market value method based on the quoted market prices at the end of the fiscal year (unrealized holding gains and losses are reported in a component of shareholders’ equity, with the cost of securities sold being calculated by the moving-average method.)

Securities without a determinable market value:

Stated at cost using the moving-average method

ii) Derivatives

Stated at the market value method

iii) Inventories

(i) Goods, products (chemicals), work in progress, raw materials, inventories of merchandise and supplies:

Stated at cost based on the periodic average method (book price devaluation based on the decrease in profitability of balance sheet values)

(ii) Products (Machinery):

Stated at cost based on the specific identification method (book price devaluation based on the decrease in profitability of balance sheet values)

(2) Depreciation and Amortization of Significant Depreciable Assets

i) Tangible fixed assets

The Company accounts for depreciation of tangible fixed assets by the declining-balance method, except for buildings (excluding fixtures) acquired on and after April 1, 1998, which are accounted for by the straight-line method.

Overseas consolidated subsidiaries account for the depreciation of property, plants, and equipment mainly by the straight-line method.

The principal useful lives are as follows:

Buildings and structures:	7 – 50 years
Machinery and vehicles:	4 – 10 years
Tools, furniture and fixtures:	3 – 10 years

ii) Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method.

(3) Method of Accounting for Significant Allowances

i) Allowance for Doubtful Accounts

The Company provides allowance for doubtful accounts in an amount sufficient to cover probable losses on collection. Provision for normal receivables is calculated by using the actual percentage of credit losses, while for certain identified doubtful receivables, recoverability is assessed separately to estimate the uncollectible amount.

ii) Reserve for Bonuses

The Company provides reserve for bonuses for employees and Executive Officers who are not Directors based on the estimated amount of payment in the current consolidated year.

iii) Provision for Directors' Bonuses

The Company provides allowance for bonuses for Directors based on the estimated amount of payment in the current consolidated year.

(4) Method of accounting for retirement benefits

i) Method of periodical allocation of estimated retirement benefits

In calculating retirement benefit obligations, the Company adopts benefit formula criteria as a method for allocating estimated retirement benefits in the period up to the end of the current consolidated fiscal year.

ii) Actuarial differences and method of processing prior service costs

Prior service costs are amortized by the straight-line method over a certain period within the average estimated remaining service period of employees (10 years) at the time of occurrence.

Actuarial differences are amortized by the declining-balance method over a certain period within the average estimated remaining service period of employees (10 years) at the time of occurrence of each year, beginning from the following fiscal year.

(5) Basis of translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen using the prevailing spot exchange rate on the consolidated balance sheet date and any exchange differences are accounted for as profit or loss. Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the prevailing spot rate at the balance sheet date of consolidated subsidiaries. The profit and loss of consolidated subsidiaries are translated into yen at the average spot rate during the period and any exchange differences are recorded as foreign currency translation adjustment under net assets.

(6) Cash and cash equivalent in the consolidated statement of cash flow

Cash and cash equivalent comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

(7) Other significant matters for the preparation of consolidated financial statements

Accounting for consumption taxes

The Company adopts the tax exclusion method.

(Changes in accounting policies)

(Application of the Guidance on the recoverability of deferred tax assets)

We applied the "Guidance on the recoverability of deferred tax assets" (ASBJ Guidance No. 26; March 28, 2016; hereinafter referred to as the "Recoverability Guidance") from the consolidated accounting period, and we partially reviewed the method of accounting for the recoverability of deferred tax assets.

With regards to the application of the Recoverability Guidance, in accordance with the specific transitional provisions stipulated in paragraph 49 (4) of the Recoverability Guidance, when at the beginning of the consolidated accounting period we applied the stipulations corresponding to the provisions of paragraph 49, (3), items 1) to 3) of the Recoverability Guidance, we added the difference between (i) the amount of deferred tax assets and deferred tax liabilities and (ii) the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year to the retained earnings and accumulated other comprehensive income at the beginning of the consolidated accounting period.

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Change to the method of depreciating tangible fixed assets)

Conventionally, the Company and some overseas subsidiaries used the declining-balance method to depreciate tangible fixed assets (however, we used the straight-line method for the Company's buildings (excluding building fixtures) acquired on or after April 1, 1998). However, this has been changed to the straight-line method from the consolidated accounting period to unify the method throughout the Group.

This change took place for the following reasons. Taking the opportunity of the construction of the Company's Amagasaki Headquarters in the current consolidated fiscal year, the Company examined and considered the actual state of use of its tangible fixed assets; as a result, the Company expects to see stable and continuous use of its property, plant and equipment over the next period of use. Also, in order to more properly carry out periodic accounting of profit and loss, it is appropriate to equally allocate cost over the period of use. Further, the importance of overseas bases is growing as our Group deploys its operations globally, and therefore we determined that it is more reasonable to unify the accounting treatment to the straight-line method throughout the Group.

As a result of this change, operating income, ordinary income and net income before income taxes for the consolidated period under review increased by 71,568 thousand yen respectively compared with the conventional method.

Please note that the impact on segment information is described in the relevant section

Additional information

(Stock-based compensation system for Board of Directors)

The Company introduced a performance-linked stock-based compensation system (hereinafter referred to as the “System”) from the consolidated accounting period, aiming to further increase the motivation of the Directors (excluding Outside Directors; the same hereafter) to improve business performance and increase the corporate value over the medium to long term.

(1) Overview of the transaction

In the System, we set up a trust consisting of funds contributed by us (hereinafter referred to as the "Trust"), and through the Trust we acquire the Company’s shares (common stock of the Company, hereinafter the same). Then, via the trust we issue the Company's Board of Directors with the Company's shares (however, in accordance with share issuance rules, there is a case where part or all of the amount consists of money equivalent to the market value of the Company's shares). This is done in accordance with the share issuance rules determined by the Company's Board of Directors, based on share issuance points to be granted in accordance with the relevant position of the executive and a predetermined performance-related factor. Hence, it is a medium- to long-term performance-based stock-based compensation system.

In the accounting treatment used in the System, we use the aggregate method in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through. Trusts” (Practical Issues Task Force No. 30; March 26, 2015).

(2) Company shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as treasury stock in net assets by using the carrying amount in the Trust (except for the amount of incidental expenses). This carrying amount of the relevant shares at the end of the consolidated accounting period amounted to 72,259 thousand yen, or 78,288 shares.

(Stock-based compensation system for Executive Officers)

The Company introduced a performance-linked stock-based compensation system (hereinafter referred to as the “System”) from the consolidated accounting period, aiming to further increase the motivation of the Executive Officers (excluding persons who also serve as Directors; the same hereafter) to improve business performance and increase the corporate value over the medium to long term.

(1) Overview of the transaction

In the System, we set up a trust consisting of funds contributed by us (hereinafter referred to as the "Trust"), and through the Trust we acquire the Company’s shares (common stock of the Company, hereinafter the same). Then, via the trust we issue the Company's Executive Officers with the Company's shares (however, in accordance with share issuance rules, there is a case where part or all of the amount consists of money equivalent to the market value of the Company's shares). This is done in accordance with the share issuance rules determined by the Company's Board of Directors, based on share issuance points to be granted in accordance with the relevant position of the executive and a predetermined performance-related factor. Hence, it is a medium- to long-term performance-based stock-based compensation system.

In the accounting treatment used in the System, we use the aggregate method in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through. Trusts” (Practical Issues Task Force No. 30; March 26, 2015).

(2) Company shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as treasury stock in net assets by using the carrying amount in the Trust (except for the amount of incidental expenses). This carrying amount of the relevant shares at the end of the consolidated accounting period amounted to 53,429 thousand yen, or 57,887 shares.

(Notes to consolidated balance sheet)

* Assets pledged in collateral

	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Buildings and structures	1,104 thousand yen	924 thousand yen
Land	27,660 thousand yen	25,775 thousand yen
Total	28,764 thousand yen	26,700 thousand yen

There is no obligation corresponding to the above pledged assets.

(Notes to consolidated statements of income)

*1 The inventories at the fiscal year end are the amounts after write-down of book value as a result of a decrease in profitability, and the following loss on valuation of inventories is included in cost of sales.

Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
20,402 thousand yen	13,768 thousand yen

*2 Breakdown of selling, general, and administrative expenses.

	Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
Provision of allowance for doubtful accounts	539 thousand yen	1,607 thousand yen
Salaries and bonuses	1,082,412 thousand yen	1,090,642 thousand yen
Packing and transportation expenses	410,692 thousand yen	417,094 thousand yen
Provision for allowance for bonuses	119,791 thousand yen	127,940 thousand yen
Provision for directors' bonuses	25,800 thousand yen	32,797 thousand yen
Stock-based compensation provisions	-	43,484 thousand yen
Retirement benefit expenses	66,588 thousand yen	76,148 thousand yen
Research and development expenses	798,240 thousand yen	902,517 thousand yen

*3 Research and development expenses included in general expenses were as follows.

Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
798,240 thousand yen	902,517 thousand yen

*4 Breakdown of profit on sale of fixed assets is as follows.

	Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
Machinery, equipment and vehicles	5,858 thousand yen	6,769 thousand yen
Tools, furniture and fixtures	284 thousand yen	- thousand yen
Total	6,142 thousand yen	6,769 thousand yen

*5 Breakdown of loss on sale of fixed assets is as follows.

	Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
Machinery, equipment and vehicles	- thousand yen	- thousand yen
Tools, furniture and fixtures	1,347 thousand yen	- thousand yen
Total	1,347 thousand yen	- thousand yen

*6 Breakdown of loss on disposal of fixed assets is as follows.

	Previous fiscal year (April 1, 2015 To March 31, 2016)	Current fiscal year (April 1, 2016 To March 31, 2017)
Buildings and structures	1,113 thousand yen	8,374 thousand yen
Machinery, equipment and vehicles	50,281 thousand yen	6,316 thousand yen
Tools, furniture and fixtures	441 thousand yen	1,074 thousand yen
Software	1,680 thousand yen	-
Investments and other assets [other]	100 thousand yen	79 thousand yen
Fixed asset removal costs	4,699 thousand yen	1,023 thousand yen
Total	58,317 thousand yen	16,868 thousand yen

(Matters related to consolidated statement of comprehensive income)

* Amount of reclassification adjustment and tax effect amount pertaining to other comprehensive income

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year under review	(110,985 thousand yen)	95,714 thousand yen
Amount of reclassification adjustment	-	(21,908 thousand yen)
Before income tax effect	(110,985 thousand yen)	73,805 thousand yen
Income tax effect	37,476 thousand yen	(22,718 thousand yen)
Valuation difference on available-for-sale securities	(73,508 thousand yen)	51,087 thousand yen
Foreign currency translation adjustment:		
Amount arising in the current fiscal year under review	(242,910 thousand yen)	(235,958 thousand yen)
Adjustments related to retirement benefits:		
Amount arising in the current fiscal year under review	(68,145 thousand yen)	51,791 thousand yen
Amount of reclassification adjustment	(45,881 thousand yen)	(23,222 thousand yen)
Before income tax effect	(114,027 thousand yen)	28,568 thousand yen
Income tax effect	39,568 thousand yen	(8,736 thousand yen)
Adjustments related to retirement benefits	(74,459 thousand yen)	19,832 thousand yen
Other comprehensive income	(390,877 thousand yen)	(165,038 thousand yen)

(Matters related to consolidated statement of changes in shareholders' equity)

Previous fiscal year (April 1, 2015 to March 31, 2016)

1. Class and numbers of total shares issued and treasury stock held

	Number of shares at the beginning of the current fiscal year	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued				
Common stock	20,071,093	-	-	20,071,093
Total	20,071,093	-	-	20,071,093
Treasury stock				
Common stock	34	700,055	-	700,089
Total	34	700,055	-	700,089

(Note) The increase of 700,055 shares of treasury stock in common stock is an increase of 700,000 shares due to the purchase of treasury stock as resolved by the Board of Directors and an increase of 55 shares due to the purchase of shares of less than one unit.

2. Dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Date of record	Effective date
May 23, 2016 Board of directors' meeting	Common stock	160,568	8	March 31, 2016	May 29, 2016
Oct. 31, 2016 Board of directors' meeting	Common stock	160,568	8	September 30, 2016	December 1, 2013

(2) Dividends with a record date within the current fiscal year that become effective after the end of the fiscal year

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Date of record	Effective date
May 20, 2017 Board of directors' meeting	Common stock	193,710	Retained earnings	10	March 31, 2016	May 31, 2016

Current fiscal year (April 1, 2016 to March 31, 2017)

1. Class and numbers of total shares issued and treasury stock held

	Number of shares at the beginning of the current fiscal year	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued				
Common stock	20,071,093	-	-	20,071,093
Total	20,071,093	-	-	20,071,093
Treasury stock				
Common stock	700,089	200,000	-	900,089
Total	700,089	200,000	-	900,089

(Note)
1. A total of 136,175 shares were contributed to Japan Trustee Services Bank, Ltd. (trust account) as trust property in the stock-based compensation system for directors and stock-based compensation system for executive officers. They are treated as treasury stocks in consolidated financial statements and financial statements.
2. The increase of 200,000 shares of treasury stock in common stock is an increase of 200,000 shares due to the purchase of treasury stock as resolved by the Board of Directors.

2. Dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Date of record	Effective date
May 20 2016 Board of directors' meeting	Common stock	193,710	10	March 31, 2016	May 31, 2016
October 28, 2016 Board of directors' meeting	Common stock	195,071	10	September 30, 2016	December 6, 2016

(2) Dividends with a record date within the current fiscal year that become effective after the end of the fiscal year

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Date of record	Effective date
May 23, 2017 Board of directors' meeting	Common stock	193,071	Retained earnings	10	March 31, 2017	May 31, 2017

(Note) The total amount of dividends based on a resolution made by the Board of Directors on May 23, 2017, includes a dividend of 1,361 thousand yen related to Company stock held by the Stock Delivery Trust for Directors and Stock Delivery Trust for Executive Officers.

(Consolidated statement of cash flow)

* Reconciliation of cash and cash equivalents at the end of the fiscal year with the consolidated balance sheet accounts

	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Cash and deposits	4,700,530 thousand yen	4,718,329 thousand yen
Time deposits with maturities extending over three months	(1,277,654 thousand yen)	(994,978 thousand yen)
Cash and cash equivalents	3,422,876 thousand yen	3,723,350 thousand yen

(Retirement benefit)

1. Outline of retirement benefit plan applied

The Company adopts a contract-type defined benefit pension plan operated by multi-employers (“cash balance plan”) based on the Defined Benefit Corporate Pension Law for its employees and with regard to executive officers not directors, a retirement benefit pension plan for executive directors is established.

Certain consolidated subsidiaries adopt a defined contribution pension plan or defined benefit plan. We calculate the retirement benefit expenses and liabilities related to retirement benefits by the simplified method for these defined benefit plans.

In addition to the above plan, the Company is a member of the Employees’ Pension Fund of the Japan Electronics Packaging and Circuits Association, and because it is a system that cannot be used to reasonably calculate the amount of pension assets corresponding to our own contribution, they are accounted for in the same way as a defined contribution plan.

Please note that the Employees’ Pension Fund of the Japan Electronics Packaging and Circuits Association was dissolved on March 31, 2017 with the approval of the Minister of Health, Labor and Welfare. The amount of loss that is expected to occur as a result of starting the dissolution procedure for the fund is recorded as loss on welfare pension fund dissolution.

2. Multi-employer plan

The required contribution for the employees’ pension fund system, which is a plan operated by multiple employers that is accounted for in the same manner as a defined contribution plan, was 22,484 thousand yen in the previous consolidated fiscal year and 12,497 thousand yen in the consolidated fiscal year under review.

(1) Most recent funded status of the multi-employer plan

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Amount of pension assets	67,202,403 thousand yen	65,250,353 thousand yen
Total of the amount of the pension obligations based on the calculation of pension financing in the plan and the amount of minimum reserve	67,909,618	64,693,335
Net amount	(707,215)	557,018

(2) Amount paid by the Company as a percentage of contributions to the multi-employer plan

Previous fiscal year: 1.80% (April 1, 2015 to March 31, 2016)

Fiscal year under review: 1.93% (April 1, 2016 to March 31, 2017)

(3) Supplemental information

The net amount in (1) above was mainly due to a past service liability in pension financing (previous consolidated fiscal year: 1,939,857 thousand yen; consolidated fiscal year under review: 1,625,526 thousand yen) and a contingent reserve (previous consolidated fiscal year: 1,232,642 thousand yen; consolidated fiscal year under review: 2,182,544 thousand yen).

The method of amortizing past service liability in this system is to evenly amortize the principal and interest over a period of 6 years 1 month (previous consolidated fiscal year) and 6 years 1 month (consolidated fiscal year under review). In the Company Group’s consolidated financial statements, we are processing cost (previous consolidated fiscal year: 7,122 thousand yen; consolidated fiscal year under review: 7,380 thousand yen) for special premiums.

The percentage of the Company’s salaries in (2) above did not match the percentage of actual contribution.

3. Defined benefit plans

(1) Reconciliation of the beginning and ending balances of retirement benefit obligations (excluding the scheme that applies the simplified method, which is listed in (3))

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Beginning balance of the retirement benefit obligation	953,203 thousand yen	1,012,864 thousand yen
Service costs	77,949	84,224
Interest expense	11,552	4,051
Accruals of actuarial gains and losses	(37,467)	22,548
Payment of retirement benefits	(37,467)	(43,003)
Net accruals by the pension fund dissolution	-	104,325
Balance of retirement benefit obligations at end of year	1,012,864	1,185,010

(2) Reconciliation of the beginning and ending balances of pension assets (excluding the scheme that applies the simplified method, which is listed in (3))

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Beginning balance of pension assets	1,366,210 thousand yen	1,417,929 thousand yen
Expected return on assets	5,464	-
Accruals of actuarial gains and losses	(56,593)	74,339
Contributions from the employer	140,314	129,306
Payment of retirement benefits	(37,467)	(43,003)
amount distributed by the employees' pension fund dissolution	-	85,700
Balance of the pension assets at end of year	1,417,929	1,664,272

(3) Reconciliations of beginning and ending balances of the liability for the retirement benefits of the system that uses the simplified method

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Beginning balance of the liability for retirement benefits	59,610 thousand yen	47,624 thousand yen
Payment of retirement benefits	2,793	3,505
Payment of retirement benefits	(14,310)	-
Other	(470)	(317)
Ending balance of the liability for retirement benefits	47,624	50,812

(4) Reconciliation of the ending balance of the retirement benefit obligations and pension assets, and liabilities and assets relating to retirement benefits that have been recorded in the consolidated balance sheet

	Previous consolidated fiscal year (March 31, 2016)	Consolidated fiscal year under review (March 31, 2017)
Retirement benefit obligation of funded plans	1,043,910 thousand yen	1,216,261thousand yen
Pension assets	1,434,361	1,682,460
	(390,451)	(466,198)
Retirement benefit obligation of unfunded plans	33,010	37,750
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	(357,441)	(428,448)
Liabilities related to retirement benefits	47,624	50,812
Net defined benefit asset	(405,065)	(479,261)
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	(357,441)	(428,448)

(5) Amount of retirement benefit costs and their breakdown

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Service cost	77,949 thousand yen	84,225 thousand yen
Interest expense	7,625	4,051
Expected return on assets	(5,464)	-
Expensed amount of actuarial gains and losses	(64,765)	(37,385)
Expensed amount of prior service cost	18,883	14,162
Retirement benefit costs which are calculated using the simplified method	2,793	3,505
Loss on transfer of benefit obligation relating to employees' pension fund	-	18,625
Retirement benefit cost of defined benefit plans	37,022	87,184

(6) Adjustments related to retirement benefits

A breakdown of the items that were recorded in the adjustments for retirement benefits (before making deductions for the tax effect) is as follows.

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 To March 31, 2017)
Prior service cost	(18,883 thousand yen)	(14,162 thousand yen)
Accruals of actuarial gains and losses	132,910	(14,405)
Total	114,027	(28,568)

(7) Cumulative adjustment to retirement benefits

A breakdown of the items that were recorded in the cumulative adjustments for retirement benefits (before making deductions for the tax effect) is as follows.

	Previous consolidated fiscal year (March 31, 2016)	Consolidated fiscal year under review (March 31, 2017)
Unrecognized prior service cost	14,162 thousand yen	-thousand yen
Difference with unrecognized actuarial gain and loss	(181,483)	(195,889)
Total	(167,320)	(195,889)

(8) Matters relating to pension assets

i) Main components of the pension assets

The ratios of the major classifications for the total pension assets are as follows.

	Previous consolidated fiscal year (March 31, 2016)	Consolidated fiscal year under review (March 31, 2017)
Bonds	25%	26%
Stocks	48	45
General accounts	15	16
Other	12	13
Total	100	100

ii) Method of setting the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, we consider the current and expected allocation of pension assets, and the current and expected long-term rate of return from the variety of assets that make up the pension assets.

(9) Matters relating to actuarial assumptions

Major actuarial assumptions (representing a weighted average)

	Previous consolidated fiscal year (March 31, 2016)	Consolidated fiscal year under review (March 31, 2017)
Discount rate	0.4%	0.4%
Expected long-term rate of return on pension assets	0.4	0.0

4. Defined contribution plans

The required contributions to defined contribution plans of consolidated subsidiaries that use defined contribution plans came to 45,739 thousand yen for the previous consolidated fiscal year (April 1, 2015 to March 31, 2016) and 43,571 thousand yen for the consolidated fiscal year under review (April 1, 2016 to March 31, 2017).

(Deferred tax accounting)

1 Breakdown of deferred tax assets and deferred tax liabilities by major causes of occurrence

(Current Assets)

	Previous fiscal year (March 31, 2016)	Current fiscal year (March 31, 2017)
Deferred tax assets		
Allowance for bonuses	65,151 thousand yen	70,233 thousand yen
Accrued enterprise tax	14,273 thousand yen	10,198 thousand yen
Social insurance premiums	10,155 thousand yen	10,816 thousand yen
Carry forward of foreign tax credits	- thousand yen	21,141 thousand yen
Unrealized income on inventory assets	90,092 thousand yen	90,923 thousand yen
Other	20,087 thousand yen	9,145 thousand yen
Total deferred tax assets	199,759 thousand yen	212,458 thousand yen
Deferred tax liabilities		
Other	961 thousand yen	217 thousand yen
Total deferred tax liabilities	961 thousand yen	217 thousand yen
Net deferred tax assets	198,798 thousand yen	212,240 thousand yen

(Fixed Assets)

	Previous fiscal year (March 31, 2016)	Current fiscal year (March 31, 2017)
Deferred tax assets		
Unpaid directors' retirement benefits	4,379 thousand yen	4,379 thousand yen
Allowance for doubtful accounts	8,084 thousand yen	7,459 thousand yen
Liabilities relating to retirement benefits	12,578 thousand yen	13,764 thousand yen
Carry forward of foreign tax credits	- thousand yen	13,297 thousand yen
Impairment loss	176,238 thousand yen	176,238 thousand yen
Other	50,530 thousand yen	59,661 thousand yen
Subtotal	251,811 thousand yen	274,800 thousand yen
Valuation allowance	(212,258 thousand yen)	(208,359 thousand yen)
Total deferred tax assets	39,552 thousand yen	66,440 thousand yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	30,834 thousand yen	53,553 thousand yen
Retained earnings of overseas subsidiaries	500,703 thousand yen	252,731 thousand yen
Assets related to retirement benefits	123,868 thousand yen	152,253 thousand yen
Other	360 thousand yen	(5,695 thousand yen)
Total deferred tax liabilities	655,767 thousand yen	452,842 thousand yen
Net deferred tax liabilities	616,214 thousand yen	386,401 thousand yen

The amount of "net deferred tax liabilities" (previous fiscal year 413,925 thousand yen; current fiscal year: 641,326 thousand yen) is included in the following items in the consolidated balance sheet.

	Previous fiscal year (March 31, 2016)	Current fiscal year (March 31, 2017)
Fixed assets - deferred tax assets	12,466 thousand yen	10,720 thousand yen
Fixed liabilities - deferred tax liabilities	628,681 thousand yen	397,122 thousand yen

(Segment information)

[Information by operating segment]

1. Overview of reportable segments

The Company's reportable segments are those for which financial information on the Company's separate units is available and such information is used by the Board of Directors to decide how to allocate management resources and to evaluate achievements. Thus, they are subject to regular reviews.

The Company's Group mainly manufactures and sells chemicals involved in manufacturing PCBs. The Company is located in Japan. Overseas, it has bases in Taiwan, Hong Kong, China, and Europe (mainly Germany, Italy, and Austria). These are respectively overseen by MEC TAIWAN COMPANY LTD.; MEC (HONG KONG) LTD.; MEC FINE CHEMICAL (ZHUHAI) LTD.; MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.; and MEC EUROPE NV. Each local corporation is an independent business unit. They formulate comprehensive strategies for each region with regards to the products they handle, and expand their business activities.

Therefore, the Company's Group consists of segments that are separated on the basis of their regional production and marketing systems. There are five reportable segments: Japan, Taiwan, Hong Kong (Hong Kong, Zhuhai), China (Suzhou), and Europe.

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The method of accounting treatment used for reportable business segments is approximately the same as that stated in "Basis of presentation and summary of significant accounting policies for the preparation of consolidated financial statements."

Figures for the profits at reportable segments are based on operating income.

Inter-segment revenue and transfers are based on current market prices.

(Change to the method of depreciating tangible fixed assets)

As described in "Changes in accounting policies that are difficult to distinguish from changes in accounting estimates," the Company and some overseas subsidiaries conventionally used the declining-balance method to depreciate tangible fixed assets (however, we used the straight-line method for the Company's buildings (excluding building fixtures) acquired on or after April 1, 1998). However, this has been changed to the straight-line method from the consolidated accounting period to unify the method throughout the Group.

Accompanying this change, segment profit for the current consolidated fiscal year increased by 78,380 thousand yen in the "Japan" segment and decreased by 6,811 thousand yen in the "Taiwan" segment compared with the previous method.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Previous fiscal year (April 1, 2015 to March 31, 2016)

(in thousands of yen)

	Reportable segment					Total
	Japan	Taiwan	Hong Kong	China	Europe	
Net sales						
Sales to external customers	4,434,358	1,878,320	941,231	1,235,038	589,248	9,078,197
Inter-segment sales and transfers	1,875,623	-	961	651	43,588	1,920,824
Total	6,309,981	1,878,320	94,193	1,235,689	632,837	10,999,022
Segment profit	1,451,935	225,450	205,838	316,490	33,827	2,233,542
Segment assets	11,229,873	2,374,894	1,279,332	1,591,531	463,201	16,938,832
Other items						
Depreciation and amortization	224,440	47,658	26,849	46,138	15,123	360,211
Increase in property, plant and equipment and intangible assets	2,142,150	20,390	13,078	25,566	7,360	2,208,547

Current fiscal year (April 1, 2015 to March 31, 2016)

(in thousands of yen)

	Reportable segment					Total
	Japan	Taiwan	Hong Kong	China	Europe	
Net sales						
Sales to external customers	4,412,366	1,988,232	778,422	1,447,484	633,332	9,259,839
Inter-segment sales and transfers	2,032,274	-	1,807	1,008	49,081	2,084,171
Total	6,444,641	1,988,232	780,230	1,448,493	682,414	11,344,010
Segment profit	1,209,838	222,540	115,661	277,624	83,582	1,909,247
Segment assets	13,785,699	2,641,127	1,182,321	1,561,325	484,849	19,655,489
Other items						
Depreciation and amortization	251,551	44,208	21,555	43,293	8,294	368,904
Increase in property, plant and equipment and intangible assets	1,884,367	14,219	11,353	49,905	74,004	2,033,850

4. Differences between the total amount at reportable segments and the amount stated in the consolidated financial statements, and main details of such differences (matters concerning reconciliation)

(in thousands of yen)

Net sales	Previous fiscal year	Current fiscal year
Reportable segment total	10,999,022	11,344,010
Intersegment eliminations	(1,920,824)	(2,084,171)
Sales stated in the Consolidated Financial Statements	9,078,197	9,259,839

(in thousands of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segment total	2,233,542	1,999,247
Intersegment eliminations	(48,018)	(21,782)
Operating income in the Consolidated Financial Statements	2,185,523	1,887,465

(in thousands of yen)

Assets	Previous fiscal year	Current fiscal year
Reportable segment total	16,938,832	19,655,489
Intersegment eliminations	(1,223,195)	(1,661,817)
Total assets in the Consolidated Financial Statements	15,715,637	17,993,671

(in thousands of yen)

Other items	Reportable segment total		Adjustment		Amount stated in the Consolidated Financial Statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation and amortization	360,211	368,904	-	-	360,211	368,904
Increase in property, plant and equipment and intangible assets	2,208,547	2,033,850	-	-	2,208,547	2,033,850

[Related Information]

Previous fiscal year (April 1, 2015 to March 31, 2016)

1. Information by product and by service

   Because there is a single category of products and services, information by product or by service is omitted.

2. Information by geographical segment

   (1) Net sales

(in thousands of yen)

Japan	Taiwan	China	Other	Total
4,121,152	1,853,268	2,176,270	927,506	9,078,197

Note: Net sales to customers are based on location, and are classified by country or region.

   (2) Tangible fixed assets

(in thousands of yen)

Japan	Taiwan	China	Europe	Total
5,166,804	784,626	508,816	51,665	6,511,912

3. Information on each major customer

   Of sales to external customers, because there is no destination for 10% or more of net sales in the consolidated statements of income, the statement of such has been omitted in this material.

Current fiscal year (April 1, 2016 to March 31, 2017)

1. Information by product and by service

   Because there is a single category of products and services, information by product or by service is omitted.

2. Information by geographical segment

   (1) Net sales

(in thousands of yen)

Japan	Taiwan	China	Other	Total
4,202,690	1,964,301	2,225,907	866,939	9,259,839

Note: Net sales to customers are based on location, and are classified by country or region.

   (2) Tangible fixed assets

(in thousands of yen)

Japan	Taiwan	China	Europe	Total
6,803,323	742,474	455,307	110,868	8,111,974

3. Information on each major customer

   Of sales to external customers, because there is no destination for 10% or more of net sales in the consolidated statements of income, the statement of such has been omitted in this material.

[Information on impairment of fixed assets by reportable segment]
Previous fiscal year (April 1, 2015 to March 31, 2016)
N/A

Current fiscal year (April 1, 2016 to March 31, 2017)
N/A

[Information on amortized and unamortized goodwill by reportable segment]
N/A

[Information on gain on negative goodwill by reportable segment]
N/A

(Per share information)

Item	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Net assets per share	632.41 yen	683.86 yen
Net income per share	76.26 yen	84.86 yen

Notes: 1. Information of diluted net income per share is omitted because of no issue of potential stocks.
2. Calculation of net earnings per share was based on the following numerators and denominators.

	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Net income (thousands of yen)	1,514,709	1,642,538
Amount not available for common shareholders (thousands of yen)	-	-
Net profit available for common stocks (thousands of yen)	1,514,709	1,642,538
Weighted-average number of common shares outstanding during the year (shares)	19,863,358	19,355,619

(Important subsequent events)

As of April 1, 2017, we transferred part of our defined benefit corporate pension plan to a defined contribution corporate pension plan.
Along with this transfer, we will apply "Accounting for Transition between Retirement Benefit Plans, etc. (Guidance No. 1 issued on January 31, 2002, revised on December 16, 2016)" and "Practical treatment concerning accounting activities such as transition "(Practical response report No. 2 issued on March 29, 2002, revised on February 7, 2007). We will process the termination of part of the retirement benefit plan that has moved to the defined contribution corporate pension plan.
As a result of this transition, we expect to post extraordinary income of 44,867 thousand yen in the next consolidated fiscal year.

5. Non-consolidated financial statements

(1) Balance sheet

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	2,387,033	2,366,577
Notes receivable - trade	271,783	240,794
Accounts receivable - trade	1,193,197	1,417,183
Merchandise and finished goods	110,318	92,818
Raw materials and supplies	107,492	189,424
Prepaid expenses	18,379	15,903
Deferred tax assets	107,826	105,916
Accounts receivable - other	312,746	965,604
Other	6,911	5,510
Total current assets	4,515,689	5,399,734
Non-current assets		
Property, plant and equipment		
Buildings	707,932	3,633,682
Structures	38,530	79,739
Machinery and equipment	170,416	529,881
Vehicles	11,921	18,483
Tools, furniture and fixtures	130,094	267,500
Land	2,274,036	2,274,036
Construction in progress	1,833,872	—
Total property, plant and equipment	5,166,804	6,803,323
Intangible assets		
Leasehold right	29,380	29,380
Software	116,735	102,000
Other	1,918	2,080
Total intangible assets	148,034	133,460
Investments and other assets		
Investment securities	416,453	462,583
Shares of subsidiaries and associates	687,935	687,935
Investments in capital	5	5
Long-term prepaid expenses	244	623
Prepaid pension cost	237,744	283,371
Other	56,962	14,660
Total investments and other assets	1,399,345	1,449,180
Total non-current assets	6,714,184	8,385,965
Total assets	11,229,873	13,785,699

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	492,311	549,458
Accounts payable - trade	152,636	284,610
Current portion of long-term loans payable	—	500,000
Accounts payable - other	154,329	159,637
Accrued expenses	56,843	54,896
Income taxes payable	178,894	139,600
Deposits received	12,200	12,524
Provision for bonuses	211,463	227,956
Provision for directors' bonuses	25,800	32,797
Asset retirement obligations	4,225	—
Notes payable - facilities	48,833	373,741
Accounts payable - facilities	935,910	195,541
Other	536	4,051
Total current liabilities	2,273,985	2,534,814
Non-current liabilities		
Long-term loans payable	—	1,250,000
Deferred tax liabilities	76,806	84,482
Asset retirement obligations	587	587
Provision for retirement benefits	33,010	37,750
Provision for Share-based compensation	—	43,484
Other	23,405	22,916
Total non-current liabilities	133,808	1,439,221
Total liabilities	2,407,794	3,974,036
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus		
Legal capital surplus	446,358	446,358
Other capital surplus	—	10,553
Total capital surpluses	446,358	456,912
Retained earnings		
Legal retained earnings	63,557	63,557
Other retained earnings		
General reserve	6,100,000	6,900,000
Retained earnings brought forward	2,139,246	2,511,134
Total retained earnings	8,302,804	9,474,691
Treasury shares	△591,925	△835,654
Total shareholders' equity	8,751,380	9,690,091
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	70,698	121,571
Total valuation and translation adjustments	70,698	121,571
Total net assets	8,822,078	9,811,663
Total liabilities and net assets	11,229,873	13,785,699

(2) Statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	6,309,981	6,444,641
Cost of sales	2,073,459	2,165,331
Gross profit	4,236,521	4,279,309
Selling, general and administrative expenses	2,784,586	3,069,470
Operating profit	1,451,935	1,209,838
Non-operating income		
Interest and dividend income	309,704	668,147
Other	24,411	29,124
Total non-operating income	334,115	697,272
Non-operating expenses		
Interest expenses	－	2,179
Foreign exchange losses	54,575	18,332
Waste disposal costs	－	18,630
Other	970	670
Total non-operating expenses	55,546	39,812
Ordinary profit	1,730,504	1,867,299
Extraordinary income		
Gain on sales of non-current assets	466	305
Gain on sales of investment securities	－	21,908
Total extraordinary income	466	22,213
Extraordinary losses		
Loss on retirement of non-current assets	55,645	12,203
Loss on valuation of investment securities	－	5,999
Employees' pension fund dissolution loss	－	18,625
Total extraordinary losses	55,645	36,829
Profit before income taxes	1,675,326	1,852,683
Income taxes - current	361,000	305,145
Income taxes - deferred	38,169	(8,538)
Total income taxes	399,169	296,606
Profit	1,276,156	1,556,076

[Details of cost of sales]

		Previous fiscal year (April 1, 2013 to March 31, 2014)	Current fiscal year (April 1, 2014 to March 31, 2015)
Category	Note no	Amount (thousand yen)	Amount (thousand yen)
Product cost		1,892,275	1,977,099
Cost of goods		89,151	76,482
Repair cost		21,133	19,107
Cost of sales of raw materials		70,899	92,641
Total cost of sales		2,073,459	2,165,331

(3) Statement of changes in equity

Previous fiscal year (April 1, 2015 to March 31, 2016)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	594,142	446,358	-	-	446,358	63,557	5,300,000	1,984,226
Cumulative effects of changes in accounting policies								
Restated balance	594,142	446,358	—	446,358	63,557	5,300,000	1,984,226	7,347,784
Changes of items during period								
Provision of general reserve						800,000	(800,000)	—
Dividends of surplus							(321,136)	(321,136)
Net income							1,276,156	1,276,156
Purchase of treasury shares								
Disposal of treasury shares								
loss on disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	800,000	155,019	955,019
Balance at end of current period	594,142	446,358	—	446,358	63,557	6,100,000	2,139,246	8,302,804

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(12)	8,388,272	144,206	144,206	8,532,479
Cumulative effects of changes in accounting policies		—		—	—
Restated balance	(12)	8,388,272	144,206	144,206	8,532,479
Changes of items during period					
Provision of general reserve		—			—
Dividends of surplus		(321,136)			(321,136)
Net income		1,276,156			1,276,156
Purchase of treasury shares	(591,912)	(591,912)			(591,912)
Disposal of treasury shares		—			—
loss on disposal of treasury shares		—			—

Net changes of items other than shareholders' equity			(73,508)	(73,508)	(73,508)
Total changes of items during period	(591,912)	363,107	(73,508)	(73,508)	289,599
Balance at end of current period	(591,925)	8,751,380	70,698	70,798	8,822,078

Current fiscal year (April 1, 2016 to March 31, 2017)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	594,142	446,358	―	446,358	63,557	6,100,000	2,139,246	8,302,804
Cumulative effects of changes in accounting policies							4,593	4,593
Restated balance	594,142	446,358	―	446,358	63,557	6,100,000	2,143,839	8,307,397
Changes of items during period								
Provision of general reserve						800,000	(800,000)	―
Dividends of surplus							(388,781)	(388,781)
Net income							1,556,076	1,556,076
Purchase of treasury shares								
Disposal of treasury shares								
loss on disposal of treasury shares			10,553	10,553				
Net changes of items other than shareholders' equity								
Total changes of items during period	―	―	10,553	10,553	―	800,000	367,294	1,167,294
Balance at end of current period	593,142	446,358	10,553	456,912	63,557	6,900,000	2,511,134	9,474,691

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(591,925)	8,751,380	70,698	70,698	8,822,078
Cumulative effects of changes in accounting policies		4,593	(214)	(214)	4,379
Restated balance	(591,925)	8,755,973	70,484	70,484	8,826,457
Changes of items during period					
Provision of general reserve			―		―
Dividends of surplus		(388,781)			(388,781)
Net income		1,556,076			1,556,076
Purchase of treasury shares	(358,865)	(358,865)			(358,865)
Disposal of treasury shares		10,553			10,553
loss on disposal of treasury shares			51,087	51,087	51,087
Net changes of items other than shareholders' equity	(243,729)	934,118	51,087	51,087	51,087

Total changes of items during period	(243,729)	931,118	51,087	51,087	985,205
Balance at end of current period	(835,654)	9,690,091	121,571	121,571	9,811,663

7. Other

Transfer of Officers

N/A