

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

February 13, 2018
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): March 23, 2018

Commencement Date of Dividend Payment (Scheduled): March 2, 2018

Date of Filing the Financial Report (Scheduled): March 26, 2018

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 December 31, 2017 (April 1, 2017 to December 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 December 31, 2017	9,641	-	1,993	-	2,063	-	1,567	-
Year ended March 31, 2017	9,259	2.0	1,887	(13.6)	1,888	(14.5)	1,642	8.4

Note: Comprehensive income for fiscal year ended December 31, 2017: 1,863 million yen (-%); fiscal year ended March 31, 2017: 1,477 million yen (31.5%)

	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 December 31, 2017	81.77	-	11.3	11.1	20.7
Year ended March 31, 2017	84.86	-	13.0	11.2	20.4

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

In response to the agenda of "Partial amendment to the articles of incorporation" being approved at the ordinary general meeting of shareholders held on June 21, 2017, the Company changed 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. Therefore, for the fiscal year ending December 2017, which is the transitional period, consolidated results for Japan alone cover the nine months from April 1, 2017 to December 31, 2017. Please note that for overseas subsidiaries, the consolidation period is the twelve-month span going from January 1, 2017 to December 31, 2017.

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2017	19,247	14,587	75.8	760.92
Year ended March 31, 2017	17,993	13,110	72.9	683.86

(Reference) Shareholder's equity: Year ended December 31, 2017: 14,587 million yen Year ended March 31, 2017: 13,110 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 December 31, 2017	1,591	(832)	(885)	3,664
Year ended March 31, 2017	1,633	(2,461)	1,128	3,723

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, 2017	-	10.00	-	10.00	20.00	388	23.6	3.0
Year ended December 31, 2017	-	10.00	-	12.00	22.00	424	26.9	3.1
Year ending December 31, 2018 (Estimated)	-	12.00	-	12.00	24.00		26.3	

Translations

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2018 (January 1, 2018 to December 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)	5,500	-	900	-	950	-	700	-	36.51
Full year	11,600	-	2,300	-	2,400	-	1,750	-	91.28

(Since the fiscal year ended December 2007 is the elapsed period of the fiscal year change, the consolidated earnings forecast for the fiscal year ending December 31, The change in the same quarter of the previous year is omitted.)

*Notes

- (1) Changes in important subsidiaries during this quarter (changes to specified subsidiaries accompanying changes in the scope of consolidation): Yes

Newly consolidated companies: One (MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.); companies excluded from the scope of consolidation: None

- (2) Changes of principles, procedures, presentation methods, etc., in accounting procedures

- 1) Changes that accompany amendment of accounting standards, etc.: No
- 2) Changes other than those of (1): No
- 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 December 31, 2017	20,071,093 shares	Year ended March 31, 2017	20,071,093 shares
2) Number of shares of treasury stock:	Year ended December 31, 2017	900,089 shares	Year ended March 31, 2017	700,089 shares
3) Average number of shares during the period:	Year ended December 31, 2017	19,171,004 shares	Year ended March 31, 2017	19,355,619 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) Future prospects" on page 4 of the attachment.
- The Company plans to hold a briefing session for institutional investors and analysts on Friday, March 16, 2018. We have published materials for the briefing session on our website.

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1. Overview of business results etc.

(1) Analysis relating to the operating results

[Outline of the current period]

By unifying the Company's accounting period with that of overseas consolidated subsidiaries, we aimed to thoroughly achieve timely and appropriate disclosure of corporate information, and strove to streamline business operations in areas such as the Group's budget compilation and performance management. Therefore, we received approval for a partial change of the Articles of Incorporation at the 48th Ordinary General Meeting of Shareholders held on June 21, 2017, and changed the end of the fiscal year to December 31 from March 31, from this fiscal year. Accompanying this, for the current consolidated fiscal year, which is the elapsed period of the changed fiscal year, the consolidation period is the nine-month span going from April 1, 2017 up to December 31, 2017. 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 up to December 31, 2017.

For this reason, we do not state the rate of change compared with the previous term.

Japan's economy during the consolidated period under review (April 1, 2017 – December 31, 2017) saw a gradual recovery with an improvement in exports mainly in the IT industry and healthy consumer spending thanks to a robust employment and income situation. However, the trends of the administration in the United States, increasing concern about geopolitical risk around the world, and fluctuations in exchange rates mean that concerns about the outlook remain.

In the electronic components industry, the electronic components used in smartphones are becoming more functionally advanced and miniaturized. Therefore, electronic substrates on which electronic components are mounted are also tending to become higher density ones, and technological innovation for this is progressing. In addition, the expansion of the semiconductor memory market is causing the production volume of package boards that incorporate such memory to increase, and greater use of electronics in automobiles is driving the expansion of the industry.

Markets related to the IoT (Internet of Things: a concept where everything is connected to the Internet) are expected to continue growing strongly, and attention is being placed on a switch to the high-speed, large-capacity, 5th generation (5G) of mobile communication systems. This will mean electronic boards that can handle high-speed communication processing will be required. Moreover, 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 millimeter-wave radars and cameras. There has also been an increase in demand for the package boards on which these sensors are mounted. We also believe that the shift to electric vehicles, the future means of transport, will become clearer and sales of electronic boards will expand accordingly.

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, whose market share is growing, 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 self-driving sensors for car makers. With the EXE Series, which manufacturers use to achieve a high-density wiring pattern with the etching method, we have acquired a high market share for use in components for displays. Also, we have steadily had the series adopted for electronic boards mounted on smartphones. We have also expanded sales of the SF Series for use in displays. The flexible substrates used in smartphones, cars, robots, and such like are becoming increasingly miniaturized. In connection with this, as a result of 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, they have been started being adopted by board makers for use in their mass production activities. Several companies including rigid substrate manufacturers are continuing to conduct tests with them. In addition, although small in volume, we are continuing to stably supply customers with the FlatBOND Series for high-frequency circuit boards that meet the needs of high-speed communication processing, aiming at the coming of the full-fledged IoT age. We see demand for them expanding in future in line with the switch to 5G.

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 are struggling with it in terms of sales but we focused on sales activities for it, aiming to acquire new customers.

A breakdown of net sales is as follows: sales of chemicals were 9,480 million yen, sales of materials came to 94 million yen, sales of machines amounted to 56 million yen, and other sales were 9 million yen. The breakdown of chemical sales shows there were sales of 5,437 million yen for adhesion improvers, sales of 3,290 million yen for etching agents, and sales of 751 million yen for other chemicals.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 9,641 million yen. Operating income was 1,993 million yen, and the operating margin was 20.7%. Ordinary income was 2,063 million yen. Income before income taxes was 2,104 million yen, and profit attributable to owners of parent was 1,567 million yen.

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 26.9%.

(2) Analysis relating to the financial situation

Accounts receivable increased an increase in sales, and there was an increase in machinery and equipment and vehicles. This meant that compared with the end of the previous consolidated fiscal year assets came to 19,247 million yen, up 1,254 million yen.

There was a repayment of borrowings related to construction of the Amagasaki Headquarters, and a fall in accounts payable for equipment. Hence, liabilities came to 4,660 million yen, down 223 million yen compared with the end of the previous consolidated fiscal year.

Net assets increased by 1,477 million yen from the end of the previous consolidated fiscal year, coming in at 14,587 million yen. This was due to an increase in retained earnings due to net income attributable to owners of the parent, and an increase in the foreign currency translation adjustment account. The equity ratio was 75.8% (72.9% in the same period of the previous year).

As a result of the above, ROE reached 11.3%.

(3) Analysis relating to the cash flows

Looking at the financial position in the current consolidated fiscal year, cash and cash equivalents (hereinafter referred to as “cash”) fell 58 million yen compared with the previous year to record 3,664 million yen.

Outlines of cash flow conditions and reasons for fluctuations at the end of the consolidated fiscal year under review are as follows: Please note that due to a change in the fiscal year-end, the consolidated period under review is the nine months from April 1, 2017 to December 31, 2017. For this reason, we do not state comparisons with the previous term.

(Cash flow from operating activities)

As a result of operating activities, cash provided amounted to 1,591 million yen. This was mainly because income before income taxes came to 2,104 million yen; however, as a factor causing a decrease in cash, accounts receivable rose 758 million yen.

(Cash flow from investment activities)

As a result of investment activities, cash used amounted to 832 million yen. This was mainly because payments to acquire tangible fixed assets came to 814 million yen.

(Cash flow from financial activities)

As a result of financial activities, cash used amounted to 885 million yen. This was mainly because of a repayment of long-term borrowings in the amount of 500 million yen and a payment of dividends in the amount of 385 million yen.

Changes in cash flow indicators

	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017	FYE December 2017
Equity ratio (%)	79.8%	82.2%	78.0%	72.9%	75.8%
Equity ratio based on market value (%)	125.1%	113.2%	106.9%	135.7%	234.4%
Debt repayment period (years)	-	-	-	1.1	0.8
Interest coverage ratio	1637.1	-	-	586.9	700.2

- (Note) Equity ratio : Equity / total assets
 Equity ratio based on market value : Stock market capitalization / total assets
 Debt repayment period : Interest-bearing debt / cash flow from operating activities
 Interest coverage ratio : Cash flow from operating activities / interest payment

- Each of these indicators was calculated on a consolidated basis.
- Stock market capitalization is calculated by multiplying the closing share price by the number of shares outstanding at the end of the period.
- The figures for operating cash flow come from the “cash flow from operating activities” in the consolidated statements of cash flows. Interest-bearing debt consists of all liabilities on which interest is paid that are recorded in the consolidated balance sheet. Further, the figures for interest payment come from the amount of interest paid as stated in the consolidated statements of cash flows.

(4) Future prospects

In the Japanese economy in the next fiscal year, domestic demand, centering on consumer spending, will continue to see a recovery trend. Also, both domestic and external demand will remain solid—external demand will improve with the trend of higher exports that will likely continue against the background of greater motivation of enterprises around the world to make capital investments. However, there will continue to be concerns about prospects for the economy due to trends in the U.S. administration, increasing global geopolitical risks, exchange trends, and so on.

We believe the electronics industry will continue to be steady. This will be thanks to solid demand in emerging countries for smartphones, greater demand for semiconductor memory for automobiles and industries, and the switch to electric vehicles and increased use of electronics in them.

The external environment is looking brighter, and we will aim to expand the market share of the CZ Series for smartphones and cars. In addition, we also expect sales of chemicals such as the SF Series for use with displays to be steady. We will continue to focus on having the UT Series and FlatBOND series newly adopted by our customers.

We have changed 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 had been the end of March has been moved to the end of December. Hence, the consolidated earnings results for the fiscal year under review relate to the financial statements for nine months for the Company, and 12 months for overseas subsidiaries. As a result, the table below compares the consolidated results for the next fiscal year with those for the term under review, in the case where the figures are revised to match the period of the next fiscal year.

Net sales were 11,600 million yen due to higher sales of chemicals (up 850 million yen or 7.9% compared with the period under review), operating income was 2,300 million yen (down 39 million yen or 1.7% compared with the period under review), and operating income ratio was 19.8%, down 2.0 points from 21.8%. The main reasons for this were changes in the composition of sales of products and increased personnel expenses due to a higher number of personnel.

ROE is forecast to be 11.5%. Compared with the period under review (after adjustment), it is down 1.5 points. However, in the future we will continue to improve our management efficiency and enhance ROE while trying to increase sales.

(Reference)

	FYE December 2017 (Millions of yen) * Figure after adjustment	FYE December 2018 (Millions of yen)	* Increase or decrease after adjustment (%)
Net sales	10,749	11,600	7.9
Operating income	2,339	2,300	(1.7)
Ordinary income	2,397	2,400	0.1
Profit attributable to owners of parent	1,803	1,750	(3.0)
ROE (%)	13.0	11.5	(1.5)

* The outlook for the next term is premised on an exchange rate of 113 yen to the U.S. dollar.

* The figure for increase/decrease after ROE adjustment shows the percentage points of increase/decrease.

2. Basic concept regarding 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.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	4,718,329	4,634,069
Notes and accounts receivable - trade	※ 1 2,784,578	※ 1 3,611,497
Merchandise and finished goods	289,112	376,705
Work in process	83,204	129,283
Raw materials and supplies	293,452	432,726
Deferred tax assets	212,240	282,859
Other	353,112	78,830
Allowance for doubtful accounts	△11,947	△12,570
Total current assets	8,722,081	9,533,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,248,274	6,494,076
Accumulated depreciation	(2,103,366)	(2,313,882)
Buildings and structures, net	※ 2 4,144,907	※ 2 4,180,194
Machinery, equipment and vehicles	2,165,250	2,431,251
Accumulated depreciation	(1,495,486)	(1,610,382)
Machinery, equipment and vehicles, net	669,764	820,868
Tools, furniture and fixtures	972,954	1,137,545
Accumulated depreciation	(619,127)	(693,682)
Tools, furniture and fixtures, net	353,827	443,862
Land	※ 2 2,842,430	※ 2 2,870,141
Construction in progress	101,045	27,168
Total property, plant and equipment	8,111,974	8,342,235
Intangible assets	155,103	183,431
Investments and other assets		
Investment securities	462,583	537,699
Net defined benefit asset	479,261	579,637
Deferred tax assets	10,720	6,406
Other	81,782	64,960
Allowance for doubtful accounts	(29,836)	—
Total investments and other assets	1,004,511	1,188,704
Total non-current assets	9,271,590	9,714,371
Total assets	17,993,671	19,247,772

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	※ 1 1,072,085	※ 1 1,019,041
Current portion of long-term loans payable	500,000	500,000
Accounts payable - other	286,776	414,248
Accrued expenses	69,955	131,788
Income taxes payable	244,989	354,863
Provision for bonuses	227,956	290,012
Provision for directors' bonuses	32,797	38,447
Accounts payable - facilities	205,259	36,152
Other	477,709	497,497
Total current liabilities	3,117,529	3,282,051
Non-current liabilities		
Long-term loans payable	1,250,000	750,000
Deferred tax liabilities	397,122	486,777
Net defined benefit liability	50,812	53,522
Provision for Share-based compensation	43,484	62,406
Other	24,350	25,319
Total non-current liabilities	1,765,769	1,378,025
Total liabilities	4,883,299	4,660,076
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	456,912	456,912
Retained earnings	12,252,190	13,433,665
Treasury shares	Δ835,654	Δ835,654
Total shareholders' equity	12,467,590	13,649,064
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121,571	168,439
Foreign currency translation adjustment	385,223	619,926
Remeasurements of defined benefit plans	135,986	150,265
Total accumulated other comprehensive income	642,782	938,631
Total net assets	13,110,372	14,587,695
Total liabilities and net assets	17,993,671	19,247,772

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

(Consolidated statement of income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended December 31, 2017
Net sales	9,259,839	9,641,783
Cost of sales	※ 1 3,214,591	※ 1 3,739,830
Gross profit	6,045,247	5,901,953
Selling, general and administrative expenses	※ 2, ※ 3 4,157,782	※ 2, ※ 3 3,908,043
Operating profit	1,887,465	1,993,910
Non-operating income		
Interest income	21,312	17,205
Dividend income	10,039	11,081
Trial products income	24,542	15,154
Insurance income	—	8,541
Foreign exchange gains	—	4,564
Other	13,745	21,635
Total non-operating income	69,640	78,183
Non-operating expenses		
Interest expenses	2,179	1,973
Sales discounts	4,478	4,471
Foreign exchange losses	36,676	—
Waste disposal costs	18,630	—
Other	6,858	2,463
Total non-operating expenses	68,822	8,908
Ordinary profit	1,888,283	2,063,185
Extraordinary income		
Gain on sales of non-current assets	※ 4 6,769	※ 4 2,678
Gain on sales of investment securities	21,908	—
Gain on shift of retirement benefit plan	—	44,867
Other	—	1,776
Total extraordinary income	28,677	49,321
Extraordinary losses		
Loss on sales of non-current assets	—	※ 5 2,080
Loss on retirement of non-current assets	※ 6 16,868	※ 6 4,499
Loss on valuation of investment securities	5,999	—
Employees' pension fund dissolution loss	18,625	—
Loss on reduction of non-current assets	—	1,776
Total extraordinary losses	41,493	8,355
Profit before income taxes	1,875,467	2,104,151
Income taxes - current	497,593	538,649

Income taxes - deferred	(264,663)	(2,116)
Total income taxes	232,929	536,533
Profit	1,642,538	1,567,618
Profit attributable to owners of parent	1,642,538	1,567,618

(Consolidated statement of comprehensive income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended December 31, 2017
Profit	1,642,538	1,567,618
Other comprehensive income		
Valuation difference on available-for-sale securities	51,087	46,868
Foreign currency translation adjustment	(235,958)	234,702
Remeasurements of defined benefit plans, net of tax	19,832	14,278
Total other comprehensive income	※ (165,038)	※ 295,848
Comprehensive income	1,477,499	1,863,466
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,477,499	1,863,466
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statement of changes in equity
Previous fiscal year (April 1, 2016 to March 31, 2017)

(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)
Profit attributable to owners of parent			1,642,538		1,642,538
Purchase of treasury shares				(358,865)	(358,865)
Disposal of treasury shares				115,135	115,135
Gain of treasury stock disposal		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)
Profit attributable to owners of parent					1,642,538
Purchase of treasury shares					(358,865)
Disposal of treasury shares					115,135
Gain of treasury stock disposal					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

Current fiscal year (April 1, 2017 to December 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	456,912	12,252,190	(835,654)	12,467,590
Changes of items during period					
Dividends of surplus			(386,143)		(386,143)
Profit attributable to owners of parent			1,567,618		1,567,618
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,181,474	—	1,181,474
Balance at end of current period	594,142	456,912	13,433,665	(835,654)	13,649,064

	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	121,571	385,223	135,986	642,782	13,110,372
Changes of items during period					
Dividends of surplus					(386,143)
Profit attributable to owners of parent					1,567,618
Net changes of items other than shareholders' equity	46,868	234,702	14,278	295,848	295,848
Total changes of items during period	46,868	234,702	14,278	295,848	1,477,323
Balance at end of current period	168,439	619,926	150,265	938,631	14,587,695

(4) Consolidated statement of cash flow

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,875,467	2,104,151
Depreciation	368,904	472,063
Increase (decrease) in allowance for doubtful accounts	1,287	(29,703)
Increase (decrease) in provision for share-based compensation	43,484	18,922
Gain on shift of retirement benefit plan	—	(44,867)
Increase (decrease) in provision for bonuses	16,493	62,000
Increase (decrease) in provision for directors' bonuses	6,997	5,650
Increase (decrease) in net defined benefit liability	3,505	2,143
Decrease (increase) in net defined benefit asset	(74,196)	(113,845)
Interest and dividend income	(31,352)	(28,287)
Interest expenses	2,179	1,973
Loss (gain) on sales of investment securities	(21,908)	0
Loss (gain) on valuation of investment securities	5,999	—
Decrease (increase) in notes and accounts receivable - trade	(284,171)	(758,734)
Decrease (increase) in inventories	(114,397)	(230,567)
Increase (decrease) in notes and accounts payable - trade	256,660	(71,045)
Other, net	87,469	599,743
Subtotal	2,142,423	1,989,598
Interest and dividend income received	33,379	28,856
Interest expenses paid	(2,783)	(2,273)
Income taxes paid	(539,614)	(424,613)
Net cash provided by (used in) operating activities	1,633,405	1,591,567
Cash flows from investing activities		
Payments into time deposits	(1,658,283)	(1,525,746)
Proceeds from withdrawal of time deposits	1,851,213	1,584,520
Purchase of property, plant and equipment	(2,706,983)	(814,701)
Proceeds from sales of property, plant and equipment	10,568	3,967
Purchase of intangible assets	(39,041)	(57,255)
Purchase of investment securities	(8,912)	(7,602)
Proceeds from sales of investment securities	52,282	0
Other, net	37,455	(15,982)
Net cash provided by (used in) investing activities	(2,461,701)	(832,798)
Cash flows from financing activities		
Proceeds from long-term loans payable	2,000,000	—
Repayments of long-term loans payable	(250,000)	(500,000)
Proceeds from sales of treasury shares	125,689	—
Purchase of treasury shares	(358,865)	—
Cash dividends paid	(388,757)	(385,107)
Net cash provided by (used in) financing activities	1,128,065	(885,107)
Effect of exchange rate change on cash and cash equivalents	705	67,512
Net increase (decrease) in cash and cash equivalents	300,474	(58,825)
Cash and cash equivalents at beginning of period	3,422,876	3,723,350
Cash and cash equivalents at end of period	※ 3,723,350	※ 3,664,524

- (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	6
Name of consolidated subsidiaries	MEC TAIWAN COMPANY LTD. MEC (HONG KONG) LTD. MEC FINE CHEMICAL (ZHUHAI) LTD. MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO.,LTD. MEC EUROPE NV. MEC SPECIALTY CHEMICAL(THAILAND)CO., LTD.
Scope of consolidated subsidiaries	From this consolidated fiscal year, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD was newly established, it is included in the scope of consolidation.

2 Matters concerning the change to the consolidated closing date

We had set the consolidated closing date to March 31 every year, but have unified the Company's accounting period with that of overseas consolidated subsidiaries with the aim of thoroughly achieving timely and appropriate disclosure of corporate information, and streamline business operations in areas such as the Group's budget compilation and performance management. Therefore, we changed the consolidated closing date to December 31 every year at the resolution of the 48th Ordinary General Meeting of Shareholders held on June 21, 2017.

Accompanying this change, the period of the consolidated period under review is the nine months from April 1, 2017 to December 31, 2017.

3 Fiscal Year-End of Consolidated Subsidiaries

The closing date for accounts of all consolidated subsidiaries has become the same as the consolidated closing date from the current consolidated fiscal year.

4 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.

(Additional information)

(Transfer of retirement benefit system)

Effective April 1, 2017, the Company shifted to a defined contribution corporate pension plan for part of the defined benefit corporate pension plan and applies "Accounting for Transition between Retirement Benefit Plans, etc. (Guideline No. 1 revised on December 16, 2016)" and "Practical treatment concerning accounting activities such as transition between retirement benefit schemes" (Practical response report No. 2 revised on February 7, 2007).

Accompanying this transition, at the beginning of the consolidated fiscal year under review, retirement benefit obligation decreased by 352,909 thousand yen, while assets related to retirement benefits also decreased by 366,377 thousand yen. In addition, of the unrecognized actuarial gains and losses of 195,889 thousand yen, the amount equivalent to the transfer to the defined contribution corporate pension plan of 58,335 thousand yen occurred as profit. As a result, a gain of 44,867 thousand yen was recorded as a transition to the retirement benefit system.

(Notes to consolidated balance sheet)

*1 Notes maturing at end of current fiscal year

In accounting for notes maturing at the end of the current fiscal year, we process payments using the date of the notes. Please note that because the last day of the fiscal year under review was a holiday for financial institutions, notes maturing on the last day of the next fiscal year are included in the balance of bills on the last day of the fiscal year under review.

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of December 31, 2017)
Buildings and structures	- thousand yen	33,887 thousand yen
Land	- thousand yen	30,073 thousand yen
	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of December 31, 2017)
Buildings and structures	924 thousand yen	91,594 thousand yen
Land	25,775 thousand yen	28,362 thousand yen
Total	26,700 thousand yen	119,957 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, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
	13,768 thousand yen	38,110 thousand yen

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

	Previous fiscal year (April 1, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
Provision of allowance for doubtful accounts	1,607 thousand yen	811 thousand yen
Salaries and bonuses	1,090,642 thousand yen	1,025,789 thousand yen
Packing and transportation expenses	417,094 thousand yen	431,876 thousand yen
Provision for allowance for bonuses	127,940 thousand yen	168,751 thousand yen
Provision for directors' bonuses	32,797 thousand yen	38,447 thousand yen
Stock-based compensation provisions	43,484 thousand yen	18,922 thousand yen
Retirement benefit expenses	76,148 thousand yen	83,463 thousand yen
Research and development expenses	902,517 thousand yen	786,948 thousand yen

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

	Previous fiscal year (April 1, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
	902,517 thousand yen	786,948 thousand yen

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

	Previous fiscal year (April 1, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
Machinery, equipment and vehicles	6,769 thousand yen	2,678 thousand yen

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

	Previous fiscal year (April 1, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
Machinery, equipment and vehicles	- thousand yen	572 thousand yen
Tools, furniture and fixtures	- thousand yen	1,507 thousand yen
Total	- thousand yen	2,080 thousand yen

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

	Previous fiscal year (April 1, 2016 To March 31, 2017)	Current fiscal year (April 1, 2017 To December 31, 2017)
Buildings and structures	8,374 thousand yen	475 thousand yen
Machinery, equipment and vehicles	6,316 thousand yen	2,092 thousand yen
Tools, furniture and fixtures	1,074 thousand yen	632 thousand yen
Investments and other assets [other]	79 thousand yen	50 thousand yen
Fixed asset removal costs	1,023 thousand yen	1,249 thousand yen
Total	16,868 thousand yen	4,499 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, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year under review	95,714 thousand yen	67,514 thousand yen
Amount of reclassification adjustment	(21,908 thousand yen)	0 thousand yen
Before income tax effect	73,805 thousand yen	67,514 thousand yen
Income tax effect	(22,718 thousand yen)	(20,645 thousand yen)
Valuation difference on available-for-sale securities	51,087 thousand yen	46,868 thousand yen
Foreign currency translation adjustment:		
Amount arising in the current fiscal year under review	(235,958 thousand yen)	234,702 thousand yen
Adjustments related to retirement benefits:		
Amount arising in the current fiscal year under review	51,791 thousand yen	41,820 thousand yen
Amount of reclassification adjustment	(23,222 thousand yen)	(21,252 thousand yen)
Before income tax effect	28,568 thousand yen	20,568 thousand yen
Income tax effect	(8,736 thousand yen)	(6,289 thousand yen)
Adjustments related to retirement benefits	19,832 thousand yen	14,278 thousand yen
Other comprehensive income	(165,038 thousand yen)	295,848 thousand yen

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

Previous 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

(Note) The total amount of dividends based on a resolution made by the Board of Directors on October 28, 2016, 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.

(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	193,710	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.

Current fiscal year (April 1, 2017 to December 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	900,089	-	-	900,089
Total	900,089	-	-	900,089

(Note) 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. 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 2017 Board of directors' meeting	Common stock	193,710	10	March 31, 2017	May 31, 2017
November 2, 2017 Board of directors' meeting	Common stock	195,071	10	September 30, 2017	December 5, 2017

(Note) The total amount of dividends based on a resolution made by the Board of Directors on May 23, 2017 and November 2, 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

(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
February 20, 2018 Board of directors' meeting	Common stock	231,686	Retained earnings	12	December 31, 2017	March 3, 2017

(Note) The total amount of dividends based on a resolution made by the Board of Directors on February 20, 2018, includes a dividend of 1,634 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, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to December 31, 2017)
Cash and deposits	4,718,329 thousand yen	4,634,069 thousand yen
Time deposits with maturities extending over three months	(994,978 thousand yen)	(969,544 thousand yen)
Cash and cash equivalents	3,723,350 thousand yen	3,664,524 thousand yen

(Retirement benefit)

1. Outline of retirement benefit plan applied

The Company adopts a contract-type defined benefit corporate 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. From April 1, 2017, we transitioned to a defined contribution pension plan for part of the conventional contract-type defined benefit corporate pension plan (cash balance plan).

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 system, the Company had joined the Employees’ Pension Fund of the Japan Electronics Packaging and Circuits Association, but it was dissolved on March 31, 2017 with approval from 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 in the previous consolidated fiscal year.

Further, because the Fund 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 in the previous consolidated fiscal year.

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 12,497 thousand yen in the previous consolidated fiscal year.

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

	Previous consolidated fiscal year (As of March 31, 2017)
Amount of pension assets	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	64,693,335
Net amount	557,018

(Note) Amount of pension assets shows the amount including the pre-payment 50,000,000 thousand yen of the minimum policy reserve.

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

Previous fiscal year: 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: 1,625,526 thousand yen) and a contingent reserve (previous consolidated fiscal year: 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). In the Company Group’s consolidated financial statements, we are processing cost (previous consolidated fiscal year: 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.

Further, as it has already been dissolved in this consolidated fiscal year, its description has been omitted

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, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Beginning balance of the retirement benefit obligation	1,012,864 thousand yen	1,185,010 thousand yen
Service costs	84,224	53,466
Interest expense	4,051	2,496
Accruals of actuarial gains and losses	22,548	5,244
Payment of retirement benefits	(43,003)	(4,239)
Net accruals by the pension fund dissolution	104,325	-
Reduction due to transition to defined contribution pension plan	-	(352,909)
Balance of retirement benefit obligations at end of year	1,185,010	889,069

- (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, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Beginning balance of pension assets	1,417,929 thousand yen	1,664,272 thousand yen
Expected return on assets	-	973
Accruals of actuarial gains and losses	74,339	105,401
Contributions from the employer	129,306	68,678
Payment of retirement benefits	(43,003)	(4,239)
amount distributed by the employees'		
pension fund dissolution	85,700	-
Balance of retirement benefit obligations	-	(366,377)
at end of year		
Balance of the pension assets at end of year	1,664,272	1,468,707

- (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, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Beginning balance of the liability for retirement benefits	47,624 thousand yen	50,812 thousand yen
Payment of retirement benefits	3,505	2,143
Other	(317)	565
Ending balance of the liability for retirement benefits	50,812	53,522

- (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, 2017)	Consolidated fiscal year under review (December 31, 2017)
Retirement benefit obligation of funded plans	1,216,261 thousand yen	922,636 thousand yen
Pension assets	1,682,460	1,490,172
	(466,198)	(567,535)
Retirement benefit obligation of unfunded plans	37,750	41,420
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	(428,448)	(526,115)
Liabilities related to retirement benefits	50,812	53,522
Net defined benefit asset	(479,261)	(579,637)
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	(428,448)	(526,115)

- (5) Amount of retirement benefit costs and their breakdown

	Previous consolidated fiscal year (From April 1, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Service cost	84,225 thousand yen	53,466 thousand yen
Interest expense	4,051	2,496
Expected return on assets	-	(973)
Expensed amount of actuarial gains and losses	(37,385)	(21,252)
Expensed amount of prior service cost	14,162	-
Retirement benefit costs which are calculated using the simplified method	3,505	2,143
Loss on transfer of benefit obligation relating to employees' pension fund	18,625	-
Profit from transition to defined contribution pension plan	-	(44,867)
Retirement benefit cost of defined benefit plans	87,184	(8,986)

(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, 2016 To March 31, 2017)	Consolidated fiscal year under review (From April 1, 2017 To December 31, 2017)
Prior service cost	(14,162 thousand yen)	- thousand yen
Accruals of actuarial gains and losses	(14,405)	(20,568)
Total	(28,568)	(20,568)

(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, 2017)	Consolidated fiscal year under review (December 31, 2017)
Difference with unrecognized actuarial gain and loss	(195,889 thousand yen)	(216,457 thousand yen)
Total	(195,889)	(216,457)

(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, 2017)	Consolidated fiscal year under review (December 31, 2017)
Bonds	26%	25%
Stocks	45	42
General accounts	16	19
Other	13	14
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, 2017)	Consolidated fiscal year under review (December 31, 2017)
Discount rate	0.4%	0.4%
Expected long-term rate of return on pension assets	0.0	0.1

4. Defined contribution plans

The required contributions to defined contribution plans of consolidated subsidiaries that use defined contribution plans came to 43,571 thousand yen for the previous consolidated fiscal year (April 1, 2016 to March 31, 2017) and 73,557 thousand yen for the consolidated fiscal year under review (April 1, 2017 to December 31, 2017).

5. Matters related to other retirement benefits

The effect of the partial transition from the contract-type defined benefit corporate pension plan (cash balance plan) to the defined contribution pension plan for the current consolidated fiscal year is as follows.

	Consolidated fiscal year under review (December 31, 2017)
Decline in retirement benefit obligation	352,909 thousand yen
Decline in pension assets	(366,377)
Unrecognized actuarial gain and loss	58,335
Total	44,867

(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, 2017)	Current fiscal year (December 31, 2017)
Deferred tax assets		
Allowance for bonuses	70,233 thousand yen	88,654 thousand yen
Accrued enterprise tax	10,198 thousand yen	16,134 thousand yen
Social insurance premiums	10,816 thousand yen	13,593 thousand yen
Carry forward of foreign tax credits	21,141 thousand yen	35,067 thousand yen
Unrealized income on inventory assets	90,923 thousand yen	120,614 thousand yen
Other	9,145 thousand yen	9,209 thousand yen
Total deferred tax assets	212,458 thousand yen	283,274 thousand yen
Deferred tax liabilities		
Other	(217) thousand yen	415 thousand yen
Total deferred tax liabilities	(217) thousand yen	415 thousand yen
Net deferred tax assets	212,240 thousand yen	282,859 thousand yen

(Fixed Assets)

	Previous fiscal year (March 31, 2017)	Current fiscal year (December 31, 2017)
Deferred tax assets		
Unpaid directors' retirement benefits	4,379 thousand yen	4,379 thousand yen
Allowance for doubtful accounts	7,459 thousand yen	- thousand yen
Liabilities relating to retirement benefits	13,764 thousand yen	14,723 thousand yen
Carry forward deficit	- thousand yen	34,323 thousand yen
Reserve for stock compensation	13,297 thousand yen	19,083 thousand yen
Impairment loss	176,238 thousand yen	176,238 thousand yen
Other	59,661 thousand yen	30,117 thousand yen
Subtotal	274,800 thousand yen	278,866 thousand yen
Valuation allowance	(208,359 thousand yen)	(208,549 thousand yen)
Total deferred tax assets	66,440 thousand yen	70,317 thousand yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(53,553 thousand yen)	(74,198 thousand yen)
Retained earnings of overseas subsidiaries	(252,731 thousand yen)	(299,235 thousand yen)
Assets related to retirement benefits	(146,558 thousand yen)	(177,253 thousand yen)
Total deferred tax liabilities	(452,842 thousand yen)	(550,687 thousand yen)
Net deferred tax liabilities	(386,401 thousand yen)	(480,370 thousand yen)

The amount of "net deferred tax liabilities" (previous fiscal year 386,401 thousand yen; current fiscal year: 480,370 thousand yen) is included in the following items in the consolidated balance sheet.

	Previous fiscal year (March 31, 2017)	Current fiscal year (December 31, 2017)
Fixed assets - deferred tax assets	10,720 thousand yen	6,406 thousand yen
Fixed liabilities - deferred tax liabilities	(397,122 thousand yen)	(486,777 thousand yen)

2 Breakdown of major causes of differences between the effective statutory tax rate and rates of corporate income taxes after application of deferred tax accounting:

	Previous fiscal year (March 31, 2017)	Current fiscal year (December 31, 2017)
Effective statutory tax rate (Adjustment)	30.8 %	30.8 %
Permanent difference including entertainment and social expenses	0.9 %	1.1 %
Inhabitant tax on per capita basis	0.4 %	0.2 %
Research credit	(8.3 %)	(6.7 %)
Foreign tax deductions	3.2 %	(0.4 %)
Overseas Subsidiary Income Retention Taxation	-	1.0 %
Retained earnings of overseas subsidiaries	(13.2 %)	2.2 %
Differences from foreign tax rate	(2.6 %)	(2.5 %)
Other	1.2 %	(0.2 %)
Rates of corporate income taxes after application of deferred tax accounting	12.4 %	25.5 %

(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.; MEC SPECIALTY CHEMICAL (THAILAND) 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 six reportable segments: Japan, Taiwan, Hong Kong (Hong Kong, Zhuhai), China (Suzhou), Thailand, and Europe.

Since MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD was newly established, from this consolidated fiscal year, a new report "Thailand" has been added as a segment.

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.

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

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

(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

Current fiscal year (April 1, 2017 to December 31, 2017)

(Thousands of yen)

	Reportable segment						Total
	Japan	Taiwan	Hong Kong	China	Thailand	Europe	
Net sales							
Sales to external customers	4,085,203	2,252,233	861,999	1,834,499	-	607,847	9,641,783
Inter-segment sales and transfers	1,840,669	126	266	5,492	-	128,284	1,974,838
Total	5,925,872	2,252,359	862,265	1,839,992	-	736,132	11,616,622
Segment profit	1,410,867	285,577	104,134	222,347	(20,077)	86,778	2,089,628
Segment assets	14,343,450	2,621,579	1,297,647	1,615,414	736,503	578,937	21,193,533
Other items							
Depreciation and amortization	349,677	39,666	17,869	50,904	10	13,935	472,063
Increase in property, plant and equipment and intangible assets	492,230	20,365	13,521	83,108	141	38,034	647,401

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)

(Thousands of yen)

Net sales	Previous fiscal year	Current fiscal year
Reportable segment total	11,344,010	11,616,622
Intersegment eliminations	(2,084,171)	(1,974,838)
Sales stated in the Consolidated Financial Statements	9,259,839	9,641,783

(Thousands of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segment total	1,999,247	2,089,628
Intersegment eliminations	(21,782)	(95,718)
Operating income in the Consolidated Financial Statements	1,887,465	1,993,910

(Thousands of yen)

Assets	Previous fiscal year	Current fiscal year
Reportable segment total	19,655,489	21,193,533
Intersegment eliminations	(1,661,817)	(1,945,760)
Total assets in the Consolidated Financial Statements	17,993,671	19,247,772

(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	368,904	472,063	-	-	368,904	472,063
Increase in property, plant and equipment and intangible assets	2,033,850	647,401	-	-	2,033,850	647,401

[Related Information]

Previous 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

(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

(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.

Current fiscal year (April 1, 2017 to December 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
3,938,455	2,226,738	2,696,498	780,090	9,641,783

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	Thailand	Europe	Total
6,918,391	759,627	494,287	23,134	146,794	8,342,235

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, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to December 31, 2017)
Net assets per share	683.86 yen	760.92 yen
Net income per share	84.86 yen	81.77 yen

- Notes:
1. Information of diluted net income per share is omitted because of no issue of potential stocks.
 2. In calculating net assets per share in the consolidated fiscal year under review, we treat the trust account for stock issuance for Directors and stock issuance trust account for Executive Officers as own shares owned by the Company (treasury stock). Therefore, the number of shares at the end of the fiscal year is calculated by including the shares of treasury stock subject to deduction. Also in calculating net income per share, the average number of shares during the fiscal year is determined by including the shares of treasury stock subject to deduction.
 3. Calculation of net earnings per share was based on the following numerators and denominators.

	Previous fiscal year (April 1, 2016 to March 31, 2017)	Current fiscal year (April 1, 2017 to December 31, 2017)
Net income (thousands of yen)	1,642,538	1,567,618
Amount not available for common shareholders (thousands of yen)	-	-
Net profit available for common stocks (thousands of yen)	1,642,538	1,567,618
Weighted-average number of common shares outstanding during the year (shares)	19,355,619	19,171,004

(Important subsequent events)

N/A

4. Non-consolidated financial statements

(1) Balance sheet

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	2,366,577	2,007,128
Notes receivable - trade	240,794	162,124
Accounts receivable - trade	1,417,183	2,098,929
Merchandise and finished goods	92,818	110,477
Raw materials and supplies	189,424	262,207
Prepaid expenses	15,903	14,978
Deferred tax assets	105,916	143,371
Accounts receivable - other	965,604	133,411
Other	5,510	3,831
Total current assets	5,399,734	4,936,460
Non-current assets		
Property, plant and equipment		
Buildings	3,633,682	3,549,429
Structures	79,739	126,064
Machinery and equipment	529,881	626,177
Vehicles	18,483	23,098
Tools, furniture and fixtures	267,500	319,151
Land	2,274,036	2,274,036
Construction in progress	—	434
Total property, plant and equipment	6,803,323	6,918,391
Intangible assets		
Leasehold right	29,380	29,380
Software	102,000	128,978
Other	2,080	2,068
Total intangible assets	133,460	160,427
Investments and other assets		
Investment securities	462,583	537,699
Shares of subsidiaries and associates	687,935	1,401,636
Investments in capital	5	5
Long-term prepaid expenses	623	444
Prepaid pension cost	283,371	363,179
Other	14,660	14,260
Total investments and other assets	1,449,180	2,317,224
Total non-current assets	8,385,965	9,396,044
Total assets	13,785,699	14,332,504

(Thousands of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	549,458	509,237
Accounts payable - trade	284,610	279,495
Current portion of long-term loans payable	500,000	500,000
Accounts payable - other	159,637	268,802
Accrued expenses	54,896	105,916
Income taxes payable	139,600	252,829
Deposits received	12,524	67,317
Provision for bonuses	227,956	287,744
Provision for directors' bonuses	32,797	38,447
Notes payable - facilities	373,741	340,658
Accounts payable - facilities	195,541	33,114
Other	4,051	—
Total current liabilities	2,534,814	2,683,563
Non-current liabilities		
Long-term loans payable	1,250,000	750,000
Deferred tax liabilities	84,482	121,344
Asset retirement obligations	587	587
Provision for retirement benefits	37,750	41,420
Provision for Share-based compensation	43,484	62,406
Other	22,916	22,925
Total non-current liabilities	1,439,221	998,683
Total liabilities	3,974,036	3,682,247
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus		
Legal capital surplus	446,358	446,358
Other capital surplus	10,553	10,553
Total capital surpluses	456,912	456,912
Retained earnings		
Legal retained earnings	63,557	63,557
Other retained earnings		
General reserve	6,900,000	7,900,000
Retained earnings brought forward	2,511,134	2,302,860
Total retained earnings	9,474,691	10,266,417
Treasury shares	(835,654)	(835,654)
Total shareholders' equity	9,690,091	10,481,817
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	121,571	168,439
Total valuation and translation adjustments	121,571	168,439
Total net assets	9,811,663	10,650,257
Total liabilities and net assets	13,785,699	14,332,504

(2) Statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended December 31, 2017
Net sales	6,444,641	5,925,872
Cost of sales	2,165,331	2,053,942
Gross profit	4,279,309	3,871,930
Selling, general and administrative expenses	3,069,470	2,461,062
Operating profit	1,209,838	1,410,867
Non-operating income		
Interest and dividend income	668,147	11,206
Trial products income	24,542	15,154
Foreign exchange gains	—	18,553
Other	4,582	11,547
Total non-operating income	697,272	56,461
Non-operating expenses		
Interest expenses	2,179	1,973
Foreign exchange losses	18,332	—
Waste disposal costs	18,630	—
Miscellaneous loss	—	550
Other	670	268
Total non-operating expenses	39,812	2,791
Ordinary profit	1,867,299	1,464,537
Extraordinary income		
Gain on sales of non-current assets	305	8
Gain on sales of investment securities	21,908	—
Gain on shift of retirement benefit plan	—	44,867
Other	—	1,776
Total extraordinary income	22,213	46,651
Extraordinary losses		
Loss on retirement of non-current assets	12,203	1,946
Loss on reduction of non-current assets	—	1,776
Loss on valuation of investment securities	5,999	—
Employees' pension fund dissolution loss	18,625	—
Total extraordinary losses	36,829	3,722
Profit before income taxes	1,852,683	1,507,466
Income taxes - current	305,145	350,836
Income taxes - deferred	(8,538)	(21,239)
Total income taxes	296,606	329,597
Profit	1,556,076	1,177,869

[Details of cost of sales]

Category	Note no	Previous fiscal year	Current fiscal year
		(April 1, 2016 to March 31, 2017)	(April 1, 2017 to December 31, 2017)
		Amount (thousand yen)	Amount (thousand yen)
Product cost		1,977,099	1,909,948
Cost of goods		76,482	40,512
Repair cost		19,107	6,653
Cost of sales of raw materials		92,641	96,828
Total cost of sales		2,165,331	2,053,942

(3) Statement of changes in equity

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

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
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)
Profit							1,556,076	1,556,076
Purchase of treasury shares								
Disposal of treasury shares								
Gain of treasury stock disposal			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	594,142	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)
Profit		1,556,076			1,556,076
Purchase of treasury shares	(358,865)	(358,865)			(358,865)
Disposal of treasury shares	115,135	115,135			115,135
Gain of treasury stock disposal		10,553			10,553
Net changes of items other than shareholders' equity			51,087	51,087	51,087
Total changes of items during period	(243,729)	934,118	51,087	51,087	985,205
Balance at end of current period	(835,654)	9,690,091	121,571	121,571	9,811,663

Current fiscal year (April 1, 2017 to December 31, 2017)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	594,142	446,358	10,553	456,912	63,557	6,900,000	2,511,134	9,474,691
Changes of items during period								
Provision of general reserve						1,000,000	(1,000,000)	-
Dividends of surplus							(386,143)	(386,143)
Profit							1,177,869	1,177,869
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	1,000,000	(208,274)	791,725
Balance at end of current period	594,142	446,358	10,553	456,912	63,557	7,900,000	2,302,860	10,266,417

	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	(835,654)	9,690,091	121,571	121,571	9,811,663
Changes of items during period					
Provision of general reserve		-			-
Dividends of surplus		(386,143)			(386,143)
Profit		1,177,869			1,177,869
Net changes of items other than shareholders' equity			46,868	46,868	46,868
Total changes of items during period	-	791,725	46,868	46,868	838,593
Balance at end of current period	(835,654)	10,481,817	168,439	168,439	10,650,257

5. Other

Transfer of Officers

Refer to "Notice on Change of Directors and Executive Officers" announced on February 13, 2018.