

## Financial Announcement for the Year Ended December 31, 2018 [Japanese Standard] (consolidated)

February 13, 2019  
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 22, 2019

Commencement Date of Dividend Payment (Scheduled): March 1, 2019

Date of Filing the Financial Report (Scheduled): March 25, 2019

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, 2018 (January 1, 2018 to December 31, 2018)

#### (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	%
Fiscal year ended December 31, 2018	11,328	-	2,222	-	2,236	-	1,778	-
Fiscal year ended December 31, 2017	9,641	-	1,993	-	2,063	-	1,567	-

Note: Comprehensive income for fiscal year ended December 31, 2018: 1,307 million yen (—%); fiscal year ended December 31, 2017: 1,863 million yen (—%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2018	92.85	-	12.0	11.7	19.6
Fiscal year ended December 31, 2017	81.77	-	11.3	11.1	20.7

(Reference) Investment profit or loss according to the equity method: Year ended December 31, 2018: - million yen Year ended December 31, 2017: - million yen

The company changed the settlement period from 2017 to 31 December.

The period FY12/2017 (April 1, 2017 to December 31, 2017) compared with FY12/2018 (January 1, 2018 to December 31, 2018) is different period, it does not describe change rate.

And for the same reason for the period FY 12/2017 (April 1, 2017 to December 31, 2017), it does not describe change rate.

(Reference) The percentages shown below are the rate of change compared with January 1, 2017 to December 31, 2017 for the same period of the previous year.

Net sales	Operation income	Ordinary income	Net income attributable to parent company's shareholders
10,749 5.4%	2,339 -5.0%	2,397 -6.7%	1,803 -1.4%

#### (2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended December 31, 2018	18,897	15,166	80.3	799.46
Fiscal year ended December 31, 2017	19,247	14,587	75.8	760.92

(Reference) Shareholder's equity: Year ended December 31, 2018: 15,166 million yen Year ended December 31, 2017: 14,587 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
Fiscal year ended December 31, 2018	1,928	-706	-1,228	3,599
Fiscal year ended December 31, 2017	1,591	-832	-885	3,664

### 2. Dividends

	Annual dividend					Total cash dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1Q	2Q	3Q	4Q	Annual			
Fiscal year ended December 31, 2017	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2017	-	10.00	-	12.00	22.00	424	26.9	3.1
Fiscal year ended December 31, 2018	-	12.00	-	14.00	26.00	500	28.0	3.4
Fiscal year ending December 31, 2019 (Forecast)	-	12.00	-	14.00	26.00		32.9	

## Translation

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(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)	5,600	1.8	850	-18.2	880	-15.6	580	-34.8	30.57
Full year	11,800	4.2	2,050	-7.8	2,100	-6.1	1,500	-15.6	79.07

## Translation

### \* Notes

(1) Changes of major subsidiary companies during the period (Change of specific subsidiary companies that involves changes in the scope of consolidation): No

(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

(3) Number of shares outstanding (Common stock)

1) Number of shares outstanding (including treasury stock) issued as of:	As of December 31, 2018	20,071,093 shares	As of December 31, 2017	20,071,093 shares
2) Number of shares of treasury stock:	As of December 31, 2018	1,100,232 shares	As of December 31, 2017	900,089 shares
3) Average number of shares during the period:	As of December 31, 2018	19,152,489 shares	As of December 31, 2017	19,171,004 shares

### (Reference) Non-consolidated Results

1 Non-consolidated Results for the Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(1) Non-consolidated 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	%
Fiscal year ended December 31, 2018	7,960	-	1,491	-	1,698	-	1,377	-
Fiscal year ended December 31, 2017	5,925	-	1,410	-	1,464	-	1,177	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended December 31, 2018	71.90	-
Fiscal year ended December 31, 2017	61.44	-

The company changed the settlement period from 2017 to 31 December.

The period FY12/2017 (April 1, 2017 to December 31, 2017) compared with FY12/2018 (January 1, 2018 to December 31, 2018) is different period, it does not describe change rate.

And for the same reason for the period FY 12/2017 (April 1, 2017 to December 31, 2017), it does not describe change rate.

(2) Non-consolidated Results of Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended December 31, 2018	14,135	11,192	79.2	589.96
Fiscal year ended December 31, 2017	14,332	10,650	74.3	555.54

(Reference) Shareholder's equity: Year ended December 31, 2018: 11,192 million yen Year ended December 31, 2017: 10,650 million yen

### \* 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. Overview of business results etc. (4) Statement of forward looking" on page 5 of the attachment.
- The Company plans to hold a briefing session for institutional investors and analysts on Monday, February 18, 2019. 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. In the previous consolidated fiscal year, the end of the fiscal year was changed to December 31 from March 31. Accompanying this, for the previous 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, in the descriptions below, the results for the consolidated fiscal year under review are compared with the results (reference values) of the same period of the previous year, i.e., from January 1, 2017 to December 31, 2017.

The world economy in the consolidated fiscal year under review (January 1, 2018 to December 31, 2018) saw fluctuations in financial markets in the U.S. in the fourth quarter due to concerns about U.S.-China trade frictions. However, overall sales remained steady due to improved employment conditions and firm personal consumption. Although the economy in Europe recovered moderately in the first half of the year, it showed signs of decelerating in the second half. The economic growth rate also slowed in China and the trend was toward an economic slowdown. Although a weakness was seen in the Japanese economy due to the effects of natural disasters, improved employment conditions and a recovery in personal consumption have appeared and capital investment has also been on the increase. However, there are ongoing concerns about the economic outlook due to uncertainty about overseas economies.

In the electronics industry, in the latter half of the year new models of functionally advanced smartphones were released, but they saw sluggish sales due to their high price and so their production volumes were stagnant. Meanwhile, sales of PCs and tablet terminals were weak. On the other hand, demand for semiconductors for use in servers and other products remained steady. Also, the size of the display of flat-screen televisions continued to get larger and 4K televisions continued to diffuse in the market.

In the electronic components industry, which is a related market of the Group, there was a sharp decline in demand for semiconductors for use with virtual currency. Also, in the latter half of the year manufacturers made a production adjustment for semiconductor memory. Meanwhile, looking at electronic substrates on which electronic components are mounted, a greater number of parts are being mounted in electronic devices such as smartphones because they feature even more advanced functions. Hence, there is a trend toward higher-density electronic substrates and technological innovation is progressing. In addition, the greater demand for semiconductor memory is causing the production volume of package boards that incorporate such memory to increase, and also a steady switch to electric vehicles and greater use of electronics in automobiles have been driving the expansion of this industry.

Markets related to the IoT (Internet of Things: a concept where everything is connected to the Internet) are expected to continue growing strongly. As attention is being placed on the switch from 4th generation (4G) to faster and higher capacity 5th generation (5G) mobile communication systems, there have been a growing number of initiatives aimed at commercializing these systems. 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 radar and cameras.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. Sales of the CZ Series, our super-roughening agent that enjoys a large market share for package substrate applications, were affected by a slowdown in demand for semiconductors for use with virtual currency. However, sales of the series for use with servers were steady. There were firm sales of the BO Series for use with multilayer electronic substrates for cars and middle-range smartphones, the SF Series for displays, and the EXE Series, which manufacturers use to achieve a high-density wiring pattern with the etching method. Sales of the UT Series, which realizes roughening without the need to choose the type of copper foil, the FlatBOND Series for use with high-frequency substrates, and AMALPHA, a technology for directly bonding metal and resin, have been weak. As a result, total consolidated sales for the consolidated fiscal year under review amounted to 11,328 million yen (up 578 million yen or 5.4% year-on-year). Operating income came to 2,222 million yen (down 116 million yen year-on-year or 5.0%), and the operating income to net sales ratio was 19.6%, down 2.2 points compared with the 21.8% in the same period last year. Ordinary income was 2,236 million yen (down 161 million yen year-on-year or 6.7%). Net income before income taxes amounted to 2,328 million yen (a year-on-year decrease of 84 million yen or 3.5%), and net income attributable to owners of parent was 1,778 million yen (a decrease of 25 million yen, down 1.4% from the same period of the previous year).

Looking at a breakdown of sales, sales of chemicals were 11,131 million yen (up 597 million yen year-on-year or 5.7%), sales of materials were 118 million yen (up 4 million yen year-on-year or 3.5%), machinery sales were 53 million yen (down 29 million yen, or 35.1%, year-on-year), and other sales were 25 million yen (up 6 million yen year-on-year or 37.2%).

Looking at a breakdown of sales of chemicals, sales of adhesion improver were 6,458 million yen (up 427 million yen, 7.1% compared with the same period last year), sales of etching agents were 4,015 million yen (up 330 million yen, up 9.0% year-on-year), and sales of other chemicals were 658 million yen (down 160 million yen or 19.6% year-on-year).

The overseas sales ratio was 54.4%.

By segment, while overall sales were good in Taiwan, sales of some products there for high-density electronic substrates and flexible substrates stagnated. In China (Suzhou), strong demand drove sales of chemicals for displays up while in Hong Kong (Hong Kong and Zhuhai), sales in the general-purpose electronic substrate market remained steady. The electronic substrate industry on the whole has been stagnant in Europe, but there has been some steady growth owing to our acquisition of new customers. Furthermore, in order to enhance our presence in the expanding Southeast Asian market in the future, on May 29, 2017 we established a subsidiary in Thailand as our sixth company, and we are at the stage of preparing to run it. It is scheduled to start operating in July 2019.

Regarding the return of profits to shareholders, dividends were up 4 yen per share compared with the previous year, the annual dividend was set at 26 yen, and the consolidated dividend payout ratio was 28.0%.

(2) Analysis relating to the financial situation

Assets came to 18,897 million yen, down 350 million yen from the end of the previous consolidated fiscal year.

This was because of an increase in inventories, a decrease in cash and deposits due to the purchase of treasury stock, and a decline in market prices of investment securities.

There was a repayment of borrowings related to construction of the Amagasaki Headquarters, and a fall in notes payable for equipment. Hence, liabilities came to 3,731 million yen, down 928 million yen compared with the end of the previous consolidated fiscal year.

Net assets increased by 578 million yen from the end of the previous consolidated fiscal year, coming in at 15,166 million yen. This was due to an increase in retained earnings due to net income attributable to owners of the parent, and a decrease in the foreign currency translation adjustment account. The equity ratio was 80.3% (75.8% in the same period of the previous year).

As a result of the above, ROE reached 12.0%.

(3) Analysis relating to the cash flow

Looking at the financial position in the current consolidated fiscal year, cash and cash equivalents (hereinafter referred to as “cash”) fell 64 million yen compared with the previous year to record 3,599 million yen.

Outlines of cash flow conditions and reasons for fluctuations in the consolidated fiscal year under review are as follows: It should be noted that from the previous consolidated fiscal year, the closing date of the fiscal year changed from March 31 to December 31. Accompanying this, the period covered by the consolidated fiscal year under review (January 1, 2018 to December 31, 2018) and the previous consolidated fiscal year (April 1, 2017 to December 31, 2017) are different, and hence no year-on-year comparisons are stated.

(Cash flow from operating activities)

As a result of operating activities, cash provided amounted to 1,928 million yen. This was mainly because income before income taxes came to 2,328 million yen and depreciation expenses were 609 million yen; however, factors causing a decrease in cash included a payment of income taxes of 746 million yen.

(Cash flow from investment activities)

As a result of investment activities, cash used amounted to 706 million yen. This was mainly because payments to acquire tangible fixed assets came to 815 million yen.

(Cash flow from financial activities)

As a result of financial activities, cash used amounted to 1,228 million yen. This was because there were expenditures from repaying long-term borrowings in the amount of 500 million yen, a payment of dividends in the amount of 463 million yen, and a net purchase of treasury stock of 265 million yen.

Changes in cash flow indicators

	As of March 30, 2015	As of March 30, 2016	As of March 30, 2017	As of December 31, 2017	As of December 31, 2018
Equity ratio (%)	82.2%	78.0%	72.9%	75.8%	80.3%
Equity ratio based on market value (%)	113.2%	106.9%	135.7%	234.4%	107.5%
Debt repayment period (years)	-	-	1.1	0.8	0.4
Interest coverage ratio	-	-	586.9	700.2	1,425.5

- 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.

## (4) Statement of forward looking

In the global economy in the next term, the U.S. economy is expected to be underpinned by ongoing favorable growth led by consumption. However, there are many uncertainties such as the trade friction between the United States and China, geopolitical risks and fluctuations in exchange rates. The Japanese economy is forecast to be steady due to strong consumption and investment demand although the increase in consumption tax that is planned for the second half of the year will likely cause an economic downturn and so we are taking a cautious view.

Demand in the electronics industry is expected to be strong due to the replacement cycle of PCs. But we are concerned that sales of smartphones may be affected by trade friction, a prolonged replacement cycle, and slowing demand worldwide due to the shrinking Chinese market. However, we believe that the market for semiconductors will expand against the backdrop of efforts for commercializing products for 5G during the latter half of the year and robust demand in IoT-related businesses.

Amid this presumed outlook for the external environment, we will aim to expand the market share of the CZ Series for smartphones and cars. Also, we will make sure we take opportunities for the EXE Series of products, which are mainly used for displays, to be adopted by manufacturers since they help to reduce the manufacturing cost of HDI boards for smartphones. We will continue to focus on having the UT Series and FlatBOND series newly adopted by our customers.

Regarding the results for the next fiscal year, we expect to see higher sales of chemicals. However, we forecast that operating income will fall below the level of the fiscal year under review because there will be costs pertaining to the newly launched Thai subsidiary and the Changshu subsidiary in China that is planned to be established in November, depreciation expenses, shipping fares, and personnel expenses due to hiring activities.

Based on the above, for the consolidated results of the Group for the next fiscal year we forecast sales of 118 million yen (up 471 million yen or 4.2% year-on-year), operating income of 2,050 million yen (down 172 million yen or 7.8% year-on-year), an operating income to net sales ratio of 17.5% (down 2.1 percentage points year-on-year), ordinary income of 2,100 million yen (down 136 million yen or 6.1% year-on-year), and net income attributable to the parent company of 1,500 million yen (down 278 million yen or 15.6% year-on-year).

ROE is forecast to be 9.6%. Compared with the period under review, it is down 2.4 points. However, in the future we will continue to improve our management efficiency and enhance ROE while trying to increase sales.

(Reference)

	As of December 31, 2018 (Million yen)	As of December 31, 2019 (Forecast) (Million yen)	* Increase or decrease after adjustment (%)
Net sales	11,328	11,800	4.2
Operating income	2,222	2,050	- 7.8
Ordinary income	2,236	2,100	-6.1
Profit attributable to owners of parent	1,778	1,500	-15.6
ROE (%)	12.0	9.6	-2.4

\* The outlook for the next term is premised on an exchange rate of 109 yen to the U.S. dollar.

\* Regarding the comparison increase / decrease of ROE, the point of increase / decrease is stated.



2. 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.

## 3. Consolidated financial statements

## (1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	4,634,069	4,388,263
Notes and accounts receivable - trade	*1 3,611,497	*1 3,576,786
Merchandise and finished goods	376,705	404,729
Work in process	129,283	234,523
Raw materials and supplies	432,726	473,357
Deferred tax assets	282,859	312,563
Other	78,830	83,390
Allowance for doubtful accounts	-12,570	-12,790
Total current assets	9,533,400	9,460,825
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,494,076	6,376,133
Accumulated depreciation	-2,313,882	-2,403,329
Buildings and structures, net	*2 4,180,194	*2 3,972,804
Machinery, equipment and vehicles	2,431,251	2,425,927
Accumulated depreciation	-1,610,382	-1,645,168
Machinery, equipment and vehicles, net	820,868	780,759
Tools, furniture and fixtures	1,137,545	1,206,844
Accumulated depreciation	-693,682	-766,187
Tools, furniture and fixtures, net	443,862	440,656
Land	*2 2,870,141	*2 2,924,091
Construction in progress	27,168	159,800
Total property, plant and equipment	8,342,235	8,278,111
Intangible assets	183,431	154,002
Investments and other assets		
Investment securities	537,699	393,309
Net defined benefit asset	579,637	538,059
Deferred tax assets	6,406	10,356
Other	64,960	63,090
Allowance for doubtful accounts	—	-79
Total investments and other assets	1,188,704	1,004,736
Total non-current assets	9,714,371	9,436,850
Total assets	19,247,772	18,897,675

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	*1 1,019,041	*1 1,067,221
Current portion of long-term loans payable	500,000	500,000
Accounts payable - other	414,248	389,569
Accrued expenses	131,788	134,669
Income taxes payable	354,863	226,390
Provision for bonuses	290,012	324,452
Provision for directors' bonuses	38,447	36,453
Accounts payable - facilities	36,152	119,473
Other	497,497	149,315
Total current liabilities	3,282,051	2,947,545
Non-current liabilities		
Long-term loans payable	750,000	250,000
Deferred tax liabilities	486,777	375,246
Net defined benefit liability	53,522	53,751
Provision for Share-based compensation	62,406	78,912
Other	25,319	25,850
Total non-current liabilities	1,378,025	783,760
Total liabilities	4,660,076	3,731,306
<b>Net assets</b>		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	456,912	541,273
Retained earnings	13,433,665	14,748,508
Treasury shares	-835,654	-1,185,432
Total shareholders' equity	13,649,064	14,698,491
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	168,439	62,077
Foreign currency translation adjustment	619,926	328,101
Remeasurements of defined benefit plans	150,265	77,699
Total accumulated other comprehensive income	938,631	467,878
Total net assets	14,587,695	15,166,369
Total liabilities and net assets	19,247,772	18,897,675

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

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	9,641,783	11,328,766
Cost of sales	*1 3,739,830	*1 4,086,656
Gross profit	5,901,953	7,242,109
Selling, general and administrative expenses	*2 *3 3,908,043	*2 *3 5,019,133
Operating profit	1,993,910	2,222,976
Non-operating income		
Interest income	17,205	18,303
Dividends income	11,081	12,220
Proceeds from sales of prototypes	15,154	28,463
Insurance income	8,541	—
Foreign exchange gains	4,564	—
Other	21,635	33,070
Total non-operating income	78,183	92,057
Non-operating expenses		
Interest expenses	1,973	1,717
Sales discounts	4,471	4,776
Foreign exchange losses	—	65,940
Other	2,463	5,855
Total non-operating expenses	8,908	78,289
Ordinary profit	2,063,185	2,236,743
Extraordinary income		
Gain on sales of non-current assets	*4 2,678	*4 4,958
Subsidy income	—	95,212
Gain on transition of retirement benefit	44,867	—
Other	1,776	—
Total extraordinary income	49,321	100,171
Extraordinary losses		
Loss on sales of noncurrent assets	*5 2,080	*5 15
Loss on retirement of non-current assets	*6 4,499	*6 8,402
Loss on reduction of noncurrent assets	1,776	—
Total extraordinary losses	8,355	8,417
Profit before income taxes	2,104,151	2,328,497
Income taxes - current	538,649	619,979
Income taxes - deferred	-2,116	-69,697
Total income taxes	536,533	550,282
Net income	1,567,618	1,778,214
Profit attributable to owners of parent	1,567,618	1,778,214

## ( Consolidated statement of comprehensive income )

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	1,567,618	1,778,214
Other comprehensive income		
Valuation difference on available-for-sale securities	46,868	-106,362
Foreign currency translation adjustment	234,702	-291,824
Remeasurements of defined benefit plans	14,278	-72,565
Total other comprehensive income	295,848	-470,752
Comprehensive income	1,863,466	1,307,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,863,466	1,307,462
Comprehensive income attributable to non-controlling interests	—	—

## (3) Consolidated statement of changes in equity

Previous 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
Net income			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
Net income					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

Current fiscal year ( January 1, 2018 to December 31, 2018 )

(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	13,433,665	-835,654	13,649,064
Changes of items during period					
Dividends of surplus			-463,371		-463,371
Net income			1,778,214		1,778,214
Purchase of treasury shares				-413,445	-413,445
Disposal of treasury shares				63,667	63,667
Profit on disposal of treasury shares		84,361			84,361
Net changes of items other than shareholders' equity					
Total changes of items during period	—	84,361	1,314,843	-349,777	1,049,426
Balance at end of current period	594,142	541,273	14,748,508	-1,185,432	14,698,491

	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	168,439	619,926	150,265	938,631	14,587,695
Changes of items during period					
Dividends of surplus					-463,371
Net income					1,778,214
Purchase of treasury shares					-413,445
Disposal of treasury shares					63,667
Profit on disposal of treasury shares					84,361
Net changes of items other than shareholders' equity	-106,362	-291,824	-72,565	-470,752	-470,752
Total changes of items during period	-106,362	-291,824	-72,565	-470,752	578,673
Balance at end of current period	62,077	328,101	77,699	467,878	15,166,369

## (4) Consolidated statement of cash flow

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,104,151	2,328,497
Depreciation	472,063	609,623
Increase (decrease) in allowance for doubtful accounts	-29,703	1,031
Increase (decrease) in provision for share-based compensation	18,922	16,505
Retirement benefit plans migration gains	-44,867	—
Increase (decrease) in provision for bonuses	62,000	34,543
Increase (decrease) in provision for directors' bonuses	5,650	-1,994
Increase (decrease) in net defined benefit liability	2,143	713
Decrease (increase) in net defined benefit asset	-113,845	41,578
Interest and dividend income	-28,287	-30,523
Interest expenses	1,973	1,717
Subsidy income	—	-95,212
Decrease (increase) in notes and accounts receivable - trade	-758,734	-66,091
Decrease (increase) in inventories	-230,567	-236,165
Increase (decrease) in notes and accounts payable - trade	-71,045	71,388
Other	599,743	-126,570
Subtotal	1,989,598	2,549,041
Interest and dividend income received	28,856	32,497
Interest expenses paid	-2,273	-1,352
Income taxes paid	-424,613	-746,772
Subsidy income	—	95,212
Net cash provided by (used in) operating activities	1,591,567	1,928,626
Cash flows from investing activities		
Payments into time deposits	-1,525,746	-1,523,901
Proceeds from withdrawal of time deposits	1,584,520	1,656,742
Purchase of property, plant and equipment	-814,701	-815,540
Proceeds from sales of property, plant and equipment	3,967	6,495
Purchase of intangible assets	-57,255	-14,745
Purchase of investment securities	-7,602	-9,252
Proceeds from sales of investment securities	0	—



Other	-15,982	-6,672
Net cash provided by (used in) investing activities	-832,798	-706,875
Cash flows from financing activities		
Repayments of long-term loans payable	-500,000	-500,000
Proceeds from sales of treasury shares	—	148,028
Purchase of treasury shares	—	-413,445
Cash dividends paid	-385,107	-463,070
Net cash provided by (used in) financing activities	-885,107	-1,228,487
Effect of exchange rate change on cash and cash equivalents	67,512	-57,996
Net increase (decrease) in cash and cash equivalents	-58,825	-64,733
Cash and cash equivalents at beginning of year	3,723,350	3,664,524
Cash and cash equivalents at end of year	* 3,664,524	* 3,599,791

(5) Notes to 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.

2 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.

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.

iv) Reserve for stock compensation

The Company provides for the delivery of the Company's shares etc. to the Company's directors and executive officers based on the estimated amount of payment in the end of the fiscal 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.

(Unapplied accounting standards, etc.)

- "Application Guideline on Accounting Standard for Tax Effect Accounting" (ASBJ Statement Guidance No. 28, revised on February 16, 2018 by the Accounting Standards Board of Japan)
- "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement Guidance No. 26, final revision on February 16, 2018 by the Accounting Standards Board of Japan)

(1) Outline

The "Application Guideline on Accounting Standard for Tax Effect Accounting" and such like have undergone the following revisions considered necessary at the time of transferring practical guidelines on tax effect accounting issued by the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, after basically incorporating the same content.

(Main treatment which revised accounting treatment)

- Treatment of taxable temporary difference pertaining to subsidiary stock, etc., in individual financial statements
- Treatment regarding recoverability of deferred tax assets in companies falling under "(Category 1)"

(2) Planned application date

It will be applied from the beginning of the fiscal year ending December 31, 2019.

(3) Effect of application of the accounting standards, etc.

The Company is currently evaluating the impact on the consolidated financial statements from applying the "Application Guideline on Accounting Standard for Tax Effect Accounting" and such like.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- "Application Guideline on Accounting Standard for Revenue Recognition" (ASBJ Statement Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Outline

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) collaboratively develop comprehensive accounting standards on revenue recognition and they released "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Based on the facts that IFRS 15 is to be applied from the fiscal years beginning on or after January 1, 2018 and Topic 606 from fiscal years beginning after December 15, 2017, the Accounting Standards Board of Japan developed a comprehensive accounting standard for revenue recognition and released it along with an application guideline.

As a basic policy in developing the Accounting Standards Board of Japan's Accounting Standard for Revenue Recognition, it was decided to incorporate the basic principles of IFRS 15 as a starting point to establish accounting standards from the viewpoint of ensuring comparability between financial statements, which is one of the benefits of consistency with IFRS 15. In addition, if there are items to be considered in practice, etc.,

which have been carried out so far in Japan, alternative handling is to be added to the extent that comparability is not impaired.

(2) Planned application date

It will be applied from the beginning of the fiscal year ending December 31, 2022.

(3) Effect of application of the accounting standards, etc.

The Company is currently evaluating the impact on the consolidated financial statements from applying the "Accounting Standard for Revenue Recognition" and such like.

(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

	Previous fiscal year (As of December 31, 2017)	Current fiscal year (As of December 31, 2018)
notes receivable	33,887 thousand yen	43,413 thousand yen
notes payable	30,073 thousand yen	33,549 thousand yen

\*2 Pledged assets

	Previous fiscal year (As of December 31, 2017)	Current fiscal year (As of December 31, 2018)
Buildings and structures	91,594 thousand yen	89,212 thousand yen
Land	28,362 thousand yen	26,685 thousand yen
Total	119,957 thousand yen	115,898 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 (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
	38,110 thousand yen	9,479 thousand yen

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Provision of allowance for doubtful accounts	811 thousand yen	6,067 thousand yen
Salaries and bonuses	1,025,789 thousand yen	1,197,066 thousand yen
Packing and transportation expenses	431,876 thousand yen	564,051 thousand yen
Provision for allowance for bonuses	168,751 thousand yen	179,832 thousand yen
Provision for directors' bonuses	38,447 thousand yen	36,453 thousand yen
Provision for share-based compensation	18,922 thousand yen	16,505 thousand yen
Retirement benefit expenses	69,454 thousand yen	75,314 thousand yen
Research and development expenses	786,948 thousand yen	1,240,544 thousand yen

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
	786,948 thousand yen	1,240,544 thousand yen

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Machinery, equipment and vehicles	2,678 thousand yen	4,870 thousand yen
Tools, furniture and fixtures	-	87 thousand yen
Total	2,678 thousand yen	4,958 thousand yen

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Machinery, equipment and vehicles	572 thousand yen	15 thousand yen
Tools, furniture and fixtures	1,507 thousand yen	-
Total	2,080 thousand yen	15 thousand yen

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Buildings and structures	475 thousand yen	1,127 thousand yen
Machinery, equipment and vehicles	2,092 thousand yen	1,833 thousand yen
Tools, furniture and fixtures	632 thousand yen	653 thousand yen
Investments and other assets [other]	50 thousand yen	-
Fixed asset removal costs	1,249 thousand yen	4,789 thousand yen
Total	4,499 thousand yen	8,402 thousand yen

(Matters related to consolidated statement of comprehensive income)

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

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year under review	67,514 thousand yen	-153,216 thousand yen
Amount of reclassification adjustment	-0 thousand yen	-
Before income tax effect	67,513 thousand yen	-153,216 thousand yen
Income tax effect	-20,645 thousand yen	46,853 thousand yen
Valuation difference on available-for-sale securities	46,868 thousand yen	-106,362 thousand yen
Foreign currency translation adjustment:		
Amount arising in the current fiscal year under review	234,702 thousand yen	-291,824 thousand yen
Adjustments related to retirement benefits:		
Amount arising in the current fiscal year under review	41,820 thousand yen	-59,941 thousand yen
Amount of reclassification adjustment	-21,252 thousand yen	-44,590 thousand yen
Before income tax effect	20,568 thousand yen	-104,531 thousand yen
Income tax effect	-6,289 thousand yen	31,965 thousand yen
Adjustments related to retirement benefits	14,278 thousand yen	-72,565 thousand yen
Other comprehensive income	295,848 thousand yen	-470,752 thousand yen

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

Previous fiscal year (Fiscal year ended 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	193,071	10	March 31, 2017	May 31, 2017
November 2, 2017 Board of directors' meeting	Common stock	193,071	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 2, 2018

(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.

Current fiscal year (Fiscal year ended December 31, 2018)

## 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	200,143	-	1,100,232
Total	900,089	200,143	-	1,100,232

- (Note) 1. A total of 204,675 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 200,143 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, and due to purchase of shares less than one unit is 143 shares.

## 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
February 20 2018 Board of directors' meeting	Common stock	231,686	12	December 31, 2017	March 2, 2018
October 9, 2018 Board of directors' meeting	Common stock	231,685	12	June 30, 2018	September 4, 2018

(Note) The total amount of dividends based on a resolution made by the Board of Directors on February 20, 2018 and October 9, 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.

## (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 19, 2019 Board of directors' meeting	Common stock	268,457	Retained earnings	14	December 31, 2018	March 1, 2019

(Note) The total amount of dividends based on a resolution made by the Board of Directors on February 19, 2019, 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 (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Cash and deposits	4,634,069 thousand yen	4,388,263 thousand yen
Time deposits with maturities extending over three months	-969,544 thousand yen	-788,471 thousand yen
Cash and cash equivalents	3,664,524 thousand yen	3,599,791 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. As of April 1, 2017, we transition to a contract-type defined benefit 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.

## 2. 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 (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Beginning balance of the retirement benefit obligation	1,185,010 thousand yen	889,069 thousand yen
Service costs	53,466 thousand yen	75,698 thousand yen
Interest expense	2,496 thousand yen	3,556 thousand yen
Accruals of actuarial gains and losses	5,244 thousand yen	2,648 thousand yen
Payment of retirement benefits	-4,239 thousand yen	-47,498 thousand yen
Net accruals by the pension fund dissolution	-352,909 thousand yen	-
Balance of retirement benefit obligations at end of year	889,069 thousand yen	923,474 thousand yen

## (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 (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Beginning balance of pension assets	1,664,272 thousand yen	1,468,707 thousand yen
Expected return on assets	973 thousand yen	1,468 thousand yen
Accruals of actuarial gains and losses	105,401 thousand yen	-57,293 thousand yen
Contributions from the employer	68,678 thousand yen	96,149 thousand yen
Payment of retirement benefits amount distributed by the employees' pension fund dissolution	-4,239 thousand yen	-47,498 thousand yen
	-366,377 thousand yen	-
Balance of the pension assets at end of year	1,468,707 thousand yen	1,461,533 thousand yen

## (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 (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Beginning balance of the liability for retirement benefits	50,812 thousand yen	53,522 thousand yen
Payment of retirement benefits	2,143 thousand yen	713 thousand yen
Other	565 thousand yen	-484 thousand yen
Ending balance of the liability for retirement benefits	53,522 thousand yen	53,751 thousand yen

## (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 (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Retirement benefit obligation of funded plans	922,636 thousand yen	956,210 thousand yen
Pension assets	1,490,172 thousand yen	1,486,598 thousand yen
	-567,535 thousand yen	-530,387 thousand yen
Retirement benefit obligation of unfunded plans	41,420 thousand yen	46,080 thousand yen
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	-526,115 thousand yen	-484,307 thousand yen



Liabilities related to retirement benefits	53,522 thousand yen	53,751 thousand yen
Net defined benefit asset	-579,637 thousand yen	-538,059 thousand yen
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	-526,115 thousand yen	-484,307 thousand yen

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

	Previous consolidated fiscal year (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Service cost	53,466 thousand yen	75,698 thousand yen
Interest expense	2,496 thousand yen	3,556 thousand yen
Expected return on assets	-973 thousand yen	-1,468 thousand yen
Expensed amount of actuarial gains and losses	-21,252 thousand yen	-44,590 thousand yen
Retirement benefit costs which are calculated using the simplified method	2,143 thousand yen	713 thousand yen
Loss on transfer of benefit obligation relating to employees' pension fund	-44,867 thousand yen	-
Retirement benefit cost of defined benefit plans	-8,986 thousand yen	33,909 thousand yen

## (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 (Fiscal year ended December 31, 2017)	Consolidated fiscal year (Fiscal year ended December 31, 2018)
Accruals of actuarial gains and losses	-20,568 thousand yen	104,531 thousand yen
Total	-20,568 thousand yen	104,531 thousand yen

## (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 (As of December 31, 2017)	Consolidated fiscal year (As of December 31, 2018)
Difference with unrecognized actuarial gain and loss	-216,457 thousand yen	-111,926 thousand yen
Total	-216,457 thousand yen	-111,926 thousand yen

## (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 (As of December 31, 2017)	Consolidated fiscal year under review (As of December 31, 2018)
Bonds	25%	32%
Stocks	42%	34%
General accounts	19%	21%
Other	14%	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 (As of December 31, 2017)	Consolidated fiscal year under review (As of December 31, 2018)
Discount rate	0.4%	0.4%
Expected long-term rate of return on pension assets	0.1	0.1

3. Defined contribution plans

The required contributions to defined contribution plans of consolidated subsidiaries that use defined contribution plans came to 73,5557 thousand yen for the previous consolidated fiscal year (Fiscal year ended December 31, 2017) and 88,068 thousand yen for the consolidated fiscal year under review (Fiscal year ended December 31, 2018).

4. Matters related to other retirement benefits

Part of the contract-type defined benefit corporate pension plan (cash balance plan) to the defined contribution pension plan in the previous consolidated fiscal year

The effect of the transition is as follows.

	Previous consolidated fiscal year (As of December 31, 2017)
Decrease in retirement benefit obligation	352,909 thousand yen
Decrease in plan assets	-366,377 thousand yen
Unrecognized actuarial difference	58,335 thousand yen
<u>Total</u>	<u>44,867 thousand yen</u>

## (Deferred tax accounting)

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

## (Current Assets)

	Previous fiscal year (As of December 31, 2017)	Current fiscal year (As of December 31, 2018)
Deferred tax assets		
Allowance for bonuses	88,654 thousand yen	98,499 thousand yen
Accrued enterprise tax	16,134 thousand yen	13,937 thousand yen
Social insurance premiums	13,593 thousand yen	15,052 thousand yen
Loss on valuation of inventory assets	35,067 thousand yen	36,252 thousand yen
Unrealized income on inventory assets	120,614 thousand yen	126,999 thousand yen
Other	9,209 thousand yen	22,413 thousand yen
Total deferred tax assets	283,274 thousand yen	313,155 thousand yen
Deferred tax liabilities		
Other	-415 thousand yen	-591 thousand yen
Total deferred tax liabilities	-415 thousand yen	-591 thousand yen
Net deferred tax assets	282,859 thousand yen	312,563 thousand yen

## (Fixed Assets)

	Previous fiscal year (December 31, 2017)	Current fiscal year (December 31, 2018)
Deferred tax assets		
Accrued retirement allowance for accrued personnel	4,379 thousand yen	4,379 thousand yen
Debt related to retirement benefits	14,723 thousand yen	15,625 thousand yen
Carryforward loss	34,323 thousand yen	40,226 thousand yen
Reserve for stock compensation	19,083 thousand yen	21,553 thousand yen
Impairment loss	176,238 thousand yen	176,238 thousand yen
Other	30,117 thousand yen	45,038 thousand yen
Subtotal	278,866 thousand yen	303,062 thousand yen
Valuation allowance	-208,549 thousand yen	-209,663 thousand yen
Total deferred tax assets	70,317 thousand yen	93,399 thousand yen
Deferred tax liabilities		
Unrealized gains on other securities	-74,198 thousand yen	-27,345 thousand yen
Retained earnings of foreign subsidiaries	-299,235 thousand yen	-266,406 thousand yen
Assets related to retirement benefits	-177,253 thousand yen	-164,538 thousand yen
Total deferred tax liabilities	-550,687 thousand yen	-458,290 thousand yen
Net deferred tax liabilities	-480,370 thousand yen	-364,890 thousand yen

The amount of "net deferred tax liabilities" (previous fiscal year: -480,370 thousand yen; current fiscal year: -364,890 thousand yen) is included in the following items in the consolidated balance sheet.

	Previous fiscal year (As of December 31, 2017)	Current fiscal year (As of December 31, 2018)
Fixed assets - deferred tax assets	6,406 thousand yen	10,356 thousand yen
Fixed liabilities - deferred tax liabilities	-486,777 thousand yen	-375,246 thousand yen

## 2 Breakdown by major items that caused the difference between the statutory effective tax rate and the burden rate of corporation tax etc. after applying tax effect accounting

	Previous fiscal year (As of December 31, 2017)	Current fiscal year (As of December 31, 2018)
Statutory effective tax rate	30.8%	30.8%
(Adjustment)		
Permanent differences such as entertainment expenses	1.1%	0.4%
Inhabitant tax equivalent	0.2%	0.2%
Examination research expenses etc. Tax deduction	-6.7%	-6.6%
Foreign withholding tax	-0.4%	2.5%
Overseas Subsidiary Income Retention Taxation	1.0%	0.4%
Retained earnings of foreign subsidiaries	2.2%	-1.4%
Overseas tax rate discrepancy	-2.5%	-2.0%
Other	-0.2%	-0.7%
Burden of corporate tax etc. after applying tax effect accounting	25.5%	23.6%

## (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 COMPANY 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), Thailand 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.

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

Previous fiscal year (Fiscal year ended December 31, 2017)

(in 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

Current fiscal year (January 1, 2018 to December 31, 2018)

(in thousands of yen)

	Reportable segment						Total
	Japan	Taiwan	Hong Kong	China	Thailand	Europe	
Net sales							
Sales to external customers	5,367,605	2,250,993	991,069	2,083,362	-	635,735	11,328,766
Inter-segment sales and transfers	2,592,802	-	7,370	6,063	-	207,343	2,813,579
Total	7,960,408	2,250,993	998,440	2,089,426	-	843,078	14,142,345
Segment profit	1,491,099	267,033	177,122	251,381	-27,569	83,957	2,243,024
Segment assets	14,146,872	2,547,089	1,369,046	1,647,217	702,297	603,339	21,015,863
Other items							
Depreciation and amortization	486,554	32,517	18,967	53,916	44	17,623	609,623
Increase in property, plant and equipment and intangible assets	268,000	40,107	20,434	14,433	209,190	40,422	592,588

## 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	11,616,622	14,142,345
Intersegment eliminations	-1,974,838	-2,813,579
Sales stated in the Consolidated Financial Statements	9,641,783	11,328,766

(in thousands of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segment total	2,089,628	2,243,024
Intersegment eliminations	-95,718	-20,047
Operating income in the Consolidated Financial Statements	1,993,910	2,222,976

(in thousands of yen)

Assets	Previous fiscal year	Current fiscal year
Reportable segment total	21,193,533	21,015,863
Intersegment eliminations	-1,945,760	-2,118,187
Total assets in the Consolidated Financial Statements	19,247,772	18,897,675

(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	472,063	609,623	-	-	472,063	609,623
Increase in property, plant and equipment and intangible assets	647,401	592,588	-	-	647,401	592,588

## [Related Information]

Previous fiscal year (Fiscal year ended 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.

Current fiscal year (Fiscal year ended December 31, 2018)

## 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
5,161,172	2,231,334	3,074,432	861,826	11,328,766

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
6,722,444	735,378	428,428	232,017	159,841	8,278,111

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]

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 (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Net assets per share	760.92 yen	799.46 yen
Net income per share	81.77 yen	92.85 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. The basis for calculating net income per share is as follows.

	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Net income (thousands of yen)	1,567,618	1,778,214
Amount not available for common shareholders (thousands of yen)	-	-
Net profit available for common stocks (thousands of yen)	1,567,618	1,778,214
Weighted-average number of common shares outstanding during the year (shares)	19,171,004	19,152,489

(Important subsequent events)

N/A



## 4. Non-consolidated financial statements

## (1) Balance sheet

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	2,007,128	2,131,499
Notes receivable - trade	162,124	178,058
Accounts receivable - trade	2,098,929	1,945,904
Merchandise and finished goods	110,477	121,121
Raw materials and supplies	262,207	304,578
Prepaid expenses	14,978	17,298
Deferred tax assets	143,371	172,800
Accounts receivable - other	133,411	153,426
Other	3,831	17,224
Total current assets	4,936,460	5,041,911
Non-current assets		
Property, plant and equipment		
Buildings	3,549,429	3,385,437
Structures	126,064	133,466
Machinery and equipment	626,177	593,501
Vehicles	23,098	26,610
Tools, furniture and fixtures	319,151	303,206
Land	2,274,036	2,274,036
Construction in progress	434	6,186
Total property, plant and equipment	6,918,391	6,722,444
Intangible assets		
Leasehold right	29,380	29,380
Software	128,978	103,674
Other	2,068	2,053
Total intangible assets	160,427	135,108
Investments and other assets		
Investment securities	537,699	393,309
Affiliated company shares	1,401,636	1,401,636
Capital	5	5
Bankruptcy Refundable Loans	—	79
Long-term prepaid expenses	444	312
Prepaid pension expense	363,179	426,132
Other	14,260	14,815
Allowance for doubtful accounts	—	-79
Total investments and other assets	2,317,224	2,236,211
Total non-current assets	9,396,044	9,093,764
<b>Total assets</b>	<b>14,332,504</b>	<b>14,135,676</b>

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable	509,237	621,018
Accounts payable -trade-	279,495	204,300
Current portion of long-term loans payable	500,000	500,000
Accounts payable -other-	268,802	331,666
Accrued expenses	105,916	119,892
Income taxes payable	252,829	140,748
Deposits received	67,317	61,772
Provision for bonuses	287,744	322,104
Provision for directors' bonuses	38,447	36,453
Notes payable - facilities	340,658	15,793
Accrued expenses - facilities	33,114	116,676
<b>Total current liabilities</b>	<b>2,683,563</b>	<b>2,470,427</b>
<b>Non-current liabilities</b>		
Long-term loans payable	750,000	250,000
Deferred tax liabilities	121,344	74,608
Asset retirement obligations	587	587
Provision for retirement benefits	41,420	46,080
Provision for Share-based compensation	62,406	78,912
Other	22,925	22,936
<b>Total non-current liabilities</b>	<b>998,683</b>	<b>473,124</b>
<b>Total liabilities</b>	<b>3,682,247</b>	<b>2,943,552</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	594,142	594,142
<b>Capital surplus</b>		
Legal capital surplus	446,358	446,358
Other capital surplus	10,553	94,914
<b>Total capital surpluses</b>	<b>456,912</b>	<b>541,273</b>
<b>Retained earnings</b>		
Legal retained earnings	63,557	63,557
<b>Other retained earnings</b>		
General reserve	7,900,000	8,900,000
Retained earnings brought forward	2,302,860	2,216,506
<b>Total retained earnings</b>	<b>10,266,417</b>	<b>11,180,064</b>
Treasury shares	-835,654	-1,185,432
<b>Total shareholders' equity</b>	<b>10,481,817</b>	<b>11,130,046</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	168,439	62,077
<b>Total valuation and translation adjustments</b>	<b>168,439</b>	<b>62,077</b>
<b>Total net assets</b>	<b>10,650,257</b>	<b>11,192,124</b>
<b>Total liabilities and net assets</b>	<b>14,332,504</b>	<b>14,135,676</b>

## (2) Statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	5,925,872	7,960,408
Cost of sales	2,053,942	2,908,090
Gross profit	3,871,930	5,052,317
Selling, general and administrative expenses	2,461,062	3,561,218
Operating profit	1,410,867	1,491,099
Non-operating income		
Interest and dividend income	11,206	233,351
Proceeds from sales of prototypes	15,154	28,463
Foreign exchange gains	18,553	—
Other	11,547	17,767
Total non-operating income	56,461	279,582
Non-operating expenses		
Interest expenses	1,973	1,717
Foreign exchange losses	—	65,517
Miscellaneous loss	550	4,399
Other	268	796
Total non-operating expenses	2,791	72,431
Ordinary profit	1,464,537	1,698,250
Extraordinary income		
Gain on sales of non-current assets	8	945
Subsidy income	—	95,212
Retirement benefit plans migration gains	44,867	—
Other	1,776	—
Total extraordinary income	46,651	96,158
Extraordinary losses		
Loss on sale of non-current assets	—	15
Loss on retirement of non-current assets	1,946	7,465
Loss on reduction of non-current assets	1,776	—
Total extraordinary losses	3,722	7,481
Profit before income taxes	1,507,466	1,786,927
Income taxes - current	350,836	439,220
Income taxes - deferred	-21,239	-29,311
Total income taxes	329,597	409,909
Profit	1,177,869	1,377,018

## [Details of cost of sales]

Category	Note no.	Previous fiscal year	Current fiscal year
		(Fiscal year ended December 31, 2017)	(Fiscal year ended December 31, 2018)
		Amount (thousand yen)	Amount (thousand yen)
Product cost		1,909,948	2,708,987
Cost of goods		40,512	66,095
Repair cost		6,653	20,011
Cost of sales of raw materials		96,828	112,995
Total cost of sales		2,053,942	2,908,090

## (3) Statement of changes in equity

Previous fiscal year (Fiscal year ended December 31, 2017)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		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
Net income							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
Net income		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

## Current fiscal year (Fiscal year ended December 31, 2018)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		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	7,900,000	2,302,860	10,266,417
Changes of items during period								
Provision of general reserve						1,000,000	-1,000,000	-
Dividends of surplus							-463,371	-463,371
Net income							1,377,018	1,377,018
Purchase of treasury shares								
Disposal of treasury shares								
loss on disposal of treasury shares			84,361	84,361				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	84,361	84,361	-	1,000,000	-86,353	913,646
Balance at end of current period	594,142	446,358	94,914	541,273	63,557	8,900,000	2,216,506	11,180,064

	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	10,481,817	168,439	168,439	10,650,257
Changes of items during period					
Provision of general reserve		-			-
Dividends of surplus		-463,371			-463,371
Net income		1,377,018			1,377,018
Purchase of treasury shares	-413,445	-413,445			-413,445
Disposal of treasury shares	63,667	63,667			63,667
loss on disposal of treasury shares		84,361			84,361
Net changes of items other than shareholders' equity			-106,362	-106,362	-106,362
Total changes of items during period	-349,777	648,229	-106,362	-106,362	541,866
Balance at end of current period	-1,185,432	11,130,046	62,077	62,077	11,192,124

7. Other

Transfer of Officers

Refer to "Notice on Change of Directors and Executive Officers" announced on February 13, 2019.