

## Financial Announcement for the Year Ended December 31, 2019 [Japanese Standard] (Consolidated)

February 13, 2020  
Stock exchange listing: Tokyo Stock Exchange

Company Name: MEC COMPANY LTD.

Stock Code No.: 4971 Company URL: <https://www.mec-co.com/en/>

Representative: Kazuo MAEDA, CEO & President

Contact: Yoshihiro SAKAMOTO, Corporate Communication Office TEL: +81-(0)6-6401-8160

Date of General Meeting of Shareholders (Scheduled): March 24, 2020

Commencement Date of Dividend Payment (Scheduled): March 10, 2020

Date of Filing the Financial Report (Scheduled): March 25, 2020

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, 2019 (January 1, 2019 to December 31, 2019)

#### (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, 2019	10,865	-4.1	1,637	-26.4	1,722	-23.0	1,236	-30.5
Fiscal year ended December 31, 2018	11,328	-	2,222	-	2,236	-	1,778	-

Note: Comprehensive income for fiscal year ended December 31, 2019: 1,414 million yen (8.2%); fiscal year ended December 31, 2018: 1,307 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, 2019	65.16	-	7.9	8.9	15.1
Fiscal year ended December 31, 2018	92.85	-	12.0	11.9	19.6

(Reference) Investment profit or loss according to the equity method: Year ended December 31, 2019: - million yen Year ended December 31, 2018: - 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.

#### (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, 2019	19,991	16,091	80.5	847.94
Fiscal year ended December 31, 2018	18,601	15,166	81.5	799.46

(Reference) Shareholder's equity: Year ended December 31, 2019: 16,091 million yen Year ended December 31, 2018: 15,166 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, 2019	2,162	-1,190	-632	3,952
Fiscal year ended December 31, 2018	1,928	-706	-1,228	3,599

### 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	%	%
Fiscal year ended December 31, 2018	-	12.00	-	14.00	26.00	500	28.0	3.4
Fiscal year ended December 31, 2019	-	12.00	-	14.00	26.00	498	39.9	3.2
Fiscal year ending December 31, 2020 (Forecast)	-	12.00	-	14.00	26.00		39.5	

## Translation

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(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
1st half	5,000	0.5	600	-1.7	600	-6.0	400	-12.5	21.07
Full year	11,600	6.8	1,700	3.8	1,750	1.6	1,250	1.1	65.87

## 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.: Yes

2) Changes other than those of (1): No

3) Expected changes to accounting standards: No

4) Restatements: No

\* For details, see "Changes in accounting policy" on page 19 of the attached document.

(3) Number of shares outstanding (Common stock)

1) Number of shares outstanding (including treasury stock) issued as of:	As of December 31, 2019	20,071,093 shares	As of December 31, 2018	20,071,093 shares
2) Number of shares of treasury stock:	As of December 31, 2019	1,093,311 shares	As of December 31, 2018	1,100,232 shares
3) Average number of shares during the period:	As of December 31, 2019	18,975,272 shares	As of December 31, 2018	19,152,489 shares

### (Reference) Non-consolidated Results

1 Non-consolidated Results for the Year Ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(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, 2019	7,256	-8.8	1,061	-28.8	1,330	-21.7	1,032	-25.0
Fiscal year ended December 31, 2018	7,960	-	1,491	-	1,698	-	1,377	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended December 31, 2019	54.42	-
Fiscal year ended December 31, 2018	71.90	-

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.

(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, 2019	14,898	11,859	79.6	624.93
Fiscal year ended December 31, 2018	14,061	11,192	79.6	589.96

(Reference) Shareholder's equity: Year ended December 31, 2019: 11,859 million yen Year ended December 31, 2018: 11,192 million yen

\* Financial results are not audited by certified public accountants or auditing firms.

\* 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 4 of the attachment.
- We are planning to hold financial results briefing for institutional investors and analysts on Thursday, February 13, 2020 and Monday, February 17, 2020. Materials of financial results briefings are posted on our website.

## ○ Table of Contents for Attached Material

1. Overview of business results, etc. ....	2
(1) Analysis relating to the operating results.....	2
(2) Analysis relating to the financial situation.....	3
(3) Analysis relating to the cash flow.....	3
(4) Statement of forward looking. ....	4
2. Basic concept regarding the selection of accounting standards.....	6
3. Consolidated financial statements and major notes.....	7
(1) Consolidated balance sheet.....	7
(2) Consolidated statement of income and consolidated statement of comprehensive income .....	10
Consolidated statement of income.....	10
Consolidated statement of comprehensive income.....	11
(3) Consolidated statement of changes in shareholders' equity .....	12
(4) Consolidated statement of cash flow .....	14
(5) Notes to Consolidated Financial Statements.....	16
(Notes on the premise of a going concern) .....	16
(Basis of presentation and summary of significant accounting policies for the preparation of consolidated financial statements).....	16
(Unapplied accounting standards etc.).....	20
(Notes to consolidated balance sheet).....	21
(Notes to consolidated statement of income).....	21
(Matters related to consolidated statement of comprehensive income) .....	22
(Matters related to consolidated statement of changes in shareholders' equity).....	23
(Consolidated statement of cash flow).....	24
(Retirement benefit).....	25
(Tax effect accounting).....	28
(Segment information).....	30
(Per share information).....	33
(Important subsequent events).....	33
4. Non-consolidated financial statements and major notes.....	34
(1) Balance sheet.....	34
(2) Statement of income .....	36
(3) Statement of changes in shareholders' equity .....	37
5. Other .....	39
Transfer of Directors .....	39

1. Overview of business results, etc.  
 (1) Analysis relating to the operating results  
 [Outline of the current period]

The global economy in the current consolidated fiscal year under review (January 1, 2019-December 31, 2019) saw increasing uncertainties, including trade friction between the United States and China, slowing economic growth in China, and the problem of the UK leaving the EU. In the Japanese economy, some weakness was seen due to weak external demand against the background of a slowdown in overseas economies and due to the impact of natural disasters. However, it recovered moderately, centering on domestic demand, due to improvements in the employment and income environment. But there are ongoing concerns about the uncertainty of overseas economies and geopolitical tensions, etc.

In the electronics industry, sales of smartphones were sluggish against the background of maturing demand and trade friction between the United States and China. Sales of automobiles, which are becoming increasingly electronic, were also stagnant worldwide. In addition, in the first half of 2019 demand for memory for smartphones and servers was sluggish despite the steady shipment of PCs.

The electronic circuit board and component industry, which is a related market for the Group, saw weak demand in the first half of the year due to market conditions for smartphones and automobiles, their major applications. Although the industry of electronic circuit boards that incorporate electronic components is facing a difficult situation, the move to high-density components and technological innovation are progressing. Further, the market related to the IoT (Internet of Things: a concept where everything is connected to the Internet) is expected to continue to see high growth. With regard to mobile communication systems, people's attention is focused on the switch from the fourth-generation (4G) to the high-speed, large-capacity fifth-generation (5G), and there are intensifying efforts for commercialization in this area. In particular, manufacturers are making capital investments to strengthen their production systems for high-performance package substrates. Also, technological development for self-driving vehicles is steadily progressing.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. Manufacturers use the EXE Series to achieve a high-density wiring pattern with the etching method, and we have acquired a high market share for their use in displays, mainly flat-screen TVs. Their use in smartphones has also increased, and they have shown a solid performance. We have a high market share with the CZ Series of super-roughening agents for use with package substrates, but their performance has remained almost flat. On the other hand, sales of the BO Series for multilayer electronic substrates and the SF Series for displays ended up being sluggish.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 10,865 million yen (down 462 million yen or 4.1% year-on-year). Operating income came to 1,637 million yen (down 585 million yen year-on-year or 26.4%), and the operating income to net sales ratio was 15.1%, down 4.5 points compared with the 19.6% last year. Ordinary income amounted to 1,722 million yen (down 514 million yen year-on-year or 23.0%). Net income before income taxes amounted to 1,710 million yen (a year-on-year decrease of 617 million yen or 26.5%), and net income attributable to owners of parent was 1,236 million yen (a decrease of 541 million yen, down 30.5% from the same period of the previous year).

The market was on a recovery track in the second half of the fiscal year, but that did not make up for the slump in the first half. And although we were able to achieve our business forecast for the current consolidated fiscal year, the result was worse than the previous year.

Looking at a breakdown of sales, sales of chemicals were 10,657 million yen (down 473 million yen or 4.3% year-on-year), sales of materials were 105 million yen (down 12 million yen or 10.3% year-on-year), machinery sales were 83 million yen (up 29 million yen or 55.7% year-on-year), and other sales were 18 million yen (down 6 million yen, or 26.4% year-on-year). Shipments of chemicals fell 2.3% compared with the same period last year.

The overseas sales ratio was 55.2%, up 0.8 points compared with the same period last year.

Results by segment are as follows.

In Japan, there was a slowdown in sales of smartphones and in-vehicle substrates and also in the cryptocurrency market, and this meant there were lower sales of related products. Net sales for the consolidated fiscal year were 5,043 million yen (down 323 million yen or 6.0% year-on-year), and segment profit was 1,061 million yen (down 429 million yen, or 28.8% year-on-year).

In Taiwan, sales of chemicals for displays were strong, but sales of smartphones slowed down. As a result, net sales for the current consolidated fiscal year were 2,180 million yen (down 70 million yen, or 3.1% year-on-year), and segment profit was 273 million yen (up 6 million yen, or 2.3% year-on-year).

In Hong Kong (Hong Kong, Zhuhai), the smartphone and in-vehicle substrate markets were relatively firm compared to other regions. Net sales for the current consolidated fiscal year were 1,025 million yen (up 34 million yen, or 3.5% year-on-year) and segment profit was 178 million yen (up 1 million yen, or 0.6% year-on-year).

In China (Suzhou), there was a slowdown in sales of smartphones and this meant there were lower sales of related products. As a result, sales were 1,990 million yen (down 92 million yen, or 4.4% year-on-year) for the consolidated fiscal year under review. Segment profit was 165 million yen (down 86 million yen, or 34.3% year-on-year).

In Europe, there was a slowdown in sales of substrates for general industry and in-vehicle substrates and so sales of related products were sluggish. Net sales for the consolidated fiscal year under review were 624 million yen (down 11 million yen, or 1.7% year-on-year) and segment profit was 63 million yen (down 20 million yen, or 24.6% year-on-year).

In Thailand, in order to enhance our presence in the expanding Southeast Asian market in the future, on May 29, 2017 we established a subsidiary as our sixth company, and the construction was completed in July 2019. Although it started operating in September 2019, it did not contribute to sales for the consolidated fiscal year under review, and there was a segment loss of 136 million yen.

Regarding the return of profits to shareholders, the annual dividend was set at 26 yen, and the consolidated dividend payout ratio was 39.9%.

## (2) Analysis relating to the financial situation

Assets were 19,991 million yen, up 1,390 million yen compared with the end of the previous consolidated fiscal year.

This was mainly due to a decrease in notes and accounts receivable-trade and work in process. It was also due to an increase in tangible fixed assets related to a subsidiary in Thailand, an increase in construction in progress related to a building that manufactures dangerous goods and construction in a former research building, and an increase in investment securities due to rising market prices.

Liabilities were 3,899 million yen, up 464 million yen compared with the end of the previous consolidated fiscal year.

This was mainly due to a decrease in long-term loans payable and an increase in notes payable-facilities related to construction of a building that manufactures dangerous goods and a former research building.

Net assets were 16,091 million yen, up 925 million yen compared with the end of the previous consolidated fiscal year.

This was mainly due to an increase in retained earnings and net unrealized gains on other securities.

As a result of the above, the equity ratio reached 80.5% and ROE was 7.9%.

In addition, the consolidated dividend payout ratio was 39.9%.

## (3) Analysis relating to the cash flow

Looking at the financial position at the end of the consolidated fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) rose 352 million yen compared with the end of the previous year to record 3,952 million yen.

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

(Cash flow from operating activities)

Cash from operating activities amounted to 2,162 million yen (up 233 million yen year-on-year). This was mainly because income before income taxes came to 1,710 million yen and depreciation expenses were 692 million yen; however, factors causing a decrease in cash included a payment of income taxes of 521 million yen.

(Cash flow from investment activities)

As a result of investment activities, cash used amounted to 1,190 million yen (up 483 million yen year-on-year). This was mainly because payments to acquire tangible fixed assets came to 870 million yen.

(Cash flow from financial activities)

As a result of financing activities, cash used amounted to 632 million yen (down 595 million yen year-on-year). This was mainly due to dividends paid of 498 million yen.

#### Changes in cash flow indicators

	As of March 31, 2016	As of March 31, 2017	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019
Equity ratio (%)	78.9%	73.7%	76.8%	81.5%	80.5%
Equity ratio based on market value (%)	108.2%	137.2%	237.6%	109.2%	143.6%
Debt repayment period (years)	-	1.1	0.8	0.4	0.3
Interest coverage ratio	-	586.9	700.2	1,425.5	855.2

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 next fiscal year, concerns about the outlook for the global economy are expected to continue due to the effects of the infectious disease caused by the new coronavirus, trade-related issues, uncertainty in overseas economies, increasing global geopolitical risks, and foreign exchange trends. In the Japanese economy, as the employment and income environment are continuing to improve, there is a virtuous cycle of such improvements and a stronger economy. Hence, the economy is expected to return to a gradual recovery with an expected business recovery centered on domestic demand.

In the electronics industry, we believe that the market for semiconductors will expand against the backdrop of devoted efforts for commercializing products for 5G and robust demand in IoT-related businesses.

With this kind of external environment imagined, the Group will work to expand sales of the CZ Series of products by accurately capturing opportunities to further increase demand for their use in high-density electronic substrates. 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.

Regarding the results for the next fiscal year, we expect to see higher sales of chemicals, and we forecast that operating income will slightly exceed the level of the fiscal year under review although we forecast higher personnel expenses due to a greater number of staff members, increased expenses related to the newly launched Thai subsidiary, higher depreciation expenses, and greater shipping fares.

Based on the above, for the consolidated results of the Group for the next fiscal year we forecast sales of 11,600 million yen (up 734 million yen or 6.8% year-on-year), operating income of 1,700 million yen (up 62 million yen or 3.8% year-on-year), an operating income to net sales ratio of 14.7% (down 0.4 percentage points year-on-year), ordinary income of 1,750 million yen (up 27 million yen or 1.6% year-on-year), and net income attributable to the parent company of 1,250 million yen (up 13 million yen or 1.1% year-on-year).

ROE is forecast to be 7.6%. Compared with the period under review, it is down 0.3 points. However, in the future we will continue to improve our management efficiency and enhance ROE while trying to increase sales.

(Reference)

	FY 2019 (Million yen)	FY 2020 (Forecast) (Million yen)	* Increase or decrease after adjustment (%)
Net sales	10,865	11,600	6.8
Operating income	1,637	1,700	3.8
Ordinary income	1,722	1,750	1.6
Profit attributable to owners of parent	1,236	1,250	1.1
Net income per share	65.16	65.87	-
ROE (%)	7.9	7.6	-0.3

Exchange rates for the current fiscal year and the next fiscal year

	FY 2019 (Yen)	FY 2020 (Forecast) (Yen)
US \$	109.37	108.62
NT \$	3.54	3.50
RMB ¥	15.85	15.76
HK \$	13.96	13.88
€	122.53	121.17
THB	3.52	3.52



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

(in the unit of 1,000 yen)

	As of December 31, 2018	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	4,388,263	4,957,484
Notes and accounts receivable - trade	3,569,104	3,128,711
Merchandise and finished goods	7,681	262,127
Work in process	404,729	420,647
Raw materials and supplies	234,523	132,689
Deferred tax assets	473,357	391,591
Other	83,390	149,125
Allowance for doubtful accounts	-12,790	-3,845
<b>Total current assets</b>	<b>9,148,261</b>	<b>9,438,532</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,376,133	6,939,730
Accumulated depreciation	-2,403,329	-2,571,047
Buildings and structures, net	3,972,804	4,368,683
Machinery, equipment and vehicles	2,425,927	2,734,071
Accumulated depreciation	-1,645,168	-1,847,339
Machinery, equipment and vehicles, net	780,759	886,732
Tools, furniture and fixtures	1,206,844	1,254,504
Accumulated depreciation	-766,187	-871,792
Tools, furniture and fixtures, net	440,656	382,711
Land	2,924,091	2,933,082
Right-of-use asset	-	79,786
Accumulated depreciation	-	-35,075
Right-of-use asset, net	-	44,710
Construction in progress	159,800	381,422
<b>Total property, plant and equipment</b>	<b>8,278,111</b>	<b>8,997,342</b>
Intangible assets	154,002	139,574
Investments and other assets		
Investment securities	393,309	580,704
Retirement benefits assets	538,059	690,914
Deferred tax assets	26,716	47,426
Other	63,090	97,344
Allowance for doubtful accounts	-79	-
<b>Total investments and other assets</b>	<b>1,021,095</b>	<b>1,416,389</b>

Total non-current assets	9,453,209	10,553,306
Total assets	18,601,471	19,991,839

(in the unit of 1,000 yen)

	As of December 31, 2018	As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,067,221	1,166,724
Short-term loans	-	400,000
Current portion of long-term loans payable	500,000	250,000
Accounts payable - other	389,569	372,262
Accrued expenses	134,669	135,894
Income taxes payable	226,390	122,431
Provision for bonuses	324,452	313,740
Provision for directors' bonuses	36,453	30,470
Accounts payable - facilities	119,473	62,075
Other	149,315	657,582
<b>Total current liabilities</b>	<b>2,947,545</b>	<b>3,511,180</b>
Non-current liabilities		
Long-term loans payable	250,000	-
Deferred tax liabilities	79,042	236,967
Retirement benefit liability	53,751	43,271
Provision for Share-based compensation	78,912	71,972
Other	25,850	36,447
<b>Total non-current liabilities</b>	<b>487,556</b>	<b>388,659</b>
<b>Total liabilities</b>	<b>3,435,102</b>	<b>3,899,840</b>
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	541,273	541,273
Retained earnings	14,748,508	15,486,355
Treasury shares	-1,185,432	-1,175,796
<b>Total shareholders' equity</b>	<b>14,698,491</b>	<b>15,445,974</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,077	185,948
Foreign currency translation adjustment	328,101	304,802
Remeasurements of defined benefit plans	77,699	155,273
<b>Total accumulated other comprehensive income</b>	<b>467,878</b>	<b>646,024</b>
<b>Total net assets</b>	<b>15,166,369</b>	<b>16,091,998</b>
<b>Total liabilities and net assets</b>	<b>18,601,471</b>	<b>19,991,839</b>

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

(in the unit of 1,000 yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	11,328,766	10,865,978
Cost of sales	4,086,656	4,247,377
Gross profit	7,242,109	6,618,600
Selling, general and administrative expenses	5,019,133	4,981,500
Operating profit	2,222,976	1,637,100
Non-operating income		
Interest income	18,303	18,430
Dividends income	12,220	11,599
Proceeds from sales of prototypes	28,463	32,465
Insurance income	—	31,827
Other	33,070	23,301
Total non-operating income	92,057	117,625
Non-operating expenses		
Interest expenses	1,717	2,807
Sales discounts	4,776	4,353
Foreign exchange losses	65,940	24,418
Other	5,855	796
Total non-operating expenses	78,289	32,375
Ordinary profit	2,236,743	1,722,350
Extraordinary income		
Gain on sales of non-current assets	4,958	1,770
Subsidy income	95,212	8,804
Total extraordinary income	100,171	10,574
Extraordinary losses		
Loss on sales of noncurrent assets	15	32
Loss on retirement of non-current assets	8,402	22,111
Total extraordinary losses	8,417	22,143
Profit before income taxes	2,328,497	1,710,781
Income taxes - current	619,979	424,744
Income taxes - deferred	-69,697	49,626
Total income taxes	550,282	474,370
Net income	1,778,214	1,236,410
Profit attributable to owners of parent	1,778,214	1,236,410

## (Consolidated statement of comprehensive income)

	(in the unit of 1,000 yen)	
	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	1,778,214	1,236,410
Other comprehensive income		
Valuation difference on available-for-sale securities	-106,362	123,871
Foreign currency translation adjustment	-291,824	-23,299
Remeasurements of defined benefit plans	-72,565	77,574
Total other comprehensive income	-470,752	178,146
Comprehensive income	1,307,462	1,414,556
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,307,462	1,414,556
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated statement of changes in equity

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

(in the unit of 1,000 yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	594,142	456,912	13,433,666	-836,664	13,649,064
Changes during the period					
Dividends of surplus			-463,371		-463,371
Net income			1,778,214		1,778,214
Purchase of treasury shares				-413,445	-413,446
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(net)					
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

(in the unit of 1,000 yen)

	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 during the period					
Dividends of surplus					-463,371
Net income					1,778,214
Purchase of treasury shares					-413,446
Disposal of treasury shares					63,667
Profit on disposal of treasury shares					84,361
Net changes of items other than shareholders' equity(net)	-106,362	-291,824	-72,565	-470,752	-470,752
Total changes of items during period	-106,362	-291,824	-72,565	-470,762	578,673
Balance at end of current period	62,077	328,101	77,699	467,878	15,166,369

Current fiscal year (January 1, 2019 to December 31, 2019)

(in the unit of 1,000 yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	594,142	541,273	14,748,508	-1,185,432	14,698,491
Changes of items during period					
Dividends of surplus			-498,563		-498,563
Net income			1,236,410		1,236,410
Purchase of treasury shares				-104	-104
Disposal of treasury shares				9,740	9,740
Profit on disposal of treasury shares					-
Net changes of items other than shareholders' equity(net)					
Total changes of items during period	-	-	737,846	9,636	747,483
Balance at end of current period	594,142	541,273	15,486,355	-1,175,796	15,445,974

(in the unit of 1,000 yen)

	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	62,077	328,101	77,699	467,878	15,166,369
Changes of items during period					
Dividends of surplus					-498,563
Net income					1,236,410
Purchase of treasury shares					-104
Disposal of treasury shares					9,740
Profit on disposal of treasury shares					-
Net changes of items other than shareholders' equity(net)	123,871	-23,299	77,574	178,146	178,146
Total changes of items during period	123,871	-23,299	77,574	178,146	925,629
Balance at end of current period	185,948	304,802	155,273	646,024	16,091,998



## (4) Consolidated statement of cash flow

(in the unit of 1,000 yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,328,497	1,710,781
Depreciation	609,623	692,881
Increase (decrease) in allowance for doubtful accounts	1,031	-8,718
Increase (decrease) in provision for share-based compensation	16,505	-6,939
Increase (decrease) in provision for bonuses	34,543	-10,727
Increase (decrease) in provision for directors' bonuses	-1,994	-5,983
Increase (decrease) in net defined benefit liability	713	-10,391
Decrease (increase) in net defined benefit asset	41,578	-152,854
Interest and dividend income	-30,523	-30,030
Interest expenses	1,717	2,807
Subsidy income	-95,212	-8,804
Insurance income received	-	-31,827
Decrease (increase) in notes and accounts receivable - trade	-66,091	158,783
Decrease (increase) in inventories	-236,165	147,609
Increase (decrease) in notes and accounts payable - trade	71,388	101,126
Other	-126,570	68,495
Subtotal	2,549,041	2,616,210
Interest and dividend income received	32,497	29,059
Interest expenses paid	-1,352	-2,528
Income taxes paid	-746,772	-521,264
Subsidy income	95,212	8,804
Insurance money received	-	31,827
Net cash provided by (used in) operating activities	1,928,626	2,162,110
<b>Cash flows from investing activities</b>		
Payments into time deposits	-1,523,901	-1,509,229
Proceeds from withdrawal of time deposits	1,656,742	1,281,400
Purchase of property, plant and equipment	-815,540	-870,795
Proceeds from sales of property, plant and equipment	6,495	5,570

MEC COMPANY LIMITED <4971> Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

Purchase of intangible assets	-14,745	-30,587
Purchase of investment securities	-9,252	-9,417
Other	-6,672	-57,539
Net cash provided by (used in) investing activities	-706,875	-1,190,597
Cash flows from financing activities		
Net increase (decrease) in short-term loans	-	400,000
Repayments of long-term loans payable	-500,000	-500,000
Proceeds from sales of treasury shares	148,028	-
Purchase of treasury shares	-413,445	-104
Cash dividends paid	-463,070	-498,477
Payments for repayment of lease obligations	-	-34,362
Net cash provided by (used in) financing activities	-1,228,487	-632,944
Effect of exchange rate change on cash and cash equivalents	-57,996	13,748
Net increase (decrease) in cash and cash equivalents	-64,733	352,316
Cash and cash equivalents at beginning of year	3,664,524	3,599,791
Cash and cash equivalents at end of year	3,599,791	3,952,107

(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

Tangible fixed assets are amortized using 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.

(Change in accounting policy)

Overseas consolidated subsidiaries that have adopted International Financial Reporting Standards (IFRS) have applied IFRS 16 (Leases) from the beginning of the consolidated accounting period under review. As a result of adopting this accounting standard, right-of-use assets in the consolidated balance sheet for the consolidated accounting period under review increased by 44,710 thousand yen, "Other" in current liabilities increased 19,464 thousand yen, and "Other" in non-current liabilities increased 8,802 thousand yen. Please note that the effect on the consolidated statement of income and per share information is immaterial. Cash flow from operating activities, as stated in the cash flow statement for the consolidated accounting period under review, increased 34,362 thousand yen and cash flow from financial activities fell by the same amount.

(Additional Information)

(Change due to application of "Partial revision of" Accounting Standard for Tax Effect Accounting ")

"Partial Amendment to" Accounting Standard for Tax Effect Accounting "" (ASBJ Statement No. 28, February 16, 2018. Division amendment. ") Is applied from the beginning of the current consolidated fiscal year, deferred tax assets are presented in the category of investments and other assets, and deferred tax liabilities have been changed to be presented in the category of fixed liabilities, and notes on tax effect accounting have been changed.

As a result, in the consolidated balance sheet for the previous fiscal year, ¥ 296,204 thousand of "Deferred tax assets" of "Current assets" and "Deferred tax liabilities" of "Long-term liabilities" were ¥ 31,563 thousand and ¥ 29,204 thousand, respectively. Of the deferred tax assets of ¥ 26,716 thousand

"Deferred tax liabilities" of "Fixed liabilities" is shown as 79,042 thousand yen.

In addition, in the notes on tax effect accounting, comment on "Accounting Standard for Tax Effect Accounting" specified in Paragraphs 3 to 5 of the Partial Amendments to the Tax Effect Accounting Standard (Note 8) (excluding the total amount of valuation allowance. ) And the notes (Note 9).

However, of the relevant content, the content related to the previous consolidated fiscal year is not described in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendment to the Tax Effect Accounting Standards.

(Unapplied accounting standards, etc.)

- “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.

(in the unit of 1,000 yen)

	Previous fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Notes receivable	43,413	4,622
Electronically recorded receivable	-	3,509
Notes payable	33,549	

\*2 Pledged assets

(in the unit of 1,000 yen)

	Previous fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
Buildings and structures	89,212	89,230
Land	26,685	25,744
Total	115,898	114,975

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.

(in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
	9,479	33,335

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

(in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Provision of allowance for doubtful accounts	6,067	-8,845
Salaries and bonuses	1,197,066	1,213,395
Packing and transportation expenses	564,051	549,731
Provision for allowance for bonuses	179,832	179,913
Provision for directors' bonuses	36,453	30,470
Provision for share-based compensation	16,505	-
Retirement benefit expenses	75,314	111,355
Research and development expenses	1,240,544	1,200,605

\*3 Research and development expenses included in general expenses were as follows. (in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
	1,240,544	1,200,605



\*4 Breakdown of profit on sale of fixed assets is as follows. (in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Machinery, equipment and vehicles	4,870	1,749
Tools, furniture and fixtures	87	20
Total	4,958	1,770

\*5 Breakdown of loss on sale of fixed assets is as follows. (in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Machinery, equipment and vehicles	15	32

\*6 Breakdown of loss on disposal of fixed assets is as follows. (in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Buildings and structures	1,127	16,525
Machinery, equipment and vehicles	1,833	924
Tools, furniture and fixtures	653	1,734
Investments and other assets [other]	-	92
Fixed asset removal costs	4,789	2,835
Total	8,402	22,111

(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, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year under review	-153,216	178,437
Amount of reclassification adjustment	-	-
Before income tax effect	-153,216	178,437
Income tax effect	46,853	-54,566
Valuation difference on available-for-sale securities	-106,362	123,871
Foreign currency translation adjustment:		
Amount arising in the current fiscal year under review	-291,824	-23,299
Adjustments related to retirement benefits:		
Amount arising in the current fiscal year under review	-59,941	134,803
Amount of reclassification adjustment	-44,590	-23,056
Before income tax effect	-104,531	111,746
Income tax effect	31,965	-34,172
Adjustments related to retirement benefits	-72,565	77,574
Other comprehensive income	-470,752	178,146

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

Previous 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 in the number of treasury shares of common stock of 200,143 shares is due to the acquisition of treasury stock by resolution of the Board of Directors, 200,000 shares and the increase of less than one unit by 143 shares.

## 2. Dividends

## (1) 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
August 9, 2018 Board of directors' meeting	Common stock	231,686	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 August 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 13, 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 13, 2019, includes a dividend of 2,865 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, 2019)

## 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	1,100,232	85	-	1,093,311
Total	1,100,232	85	-	1,093,311

- (Note) 1. A total of 197,669 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 in the number of treasury shares of common stock of 85 shares was due to the purchase of shares less than one unit.

## 2. Dividends

## (1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Date of record	Effective date
February 13 2019 Board of directors' meeting	Common stock	268,457	14	December 31, 2018	March 1, 2019
August 9, 2019 Board of directors' meeting	Common stock	230,105	12	June 30, 2019	September 3, 2019

- (Note) 1. The total amount of dividends based on a resolution made by the Board of Directors on February 13, 2019 and August 9, 2019, includes a dividend of 2,865 thousand yen related to Company stock held by the Stock Delivery Trust for Directors and Stock Delivery Trust for Executive Officers.
2. The total amount of dividends based on a resolution made by the Board of Directors on August 9, 2019, includes a dividend of 2,372 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 13, 2020 Board of directors' meeting	Common stock	268,456	Retained earnings	14	December 31, 2019	March 10, 2020

- (Note) The total amount of dividends based on a resolution made by the Board of Directors on February 13, 2019, includes a dividend of 2,767 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 (in the unit of 1,000 yen)

	Previous fiscal year (Fiscal year ended December 31, 2018)	Current fiscal year (Fiscal year ended December 31, 2019)
Cash and deposits	4,388,263	4,957,484
Time deposits with maturities extending over three months	-788,471	-1,005,376
Cash and cash equivalents	3,599,791	3,952,107

## (Retirement benefit)

## 1. Outline of retirement benefit plan applied

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

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

## 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)) (in the unit of 1,000 yen)

	Previous consolidated fiscal year (Fiscal year ended December 31, 2018)	Consolidated fiscal year (Fiscal year ended December 31, 2019)
Beginning balance of the retirement benefit obligation	889,069	923,474
Service costs	75,698	78,065
Interest expense	3,556	3,693
Accruals of actuarial gains and losses	2,648	-4,134
Payment of retirement benefits	-47,498	-18,147
Balance of retirement benefit obligations at end of year	923,475	982,951

(2) Reconciliation of the beginning and ending balances of pension assets (excluding the scheme that applies the simplified method, which is listed in (3)) (in the unit of 1,000 yen)

	Previous consolidated fiscal year (Fiscal year ended December 31, 2018)	Consolidated fiscal year (Fiscal year ended December 31, 2019)
Beginning balance of pension assets	1,468,707	1,461,533
Expected return on assets	1,468	1,461
Accruals of actuarial gains and losses	-57,293	130,668
Contributions from the employer	96,149	98,348
Payment of retirement benefits	-47,498	-18,147
Balance of the pension assets at end of year	1,461,533	1,673,865

(3) Reconciliations of beginning and ending balances of the liability for the retirement benefits of the system that uses the simplified method (in the unit of 1,000 yen)

	Previous consolidated fiscal year (Fiscal year ended December 31, 2018)	Consolidated fiscal year (Fiscal year ended December 31, 2019)
Beginning balance of the liability for retirement benefits	53,522	53,751
Payment of retirement benefits	713	-1,341
Payment of retirement benefits	-	-9,050
Other	-484	-88
Ending balance of the liability for retirement benefits	53,751	43,271

## (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

(in the unit of 1,000 yen)

	Previous consolidated fiscal year (Fiscal year ended December 31, 2018)	Consolidated fiscal year (Fiscal year ended December 31, 2019)
Retirement benefit obligation of funded plans	956,210	1,017,565
Pension assets	1,486,598	-1,706,717
	-530,387	-689,152
Retirement benefit obligation of unfunded plans	46,080	41,510
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	-484,307	-647,642
Liabilities related to retirement benefits	53,751	43,271
Net defined benefit asset	-538,059	-690,913
Net amount of liabilities and assets that have been recorded in the consolidated balance sheet	-484,307	-647,642

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

(in the unit of 1,000 yen)

	Previous consolidated fiscal year (As of December 31, 2018)	Consolidated fiscal year (As of December 31, 2019)
Service cost	75,698	78,065
Interest expense	3,556	3,693
Expected return on assets	-1,468	-1,461
Expensed amount of actuarial gains and losses	-44,590	-23,056
Retirement benefit costs which are calculated using the simplified method	713	-1,341
Retirement benefit cost of defined benefit plans	33,909	55,899

## (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.

(in the unit of 1,000 yen)

	Previous consolidated fiscal year (As of December 31, 2018)	Consolidated fiscal year (As of December 31, 2019)
Accruals of actuarial gains and losses	104,531	-111,746
Total	104,531	-111,746

## (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.

(in the unit of 1,000 yen)

	Previous consolidated fiscal year (As of December 31, 2018)	Consolidated fiscal year (As of December 31, 2019)
Difference with unrecognized actuarial gain and loss	-111,926	-223,672
Total	-111,926	-223,672

## (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, 2018)	Consolidated fiscal year under review (As of December 31, 2019)
Bonds	32%	32%
Stocks	34%	38%
General accounts	21%	20%
Other	13%	10%
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, 2018)	Consolidated fiscal year under review (As of December 31, 2019)
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 88,068 thousand yen for the previous consolidated fiscal year (Fiscal year ended December 31, 2018) and 91,560 thousand yen for the consolidated fiscal year under review (Fiscal year ended December 31, 2019).

(Tax effect accounting)

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

(in the unit of 1,000 yen)

	Previous fiscal year (As of December 31, 2018)	Current fiscal year (As of December 31, 2019)
<b>Deferred tax assets</b>		
Allowance for bonuses	98,499	95,273
Accrued enterprise tax	13,937	7,327
Social insurance premiums	15,052	14,573
Loss on valuation of inventory assets	36,252	28,492
Unrealized income on inventory assets	126,999	111,171
Unpaid officer retirement benefits	4,379	4,379
Liability for retirement benefits	15,625	13,046
Loss carryforwards	40,226	71,647
Reserve for stock compensation	21,553	19,431
Impairment loss	176,238	176,238
Other	67,452	62,766
Deferred tax assets subtotal	616,217	313,155
Valuation allowance for tax loss carryforwards	-	-34,145
Valuation allowance for total future deductible temporary differences	-	-178,253
Valuation allowance subtotal	-209,663	-212,399
Total deferred tax assets	406,554	391,949
<b>Deferred tax liabilities</b>		
Valuation difference on other securities	-27,345	-81,911
Retained earnings of overseas subsidiaries	-266,406	-288,297
Retirement benefits assets	-164,538	-211,281
Other	-591	-
Total deferred tax liabilities	-458,881	-581,490
Net deferred tax assets	-52,326	-189,541

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, 2018)	Current fiscal year (As of December 31, 2019)
Fixed assets - deferred tax assets	26,716	47,426
Fixed liabilities - deferred tax liabilities	-79,042	-236,967

(Note) 1. Valuation allowance has increased by 2,735 thousand yen. This increase was due to foreign currency translation.

2. Tax loss carryforwards and their deferred tax assets by rollover date

Current fiscal year (As of December 31, 2019)

(in the unit of 1,000 yen)

	Within 1 year	Within 1 to 2 years	Within 2 to 3 years	Within 3 to 4 years	Within 4 to 5 years	Over 5 years	Total
Tax loss carryforwards(a)	-	-	4,236	5,146	28,117	34,145	71,647
Valuation allowance	-	-	-	-	-	-34,145	-34,145
Deferred tax asset	-	-	4,236	5,146	28,117	-	(b)37,501

(a) Tax losses carried forward are multiplied by the statutory tax rate.

(b)Deferred tax assets of 37,501 thousand have been recorded for tax loss carryforwards of 71,647 thousand (multiplied by the statutory tax rate). The deferred tax assets of 37,501 thousand yen are recognized for the balance of tax loss carryforwards at consolidated subsidiary MEC SPECIALTYCHEMICAL (THAILAND) CO., LTD of 37,501 thousand yen (multiplied by the statutory tax rate). The tax loss carryforward for which this deferred tax asset has been recorded is determined to be recoverable based on the expected future taxable income, and no valuation allowance has been recognized.

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, 2018)	Current fiscal year (As of December 31, 2019)
Statutory effective tax rate	30.8%	30.6%
(Adjustment)		
Permanent differences such as entertainment expenses	0.4%	1.9%
Inhabitant tax equivalent	0.2%	0.3%
Examination research expenses etc. Tax deduction	-6.6%	-6.1%
Foreign withholding tax	2.5%	0.9%
Overseas Subsidiary Income Retention Taxation	0.4%	-
Retained earnings of foreign subsidiaries	-1.4%	1.3%
Overseas tax rate discrepancy	-2.0%	-1.7%
Other	-0.7%	0.5%
Burden of corporate tax etc. after applying tax effect accounting	23.6%	27.7%



## (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, Thailand, and Europe (mainly Germany, Italy, and France). 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 six 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 (January 1, 2018 to December 31, 2018)

(in the unit of 1,000 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	2,243,345
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

Current fiscal year (January 1, 2019 to December 31, 2019)

(in the unit of 1,000 yen)

	Reportable segment						Total
	Japan	Taiwan	Hong Kong	China	Thailand	Europe	
Net sales							
Sales to external customers	5,043,656	2,180,768	1,025,925	1,990,968	-	624,660	10,865,978
Inter-segment sales and transfers	2,213,076	1,411	1,255	768	-	53,521	2,270,033
Total	7,256,732	2,182,179	1,027,180	1,991,737	-	678,181	13,136,012
Segment profit	1,061,400	273,163	178,206	165,145	-136,275	63,296	1,604,936
Segment assets	14,502,431	2,686,303	1,375,500	1,757,693	1,023,841	618,773	21,964,543
Other items							
Depreciation and amortization	520,595	30,293	26,127	71,887	21,813	22,164	692,881
Increase in property, plant and equipment and intangible assets	781,171	9,741	22,700	14,450	500,598	34,106	1,362,769

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 the unit of 1,000 yen)

Net sales	Previous fiscal year	Current fiscal year
Reportable segment total	14,142,345	13,136,012
Intersegment eliminations	-2,813,579	-2,270,033
Sales stated in the Consolidated Financial Statements	11,328,766	10,865,978

(in the unit of 1,000 yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segment total	2,243,024	1,604,936
Intersegment eliminations	-20,047	32,163
Operating income in the Consolidated Financial Statements	2,222,976	1,637,100

(in the unit of 1,000 yen)

Assets	Previous fiscal year	Current fiscal year
Reportable segment total	21,015,863	21,964,543
Intersegment eliminations	-2,118,187	-1,972,703
Total assets in the Consolidated Financial Statements	18,897,675	19,991,839

(in the unit of 1,000 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	609,623	692,881	-	-	609,623	692,881
Increase in property, plant and equipment and intangible assets	592,588	1,362,769	-	-	592,588	1,362,769

## [Related Information]

Previous 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 the unit of 1,000 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 the unit of 1,000 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.

Current fiscal year (Fiscal year ended December 31, 2019)

## 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 the unit of 1,000 yen)

Japan	Taiwan	China	Other	Total
4,866,743	2,162,649	3,016,893	819,692	10,865,978

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

## (2) Tangible fixed assets

(in the unit of 1,000 yen)

Japan	Taiwan	China	Thailand	Europe	Total
6,973,942	722,569	414,569	725,718	160,605	8,997,342

## 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)

(in the unit of yen)

Item	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Net assets per share	799.46	847.94
Net income per share	92.85	65.16

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.

The average number of treasury shares during the period, deducted in calculating "Net income per share", was 162,521 shares in the previous consolidated fiscal year and 200,225 shares in the current consolidated fiscal year.

3. The basis for calculating net income per share is as follows.

Item	Previous fiscal year (Fiscal year ended December 31, 2017)	Current fiscal year (Fiscal year ended December 31, 2018)
Net income (thousands of yen)	1,778,214	1,236,410
Amount not available for common shareholders (thousands of yen)	-	-
Net profit available for common stocks (thousands of yen)	1,778,214	1,236,410
Weighted-average number of common shares outstanding during the year (shares)	19,152,489	18,975,272

(Important subsequent events)

N/A

## 4. Non-consolidated financial statements and major notes

## (1) Balance sheet

(in the unit of yen)

	As of December 31, 2018	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	2,131,499	2,227,625
Notes receivable - trade	170,376	67,533
Electronically recorded receivables	7,681	262,127
Accounts receivable - trade	1,945,904	1,810,869
Merchandise and finished goods	121,121	217,385
Raw materials and supplies	304,578	251,217
Prepaid expenses	17,298	16,584
Accounts receivable - other	153,426	73,567
Other	17,224	23,125
Total current assets	4,869,111	4,950,035
Non-current assets		
Property, plant and equipment		
Buildings	3,385,437	3,299,504
Structures	133,466	123,943
Machinery and equipment	593,501	648,793
Vehicles	26,610	23,567
Tools, furniture and fixtures	303,206	254,942
Land	2,274,036	2,274,036
Construction in progress	6,186	349,155
Total property, plant and equipment	6,722,444	6,973,942
Intangible assets		
Leasehold right	29,380	29,380
Software	103,674	74,876
Software in progress	-	18,700
Other	2,053	2,038
Total intangible assets	135,108	124,995
Investments and other assets		
Investment securities	393,309	580,704
Affiliated company shares	1,401,636	1,401,891
Capital	5	54,775
Long-term loans receivable from subsidiaries and affiliates	-	327,600
Bankruptcy Refundable Loans	79	-
Long-term prepaid expenses	312	112
Prepaid pension expense	426,132	467,240
Deferred tax assets	98,192	3,086
Other	14,815	14,495
Allowance for doubtful accounts	-79	-
Total investments and other assets	2,334,403	2,849,906
Total non-current assets	9,191,956	9,948,844
Total assets	14,061,067	14,898,879

(in the unit of yen)

	As of December 31, 2018	As of December 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable	621,018	563,455
Accounts payable -trade-	204,300	328,147
Short-term loans payable	-	400,000
Current portion of long-term loans payable	500,000	250,000
Accounts payable -other-	331,666	233,424
Accrued expenses	119,892	116,939
Income taxes payable	140,748	41,540
Deposits received	61,772	58,371
Provision for bonuses	322,104	311,555
Provision for directors' bonuses	36,453	30,470
Notes payable - facilities	15,793	495,381
Accrued expenses - facilities	116,676	61,778
Other	-	10,142
<b>Total current liabilities</b>	<b>2,470,427</b>	<b>2,901,206</b>
<b>Non-current liabilities</b>		
Long-term loans payable	250,000	-
Asset retirement obligations	587	587
Provision for retirement benefits	46,080	41,510
Provision for Share-based compensation	78,912	71,972
Other	22,936	23,833
<b>Total non-current liabilities</b>	<b>398,515</b>	<b>137,903</b>
<b>Total liabilities</b>	<b>2,868,943</b>	<b>3,039,110</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	94,914	94,914
<b>Total capital surpluses</b>	<b>541,273</b>	<b>541,273</b>
<b>Retained earnings</b>		
Legal retained earnings	63,557	63,557
<b>Other retained earnings</b>		
General reserve	8,900,000	9,900,000
Retained earnings brought forward	2,216,506	1,750,644
<b>Total retained earnings</b>	<b>11,180,064</b>	<b>11,714,201</b>
Treasury shares	-1,185,432	-1,175,796
<b>Total shareholders' equity</b>	<b>11,130,046</b>	<b>11,673,820</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	62,077	185,948
<b>Total valuation and translation adjustments</b>	<b>62,077</b>	<b>185,948</b>
<b>Total net assets</b>	<b>11,192,124</b>	<b>11,859,769</b>
<b>Total liabilities and net assets</b>	<b>14,061,067</b>	<b>14,898,879</b>

## (2) Statement of income

(in the unit of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	7,960,408	7,256,732
Cost of sales	2,908,090	2,769,380
Gross profit	5,052,317	4,487,352
Selling, general and administrative expenses	3,561,218	3,425,951
Operating profit	1,491,099	1,061,400
Non-operating income		
Interest and dividend income	233,351	208,308
Proceeds from sales of prototypes	28,463	32,465
Foreign exchange gains	—	31,827
Other	17,767	13,642
Total non-operating income	279,582	286,244
Non-operating expenses		
Interest expenses	1,717	1,111
Foreign exchange losses	65,517	15,540
Miscellaneous loss	4,399	-
Other	796	417
Total non-operating expenses	72,431	17,069
Ordinary profit	1,698,250	1,330,575
Extraordinary income		
Gain on sales of non-current assets	945	486
Subsidy income	95,212	8,804
Total extraordinary income	96,158	9,290
Extraordinary losses		
Loss on sale of non-current assets	15	32
Loss on retirement of non-current assets	7,465	21,315
Total extraordinary losses	7,481	21,348
Profit before income taxes	1,786,927	1,318,517
Income taxes - current	439,220	245,277
Income taxes - deferred	-29,311	40,538
Total income taxes	409,909	285,816
Profit	1,377,018	1,032,701

## [Details of cost of sales]

(in the unit of yen)

Category	Note no.	Previous fiscal year	Current fiscal year
		(Fiscal year ended December 31, 2018)	(Fiscal year ended December 31, 2019)
		Amount	Amount
Product cost		2,708,987	2,620,112
Cost of goods		66,095	42,904
Repair cost		20,011	14,012
Cost of sales of raw materials		112,995	92,350
Total cost of sales		2,908,090	2,769,380

## (3) Statement of changes in shareholders' equity

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

(in the unit 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	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

Current fiscal year (Fiscal year ended December 31, 2019)

(in the unit of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	594,142	446,358	94,914	541,273	63,557	8,900,000	2,216,506	11,180,064
Changes of items during period								
Provision of general reserve						1,000,000	-1,000,000	-
Dividends of surplus							-498,563	-498,563
Net income							1,032,701	1,032,701
Purchase of treasury shares								
Disposal of treasury shares								
loss on disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	1,000,000	-465,862	534,137
Balance at end of current period	594,142	446,358	94,914	541,273	63,557	9,900,000	1,750,644	11,714,201

	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	-1,185,432	11,130,046	62,077	62,077	11,192,124
Changes of items during period					
Provision of general reserve		-			-
Dividends of surplus		-498,563			-498,563
Net income		1,032,701			1,032,701
Purchase of treasury shares	-104	-104			-104
Disposal of treasury shares	9,740	9,740			9,740
loss on disposal of treasury shares		-			-

Net changes of items other than shareholders' equity			123,871	123,871	123,871
Total changes of items during period	96,636	543,773	123,871	123,871	667,645
Balance at end of current period	-1,175,796	11,673,820	185,948	185,948	11,859,769

## 5. Other

## Transfer of Officers

Refer to "Notice on Change of Directors and Operating Officers" announced on February 13, 2020.