

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016 [JA-GAAP]

October 30, 2015
Stock exchange listing: Tokyo Stock Exchange

Company Name: MEC COMPANY LTD.

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

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Commencement Date of Dividend Payment (Scheduled) : December 1, 2015

Scheduled date for submitting quarterly reports: November 13, 2015

Creation of reference materials supplementary to the quarterly results: Yes

Holding of briefing sessions regarding the quarterly results: Yes (for institutional investors, securities analysts)

(Amounts less than one million yen have been

disregarded.)

1. Consolidated financial results (April 1, 2015 to September 30, 2015)

(1) Financial results

Note: Percentages indicate year-on-year changes for quarter.

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	4,454	-1.0	989	-6.2	1,007	-7.8	703	-1.2
Six months ended September 30, 2014	4,500	19.7	1,054	75.6	1,092	61.2	711	58.0

Note: Comprehensive : September 30, 2015:756 million yen (39.9%); September 30, 2014:541 million yen (-40.9%)

	Net income per share for quarter	Diluted net income per share for quarter
	Yen	Yen
Six months ended September 30, 2015	35.03	-
Six months ended September 30, 2014	35.44	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2015	15,129	12,635	83.5	629.56
March 31, 2015	14,646	12,039	82.2	599.85

(Reference) Shareholder's equity : September 30, 2015: 12,635 million yen ; March 31, 2014: 12,039 million yen

2. Dividends

	Annual dividend				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	-	6.00	-	8.00	14.00
Year ending March 31, 2016	-	8.00			
Year ending March 31, 2016 (forecast)			-	8.00	16.00

(Note) Revision of recently announced dividends forecast: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(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
Full year	9,420	4.0	2,150	7.0	2,200	3.3	1,450	7.9	72.24

(Note) Revision of recently announced earnings forecast: None

* Notes

(1) Changes in important subsidiaries during this quarter (Change of specific subsidiary companies that involves changes in the scope of consolidation): No
 Newly consolidated companies — (company name), Excluded companies — (company name)

(2) Application of concise accounting procedures or particular accounting procedures in the creation of consolidated financial statements during this quarter: Yes

Note: For details, please see "Application of accounting procedures specified to create consolidated financial statements for quarter" on page 3 of the attached materials.

(3) 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

Note: For more information, please refer to "(3) Changes in accounting policies or accounting estimates, and restatement" on page 3 of the attachment.

(4) Number of shares outstanding (Common stock)

1) Number of outstanding shares at end of term (including treasury stock)	Six months ended September 30, 2015	20,071,093 shares	Year ended March 31, 2015	20,071,093 shares
2) Number of treasury stock at end of term	Six months ended September 30, 2015	34 shares	Year ended March 31, 2015	34 shares
3) Average number of shares during term (Quarterly consolidated year to date)	Six months ended September 30, 2015	20,071,059 shares	Six months September 30, 2014	20,071,059 shares

* Presentation of implementation status of procedures for the quarterly review

These Consolidated Financial Results for the First Quarter are outside the scope of procedures for quarterly review covered by the Financial Instruments and Exchange Act. Thus, at the time of announcing these Consolidated Financial Results for the First Quarter, we have not yet to complete the procedures for quarterly review covered by the Financial Instruments and Exchange Act.

* Explanation of appropriate use of earnings forecasts. Other points of note

Earnings forecasts have been created based on the available information as of the date of announcing this material and certain assumptions that are judged to be rational and a commitment to the achievement. Actual results may differ from the forecast figures for a variety of reasons. For details of the earnings forecasts, refer to "Analysis of forward-looking information, such as the consolidated earnings forecast" on page 2.

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1. Qualitative information regarding consolidated results for this quarter

(1) Analysis of results of operations

In the world economy in the consolidated period under review (April 1, 2015 to September 30, 2015), a recovery trend was observed in developed countries. In the United States, the economy continued to expand against the background of an improvement in the employment and income environment. And in Europe, the economy followed a gradual recovery trend against the background of steady consumer spending. On the other hand, China saw weakened demand, both domestic and external, and both production and exports were sluggish.

Looking at Japan's economy, an improvement was seen in the income environment but domestic consumption was sluggish. In addition, exports were also flat due to a reduction in foreign demand, and it is thought that the economy is levelling off.

In the electronics industry, the number of tablet PCs produced has been sluggish. In addition, there has been a slowdown in the expansion of smartphones, which have experienced high growth so far, and inventory adjustments have begun in China. On the other hand, markets related to the Internet of Things (IoT) have been rapidly growing in recent years, and there is strong demand for devices and servers for aggregating and analyzing big data.

In the electronic substrate industry, the same as the electronics industry, production of electronic substrates for use in tablet PCs and smartphones has been sluggish, but high-density boards for use in servers have been booming.

In this kind of environment, the Company's Group has seen steadily growing sales of the CZ Series of ultra-roughening agents that significantly improve the adhesion strength between copper and resin, the EXE Series of products that realize a high-density wiring pattern with the etching method, and the CA and CB Series of agents for treating the surface of copper for use in flexible substrates. However, there have been sluggish sales of chemicals for use in touch panels, accompanying the weak sales of tablet PCs. In addition, we have been handling smaller amounts of materials such as copper foil that are for use in electronic substrates.

Amalphi is a technique for directly bonding a metal and a resin, and it has been adopted as a chemical for use in the process of manufacturing the metal housing of some smartphones.

Looking at sales by region, those in China and South Korea were steady while sales in Japan and Taiwan were sluggish.

As a result of the above, total consolidated sales for the six months under review amounted to 4,454 million yen (down 1.0% year-on-year) and selling, general and administrative expenses were 1,958 million yen (up 5.5% year-on-year). Hence, operating income was 989 million yen (down 6.2% year-on-year), ordinary income was 1,007 million yen (down 7.8% year-on-year), and quarterly net income attributable to the parent company's shareholders was 703 million yen (down 1.2% year-on-year).

(2) Analysis relating to the financial situation

Cash and deposits and notes and accounts receivable increased due to an increase in profit and so assets came to 15,129 million yen, up 482 million yen compared with the same period of the previous fiscal year.

There was a decrease in other accounts payable and income taxes payable and hence liabilities came to 2,493 million yen, down 113 million yen compared with the same period of the previous fiscal year.

In addition, there was an increase in retained earnings and foreign currency translation adjustments, and so net assets were 12,635 million yen, up 596 million yen compared with the same period of the previous consolidated fiscal year.

As a result of the above, the equity ratio reached 83.5%.

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

There is no change to the full-year consolidated earnings forecasts that were announced in "Summary of Financial Results for FY2015" on May 8, 2015.

2. Matters concerning summary information (notes)

- (1) Changes in important subsidiaries during the period under review
N/A
- (2) Application of accounting procedures specified to create consolidated financial statements for quarter
For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after the application of tax effect accounting to net income before income taxes for the consolidated accounting year and multiplying quarterly net income before income taxes by this estimated effective tax rate. However, in cases where the result of calculating using this effective tax rate lacks reasonableness in a striking manner, the Company bases calculations on the legal tax rate.
- (3) Changes in accounting policies or accounting estimates, and restatement
Changes in accounting policies
(Application of Accounting Standard for Business Combinations)
Accounting Standard for Business Combinations (Corporate Accounting Standard No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (Corporate Accounting Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (Corporate Accounting Standard No. 7, September 13, 2013) were applied from the first quarter of the current fiscal period. In this connection, the Company has made a change to the way of presenting net income and a change in presentation, going from minority interests to non-controlling shareholders' equity. In order to reflect these changes in presentation, we made a reclassification in the quarterly consolidated financial statements and consolidated financial statements for the first six months of the fiscal year and for the previous fiscal year.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Unit : Thousands of yen)

	As of March 31,2015	As of September 30,2015
Assets		
Current assets		
Cash and deposits	5,297,267	5,733,362
Notes and accounts receivable - trade	2,538,015	2,601,094
Merchandise and finished goods	310,179	305,115
Work in process	55,013	39,194
Raw materials and supplies	212,364	226,628
Deferred tax assets	199,666	213,477
Other	68,189	83,989
Allowance for doubtful accounts	(12,179)	(11,626)
Total current assets	8,668,516	9,191,234
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,312,799	3,337,703
Accumulated depreciation	(1,958,971)	(2,010,014)
Buildings and structures, net	1,353,827	1,327,688
Machinery, equipment and vehicles	1,941,965	1,940,620
Accumulated depreciation	(1,501,139)	(1,558,251)
Machinery, equipment and vehicles, net	440,826	382,369
Tools, furniture and fixtures	759,934	779,551
Accumulated depreciation	(579,028)	(594,968)
Tools, furniture and fixtures, net	180,905	184,582
Land	2,874,726	2,898,107
Construction in progress	44,429	61,553
Total property, plant and equipment	4,894,715	4,854,300
Intangible assets	42,449	70,293
Investments and other assets		
Investment securities	512,486	455,524
Net defined benefit asset	413,006	442,930
Deferred tax assets	14,090	14,500
Other	135,028	135,111
Allowance for doubtful accounts	(34,157)	(34,810)
Total investments and other assets	1,040,454	1,013,255
Total non-current assets	5,977,619	5,937,850
Total assets	14,646,135	15,129,085

(Unit : Thousands of yen)

	As of March 31,2015	As of September 30,2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	650,907	657,459
Accounts payable - other	340,169	277,136
Accrued expenses	62,608	109,055
Income taxes payable	353,557	223,659
Provision for bonuses	204,282	300,067
Provision for directors' bonuses	47,830	12,900
Other	204,653	146,215
Total current liabilities	1,864,008	1,726,493
Non-current liabilities		
Deferred tax liabilities	655,416	690,334
Net defined benefit liability	59,610	47,475
Other	27,430	28,840
Total non-current liabilities	742,457	766,651
Total liabilities	2,606,466	2,493,145
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	9,800,268	10,342,766
Treasury shares	(12)	(12)
Total shareholders' equity	10,840,756	11,383,254
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	144,206	102,176
Foreign currency translation adjustment	864,092	975,438
Remeasurements of defined benefit plans	190,613	175,070
Total accumulated other comprehensive income	1,198,912	1,252,686
Total net assets	12,039,669	12,635,940
Total liabilities and net assets	14,646,135	15,129,085

(2) Quarterly consolidated statement of income and quarterly statements of comprehensive income
Statement of income
Consolidated six months ended September 30, 2015

(Unit : Thousands of yen)

	Six months ended September 30,2014 (From April 1,2014 To September 30,2014)	Six months ended September 30,2015 (From April 1,2015 To September 30,2015)
Net sales	4,500,662	4,454,008
Cost of sales	1,590,069	1,506,097
Gross profit	2,910,592	2,947,911
Selling, general and administrative expenses	1,855,989	1,958,680
Operating income	1,054,603	989,230
Non-operating income		
Interest income	15,117	19,810
Dividend income	4,439	5,826
Trial products income	8,951	9,961
Foreign exchange gains	2,060	—
Other	10,472	2,718
Total non-operating income	41,040	38,317
Non-operating expenses		
Sales discounts	2,333	2,294
Foreign exchange losses	—	17,002
Other	586	798
Total non-operating expenses	2,920	20,095
Ordinary income	1,092,723	1,007,453
Extraordinary income		
Gain on sales of non-current assets	2,285	5,322
Total extraordinary income	2,285	5,322
Extraordinary losses		
Loss on sales of non-current assets	10	1,358
Loss on retirement of non-current assets	1,643	7,563
Total extraordinary losses	1,653	8,922
Income before income taxes and minority interests	1,093,355	1,003,854
Income taxes	382,027	300,788
Profit	711,328	703,065
Profit attributable to owners of parent	711,328	703,065

Statements of comprehensive income
Consolidated six months ended September 30, 2015

(Unit : Thousands of yen)

	Six months ended September 30,2014 (From April 1,2014 To September 30,2014)	Six months ended September 30,2015 (From April 1,2015 To September 30,2015)
Profit	711,328	703,065
Other comprehensive income		
Valuation difference on available-for-sale securities	45,307	(42,030)
Foreign currency translation adjustment	(210,767)	111,345
Remeasurements of defined benefit plans, net of tax	(4,775)	(15,542)
Total other comprehensive income	(170,235)	53,773
Comprehensive income	541,092	756,839
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	541,092	756,839
Comprehensive income attributable to non-controlling interests	—	—

- (3) Notes on quarterly consolidated financial statements
(Notes on the premise of a going concern)
N/A

(Notes on marked changes in the amount of shareholders' equity)
N/A