

Please note that the following purports to be a translation of the original Japanese version prepared for the convenience of our shareholders with voting rights outside Japan for reference. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

(Securities Code: 4971)

May 28, 2015

To: All Shareholders

1, Higashi-hatsushima, Amagasaki, Hyogo  
(Head Office  
3-95, Showa-dori, Amagasaki, Hyogo )  
**MEC COMPANY LTD.**  
CEO & President Kazuo MAEDA

## Notice of 46th Ordinary General Meeting of Shareholders

Dear Shareholders,

You are cordially invited to attend the 46th Ordinary General Meeting of Shareholders of MEC COMPANY LTD. The meeting will be held as described below.

**If you are unable to attend the meeting on the day, you can exercise your voting rights in writing. Please examine the Reference Documents for the General Meeting of Shareholders shown below, indicate your approval or disapproval on the enclosed voting form, and return it to us by 17:15 on Thursday, June 18, 2015.**

### Details

1. **Date and time** 10 a.m. on Friday, June 19, 2015.
2. **Venue:** 3-96, Showa-dori, Amagasaki, Hyogo  
Meeting room 701, 7th floor, Amagasaki Chamber of Commerce and Industry Hall  
(Please refer to the map to the shareholders' meeting venue at the end of this material)
3. **Subject matters**
  - Reported matters**
    1. Report on the contents of the Business Report, Consolidated Financial Statements and Financial Statements for the 46th term (from April 1, 2014 to March 31, 2015)
    2. Report on the results of the audit by the Accounting Auditor and the Board of Auditors on the consolidated financial statements for the 46th term
  - Matters to be resolved**
    - Proposal No. 1** Change to part of the Articles of Incorporation
    - Proposal No. 2** Appointment of five Directors

**Proposal No. 3 Appointment of two Auditors**

**Proposal No. 4 Appointment of one Substitute Auditor**

**4. Guidance to the exercise of voting rights**

Shareholders who exercise their voting rights in an inconsistent manner are asked to please notify us in writing of the reasons therefor by three days before the day of the shareholders' meeting.



- ⊙ When you attend the meeting, please hand in the enclosed voting form at the reception desk.
- ⊙ Please note that if the need arises to revise the Business Report, Consolidated Financial Statements, Statements of Account or Reference Documents for the General Meeting of Shareholders, we will post the revised matters on our website (<http://www.mec-co.com/>).
- ⊙ Of the documents that we should provide in accordance with the provisions of laws and regulations and Article 14 of the Company's Articles of Incorporation, we will post the following on our website (<http://www.mec-co.com/>). Therefore, they will not be stated in documents to be provided at this shareholders' meeting.
  - 1) Consolidated notes to the Consolidated Financial Statements
  - 2) Individual notes to the Financial Statements

**(Attachment)**

**Business Report**

( From April 1, 2014  
To March 31, 2015 )

**1. Matters concerning the state of the corporate group**

**(1) Progress and results of business**

In the world economy in the fiscal year under review (April 1, 2014 to March 31, 2015), capital investment became active against the background of factors such as an increase in corporate profits in the United States. In addition, although there was a slowdown in economic growth in Asia, mainly in China, the economy was on an expansionary trend. However, the economy still remained sluggish because of anxiety that spread in emerging countries due to factors such as the low price of crude oil and a strong dollar, and a recurrence of the Greek government-debt crisis in Europe. In Japan's economy, there was a gradual recovery with a tendency for capital investment to increase and an improved employment environment. However, as a reactionary decline following the last-minute demand that was caused by the consumption tax hike, the situation of weak consumer spending has been continuing. In the electronics industry, while demand for client PCs has not been growing very much, demand for servers has expanded. The growth market for smartphones has moved to areas centering on China. Products related to displays have become large and high-image-quality ones.

In such an environment, the Company's Group has actively been expanding sales in Asian markets such as China, South Korea and Taiwan. In particular, we have accelerated our development and expanded sales of the CZ Series of chemicals that dramatically improve the adhesion between copper and resin in the process of manufacturing high-density, high-multilayer substrates that are used in package substrates of smartphones or servers. We have also worked to do this for the EXE Series that make it possible to have high-density wiring patterns. The EXE Series acquired a high market share for displays, and furthermore we are continuing to conduct an evaluation test on them to expand their sales for use with package substrates, flexible substrates and HDI boards. FlatBOND has been newly adopted for manufacturing electronic substrates that are capable of high-speed data transmission and that are used in mobile phone base stations, supercomputers and the like. AMALPHA is a technology to directly bond metal and resin, and in the year under review we also conducted a prototype-level test only on it with regards to the metal surface treatment business for products that are integrally molded with resin. On the other hand, it has been newly adopted as a chemical solution used in part of the process of manufacturing cases for mobile devices.

As a result, our net sales in the fiscal year under review amounted to 9.057 billion yen (up 13.2% year-on-year), operating income was 2.008 billion yen (up 41.3% year-on-year), ordinary income was 2.129 billion yen (up 37.2% year-on-year), and net income for the term was 1.344 billion yen (up 45.3% year-on-year).

With regards to construction of the new plant, we are advancing with it as planned under the name of the "Amagasaki Headquarters."

In addition, the Company was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as an excellent company for female employees to work in, and was certified as a "Nadeshiko Brand."

The situation with regards to sales by product category is as follows.

| Category   | 45th term<br>(previous fiscal year) |                             | 46th term (fiscal year under review) |                             |                     |
|--|-------------------------------------|-----------------------------|--------------------------------------|-----------------------------|---------------------|
|  | Net sales<br>(Millions of<br>yen)   | Composition<br>ratio<br>(%) | Net sales<br>(Millions of<br>yen)    | Composition<br>ratio<br>(%) | Year-on-year<br>(%) |
| Chemicals for use with<br>electronic substrates,<br>chemicals for use with<br>displays | 7,353                               | 91.9                        | 8,486                                | 93.7                        | 115.4               |
| Machines for<br>electronic substrates  | 227                                 | 2.8                         | 112                                  | 1.2                         | 49.3                |
| Materials for electronic<br>substrates   | 390                                 | 4.9                         | 432                                  | 4.8                         | 110.7               |
| Others   | 31                                  | 0.4                         | 26                                   | 0.3                         | 82.1                |
| Total  | 8,003                               | 100.0                       | 9,057                                | 100.0                       | 113.2               |

## (2) Situation with regards to capital investment

The total capital investment we implemented during the fiscal year under review came to 283 million yen, and the main areas are as follows.

- 1) Main facilities completed during the fiscal year under review
 

|                 |                                    |
|-----------------|------------------------------------|
| Nagaoka Factory | Expansion of production facilities |
| Laboratory      | Expansion of research facilities   |
  
- 2) Ongoing new construction and expansion of main facilities during the fiscal year under review  
N/A
  
- 3) Sale, removal and destruction of significant fixed assets carried out during the fiscal year under review  
N/A

## (3) Financing

N/A

#### (4) Status of changes in assets and profit and loss

| Category                           | 43rd term<br>(Term ended<br>March 2012) | 44th term<br>(Term ended<br>March 2013) | 45th term<br>(Term ended<br>March 2014) | 46th term<br>(Fiscal year<br>under review)<br>(Term ended<br>March 2015) |
|------------------------------------|---|---|---|--|
| Net sales (millions of yen)        | 6,286                                   | 6,703                                   | 8,003                                   | 9,057  |
| Operating income (millions of yen) | 733                                     | 917                                     | 1,421                                   | 2,008  |
| Ordinary income (millions of yen)  | 686                                     | 956                                     | 1,551                                   | 2,129  |
| Net income (millions of yen)       | 58                                      | 626                                     | 925                                     | 1,344  |
| Net income per share (yen)         | 2.94                                    | 31.24                                   | 46.09                                   | 66.98  |
| Total assets (millions of yen)     | 10,052                                  | 10,883                                  | 12,869                                  | 14,646   |
| Net assets (millions of yen)       | 7,726                                   | 8,669                                   | 10,265                                  | 12,039   |
| Book value per share (yen)         | 384.95                                  | 431.94                                  | 511.44                                  | 599.85   |
| ROE (%)                            | 0.7                                     | 7.6                                     | 9.8                                     | 12.1   |
| Number of employees (persons)      | 272                                     | 274                                     | 275                                     | 284  |

Note: 1. The indexes per share are all calculated by deducting the number of treasury stocks.

2. The number of employees is the number of permanent employees, and does not include part-timers and short-term employees.

#### (5) Issues to be addressed

With regards to the environment surrounding the Company's Group, as described in "(1) Progress and results of business" in "1. Matters concerning the current state of the corporate group" in the attached documents, there is an ongoing situation in which the economic trends are uncertain.

Despite these business conditions, we at the Group will keep making the best use of our capacity to develop advanced technologies in contributing to our customers' cost reductions and curbing our environmental burden through improving efficiency in electronic substrate processing processes. We will also keep striving to boost our competitiveness further through the utilization of the Group network that can respond to demand in global markets, and we will keep making efforts to secure new orders particularly for new products with the aim of enhancing profitability.

In addition, in order to realize further routes for growth, we will do our utmost to tackle the following issues, and strive to maximize shareholder value. We will strive to achieve a continuous improvement in consolidated ROE based on a figure of 10%.

- 1) Use of existing core technology to develop products in new areas and establishment of businesses  
The Group specializes in the businesses of materials for electronic substrates and parts and hence has the risk of being strongly affected by the amount of production in the electronic substrate and parts industry. To reduce this risk, we will focus on utilizing the technology we have accumulated so far and establishing technology that can be applied in new areas. Specifically, to improve the adhesion with plastic by roughening the surface of metals such as nickel, aluminum and stainless steel, we will continue to enhance AMALPHA which can also contribute to weight reduction of products without using an adhesive.
- 2) Strategy for overseas markets  
The Company's Group is building a strong sales network that covers the electronic substrate and parts markets in Japan. In the Asian market, we made some achievements — we focused on acquiring customers, established subsidiaries in areas that continue to see economic growth such as China and Taiwan, and established an office in Vietnam.  
On the other hand, with regards to general chemicals that cannot make the most of the superiority of our chemicals processes, we will strategically sift and sort them for areas with high marketability where a shift to high-density products is progressing, such as flexible substrates. In this way, we will ensure that we can secure orders while controlling risk. In order to resourcefully and strategically tackle these issues, we will continue to focus on strengthening the Group's ability to meet customer needs.
- 3) Strengthening corporate governance  
The Company's Group, in order to maximize shareholder profits, believes it is essential to increase corporate value by making ongoing efforts aimed at strengthening corporate governance. Specifically, our policy is to advance efforts for fair and transparent management, quick and accurate information disclosure, and thorough accountability, and we are working toward that in line with the concepts of our corporate governance code.  
Also, in line with our policy to actively promote diversity of management, we are committed to inviting Outside Directors into the Company. In addition, we are setting rules through efforts such as establishing strict criteria, if such Outside Directors have no independence from the Company.  
Furthermore, the policy of the Company's Group is to appoint more qualified personnel than before, aiming to acquire a lot of value with such diversity. We will continue endeavoring to enhance various systems such as those to realize recruitment of Officers and managers, and to allow all employees to return to work after childcare. As a recent result, the Company was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as an excellent company for female employees to work in, and was certified as a "Nadeshiko Brand."  
The Company's Group has established a Nomination and Compensation Advisory Committee under the direct control of the Board of Directors (majority of committee members are independent outside persons) and an ESG committee (majority of committee members are independent outside persons) in order to advance further corporate governance reform, efforts for environmental conservation, and fulfillment of social responsibility.

4) Securing and nurturing human resources

The Company's Group is actively working to recruit excellent staff to strengthen its R&D system and selling power. However, that alone is not enough to fully strengthen the Group as a whole. We will continue to secure the necessary employees in each field by hiring people with specialist knowledge and nurturing our staff.

5) Improving business efficiency

We in the Group expect to see a large portion of the business continue to be more and more dependent on overseas locations. Accompanying that, in order to ensure the efficiency and appropriateness of the overall business, we will introduce people with expert knowledge and strive to eliminate various risks.

By overcoming these issues, we at the Group will aim to acquire a position in multiple areas where we are the only company or the number one company, and will do our utmost to continue realizing high growth on an ongoing basis.

**(6) Status of important parent companies and subsidiaries (as of March 31, 2015)**

## 1) Status of parent companies

N/A

## 2) Status of important subsidiaries

| Company name                                    | Capital stock   | Investment ratio   | Main businesses                                   |
|---|-----------------|--------------------|---|
| MEC TAIWAN COMPANY LTD.                         | NT\$25 million  | 100%               | Electronic substrate and parts materials business |
| MEC (HONG KONG) LTD.                            | HK\$4.5 million | 100%               | Electronic substrate and parts materials business |
| MEC FINE CHEMICAL (ZHUHAI) LTD.                 | HK\$8 million   | 100%<br>(100) (*1) | Electronic substrate and parts materials business |
| MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. | US\$4 million   | 100%               | Electronic substrate and parts materials business |
| MEC EUROPE NV.                                  | 1 million EUR   | 100%<br>(*2)       | Electronic substrate and parts materials business |

(\*1) This is the part owned by MEC (HONG KONG) LTD.

(\*2) MEC TAIWAN COMPANY LTD. has invested 0.05%.

**(7) Main businesses (as of March 31, 2015)**

The Company's Group positions the electronic substrate and parts materials business as its main business, and the classifications of each manufactured product and the main manufactured products are as follows.

| Classifications of manufactured products |   | Main manufactured products   |
|--|---|--|
| Product                                  | Chemicals for use with electronic substrates<br>Chemicals for use with displays | Adhesion improvers<br>Etching agents<br>Other surface processing agents                                  |
|  | Machines for electronic substrates  | Machines for chemical treatment<br>Various types of machines for use before and after chemical treatment |
| Merchandise                              | Materials for electronic substrates   | Copper foil<br>Dry film  |
| Others                                   |   | Mechanical repair  |



**(8) Main offices and factories (as of March 31, 2015)**

| Name  | Location             |
|---|----------------------|
| MEC COMPANY LTD.: Headquarters  | Amagasaki, Hyogo     |
| MEC COMPANY LTD.: R&D Center  | Amagasaki, Hyogo     |
| MEC COMPANY LTD.: Nishinomiya Factory                                       | Nishinomiya, Hyogo   |
| MEC COMPANY LTD.: Nagaoka Factory   | Nagaoka, Niigata     |
| MEC COMPANY LTD.: Tokyo Sales Office  | Tachikawa, Tokyo     |
| MEC TAIWAN COMPANY LTD.: Head offices and factories                         | Taoyuan City, Taiwan |
| MEC (HONGKONG) LTD.: Head office  | Kowloon, Hong Kong   |
| MEC FINE CHEMICAL (ZHUHAI) LTD.: Head offices and factories                 | Zhuhai, China        |
| MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.: Head offices and factories | Suzhou, China        |
| MEC EUROPE NV.: Head offices and factories                                  | Ghent, Belgium       |

**(9) Status of employees (as of March 31, 2015)**

## 1) Status of employees of the corporate group

| Number of employees | Increase or decrease compared with the end of the previous fiscal year |
|---------------------|--|
| 284                 | increase of 9  |

Note: The number of employees is the number of permanent employees, and does not include part-timers and short-term employees.

## 2) Status of employees of the Company

| Number of employees         | Increase or decrease compared with the end of the previous fiscal year | Average age | Average length of service |
|-----------------------------|--|-------------|---------------------------|
| 156 (111 men)<br>(45 women) | increase of 4  | 41.4        | 13.7                      |

Note: The number of employees is the number of permanent employees, and does not include part-timers and short-term employees.

**(10) Main lenders (as of March 31, 2015)**

N/A

**2. Matters related to the shares of the Company (as of March 31, 2015)**

- (1) Total number of shares authorized to be issued 80 million
- (2) Total number of outstanding shares 20,071,093 (including 34 treasury stocks)
- (3) Number of shareholders 6,618
- (4) Major shareholder

| Name of shareholder  | Number of shares held | Shareholding ratio |
|--|-----------------------|--------------------|
| Japan Trustee Services Bank, Ltd.<br>(Trust Account)         | 1,781,800             | 8.87%              |
| Maeda Holdings Ltd.  | 1,199,000             | 5.97               |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)      | 1,074,400             | 5.35               |
| Kosaku MAEDA   | 1,005,304             | 5.00               |
| The Nomura Trust and Banking Co., Ltd.<br>(Investment Trust) | 802,100               | 3.99               |
| Kazuo MAEDA  | 716,000               | 3.56               |
| CMBL S.A.RE MUTUAL FUNDS                                     | 498,700               | 2.48               |
| MEC Customers' Shareholding<br>Association                   | 467,500               | 2.32               |
| MEC Employees' Stock Ownership Plan                          | 345,488               | 1.72               |
| Osamu KOSHITAKA  | 335,096               | 1.66               |

Note: The shareholding ratio is calculated after deducting the number of treasury stocks (34 shares).

**3. Matters related to the stock acquisition rights of the Company (as of March 31, 2015)**

N/A

#### 4. Matters related to the Officers of the Company (as of March 31, 2015)

##### (1) Directors and Auditors

| Status          | Name               | Status of responsibility and important concurrent positions  |
|-----------------|--------------------|--|
| CEO & President | Kazuo MAEDA        | MEC TAIWAN COMPANY LTD. Representative Director<br>MEC (HONG KONG) LTD. Representative Director<br>MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director<br>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Representative Director<br>MEC EUROPE NV. Director                               |
| Director        | Yoshiro MIZOGUCHI  | Senior Managing Executive Officer<br>MEC TAIWAN COMPANY LTD. Director<br>MEC (HONG KONG) LTD. Director<br>MEC FINE CHEMICAL (ZHUHAI) LTD. Director<br>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br>MEC EUROPE NV. Director  |
| Director        | Hirofumi NISHIKAWA | Managing Executive Officer<br>MEC TAIWAN COMPANY LTD. Director<br>MEC (HONG KONG) LTD. Director<br>MEC FINE CHEMICAL (ZHUHAI) LTD. Director<br>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br>MEC EUROPE NV. Director   |
| Director        | Makoto NAGAI       | Senior Managing Executive Officer<br>MEC TAIWAN COMPANY LTD. Director<br>MEC (HONG KONG) LTD. Director<br>MEC FINE CHEMICAL (ZHUHAI) LTD. Director<br>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br>MEC EUROPE NV. Director  |
| Director        | Toshiko NAKAGAWA   | Senior Vice President of Research and Development Division and Head of Planning Office<br>MEC TAIWAN COMPANY LTD. Director<br>MEC (HONG KONG) LTD. Director<br>MEC FINE CHEMICAL (ZHUHAI) LTD. Director<br>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br>MEC EUROPE NV. Director |
| Director        | Takayuki SATAKE    | Management Research Professor at University of Hyogo, Graduate School  |
| Director        | Yutaka NISHIYAMA   | Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University   |

| Status            | Name              | Status of responsibility and important concurrent positions                                    |
|-------------------|-------------------|--|
| Full-time Auditor | Katsuhiro MAEDA   |  |
| Auditor           | Hideaki MATSUYAMA | Representative of Matsuyama Office<br>Representative Director of Nadia Ltd.                    |
| Auditor           | Akiko TANAKA      | Director of Tanaka Akiko Tax Accountant Office<br>President and CEO of COCORO DESIGN Co., Ltd. |

- Note: 1. The Directors Takayuki Satake and Yutaka Nishiyama are independent Outside Directors, and have been registered as independent Directors with the Tokyo Stock Exchange.
2. The three Auditors of Katsuhiro Maeda, Hideaki Matsuyama, and Akiko Tanaka are independent Outside Auditors, and have been registered as independent Directors with the Tokyo Stock Exchange.
3. Auditor Akiko Tanaka is a certified tax accountant, and has considerable knowledge about finance and accounting.
4. Auditor Hideaki MATSUYAMA resigned on May 8, 2015. Accompanying this, we appointed Substitute Auditor Takao OKUDA as Auditor on May 15, 2015.

## (2) Changes in Directors and Auditors in the fiscal year

Assumption of office

In the 45th Ordinary General Meeting of Shareholders, held on June 20, 2014, the seven persons of Kazuo Maeda, Yoshiro Mizoguchi, Hirofumi Nishikawa, Makoto Nagai, Toshiko Nakagawa, Takayuki Satake, and Yutaka Nishiyama were each appointed to the Board of Directors.

## (3) Total amount of remuneration of Directors and Auditors

| Category                                  | Number of people | Total amount of remuneration, etc. |
|---|------------------|------------------------------------|
| Director                                  | 7                | 160 million yen                    |
| (Of which, independent Outside Directors) | (2)              | (6)                                |
| Auditor                                   | 3                | 23                                 |
| (Of which, independent Outside Auditors)  | (3)              | (23)                               |
| Total                                     | 10               | 183                                |

- Note:
1. The remuneration limit for Directors was resolved to be an annual amount of no more than 180 million yen at the 37th Ordinary General Meeting of Shareholders, held on June 23, 2006 (however, Article 361, Paragraph 1, No. 3 of the Companies Act prescribes "this shall not include remuneration other than monies").
  2. The remuneration limit for Corporate Auditors was resolved to be a monthly amount of no more than 5 million yen at the 32nd Ordinary General Meeting of Shareholders, held on June 26, 2001.
  3. Independent Outside Directors and Auditors have a fixed monthly remuneration.
  4. The Board of Directors (excluding the independent Outside Directors) has a fixed monthly remuneration and performance-based compensation. The total amount of performance-based compensation is calculated based on consolidated ordinary income, and has a weight distribution depending on the position of the relevant person.

## (4) Matters related to Outside Officers

- 1) Establishment of criteria in the absence of independence

We have established the following strict criteria for use if Outside Directors have no independence from the Company. By referring to them, we ensure that all Outside Directors have independence.

- a Has work experience in an organization that is our major shareholder which holds 5% or more of the voting rights or is a major shareholder.
- b Has work experience in the Company's main bank or major lender.
- c Has work experience in our major trading partner or an organization that we position as our major trading partner.
- d Has work experience in our audit corporation, law firm, or main securities firm.
- e There have been cases where compensation such as consulting fees, attorneys' fees and tax accountant remuneration have been paid by the Company in addition to executive compensation.
- f The corresponding period from a to e is within the past five years from the present time.
- g Is next of kin to a person listed in any of the following (A) through (B).
  - (A) Persons listed from a to f.
  - (B) Person who executes business, non-executive person who does not execute business, or employee at the Company or its subsidiaries or affiliates.

2) Organizations where significant concurrent positions are held and relationship with the Company

As a rule related to the interlocking Directorates of all Officers, we have set the figure of three companies. Officers with concurrent positions are as follows.

| Category                     | Name              | Status of important concurrent positions   | Relationship with the Company |
|------------------------------|-------------------|--|-------------------------------|
| Independent Outside Director | Takayuki SATAKE   | Management Research Professor at University of Hyogo, Graduate School                          | No special relationship       |
| Independent Outside Director | Yutaka NISHIYAMA  | Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University             | No special relationship       |
| Independent Outside Auditor  | Hideaki MATSUYAMA | Representative of Matsuyama Office<br>Representative Director of Nadia Ltd.                    | No special relationship       |
| Independent Outside Auditor  | Akiko TANAKA      | Director of Tanaka Akiko Tax Accountant Office<br>President and CEO of COCORO DESIGN Co., Ltd. | No special relationship       |

3) Major activities during the fiscal year

We have made it a rule that Outside Directors' attendance rate at Board of Directors Meetings and Outside Auditors' attendance rate at Board of Auditors Meetings must be at least 85%.

| Category                     | Name              | Status of major activities   |
|------------------------------|-------------------|--|
| Independent Outside Director | Takayuki SATAKE   | He attended all 17 meetings of the Board of Directors held during the fiscal year, and utilized the specialized knowledge he has cultivated as Professor at the Graduate School of Business Studies and his experience in management. In particular, to achieve management that is based on the creation of customer value, and as a public institution of society in order to establish more firmly an in-house platform so that we fulfill our responsibility as a company that can contribute to the local region, he works to establish an in-house system that aims for an improvement to ES, improvement to CS, and the further practice of CSR; and in particular, he makes a tremendous contribution in the promotion of ESG and actively gives his objective opinion. |
| Independent Outside Director | Yutaka NISHIYAMA  | Since his assumption of office on June 20, 2014, he has attended all 13 Board of Directors meetings held in the fiscal year, and utilized the specialized knowledge and experience he has cultivated as a Professor at a faculty of chemistry, materials and bioengineering, mainly in the research and development department, and he has actively given useful recommendations and opinions on the environmental aspects of business.  |
| Independent Outside Auditor  | Katsuhiro MAEDA   | He has attended all 17 Board of Directors meetings and 14 Board of Auditors meetings that were held in the fiscal year. He has used the wealth of experience that he has cultivated as a manager and his professional point of view, which is based on learning, to actively give his audit opinion and wide-ranging proposals related to efficiency of management, management of risk, and reform of corporate governance.  |
| Independent Outside Auditor  | Hideaki MATSUYAMA | He has attended all 17 Board of Directors meetings and 14 Board of Auditors meetings that were held in the fiscal year. Based on his extensive knowledge about management from the shareholders' point of view and his experience, he has actively given opinions and proposals centering on corporate governance and the finance field.   |
| Independent Outside Auditor  | Akiko TANAKA      | She has attended all 17 Board of Directors meetings and 14 Board of Auditors meetings that were held in the fiscal year, and utilizing her knowledge as a tax accountant and her experience in guiding company management etc., she has given appropriate audit opinions and proposals related to handling tax risks.  |

4) Overview of the contents of liability limitation agreements

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and each of the Outside Directors and Outside Corporate Auditors have entered into an agreement to limit their liability for damages as specified in Article 423, Paragraph 1 of the Act.

The maximum amount of liability for damages for each of the five persons under this agreement is the higher of either 10 million yen or the amount stipulated in laws and regulations.

## 5. Matters relating to Accounting Auditors

(1) **Name of Accounting Auditor** Deloitte Touche Tohmatsu LLC

(2) **Amount of compensation for Accounting Auditor**

| Category  | Amount of remuneration, etc. |
|---|------------------------------|
| Amount of remuneration to be paid by the Company  | 22 million yen               |
| Total amount of the money to be paid by the Company and its subsidiaries, and other economic benefits | 33 million yen               |

Note: 1. In an audit contract entered into between the Company and the Accounting Auditor, there is no clear distinction between the remuneration etc. for the audit based on the Companies Act and the audit fee for the audit based on the Financial Instruments and Exchange Law, and they cannot be practically separated. Therefore, the amount of remuneration etc. stated above that is to be paid by the Company is indicated as the total amount of these.

2. Among the Company's subsidiaries, the audit on calculation-related documents of MEC EUROPE NV. has been carried out by an audit firm that is outside the Company's Accounting Auditor network. As audit fees for audits on other subsidiaries, the total amount to be paid to the Accounting Auditor in the same network as the Company's Accounting Auditor, Deloitte Touche Tohmatsu, is 18 million yen.

### (3) **Contents of non-audit services**

The contents of the non-audit services for which the Company pays remuneration to Certified Public Accountants and Auditors include giving advisory services relating to the restructuring of a mission-critical system and advisory services relating to the early closing of accounts.

### (4) **Policy on determining the dismissal or reappointment/non-reappointment of the Accounting Auditor**

The Board of Auditors has established selection criteria and evaluation standards for an Accounting Auditor, and also each period it confirms the independence and expertise of such Auditor. If a change in the Accounting Auditor is determined to be reasonable, we will determine the contents of a proposal for the dismissal or non-reappointment of the Accounting Auditor which is to be submitted to the Ordinary General Meeting of Shareholders in response to receiving a report from the Review Committee.

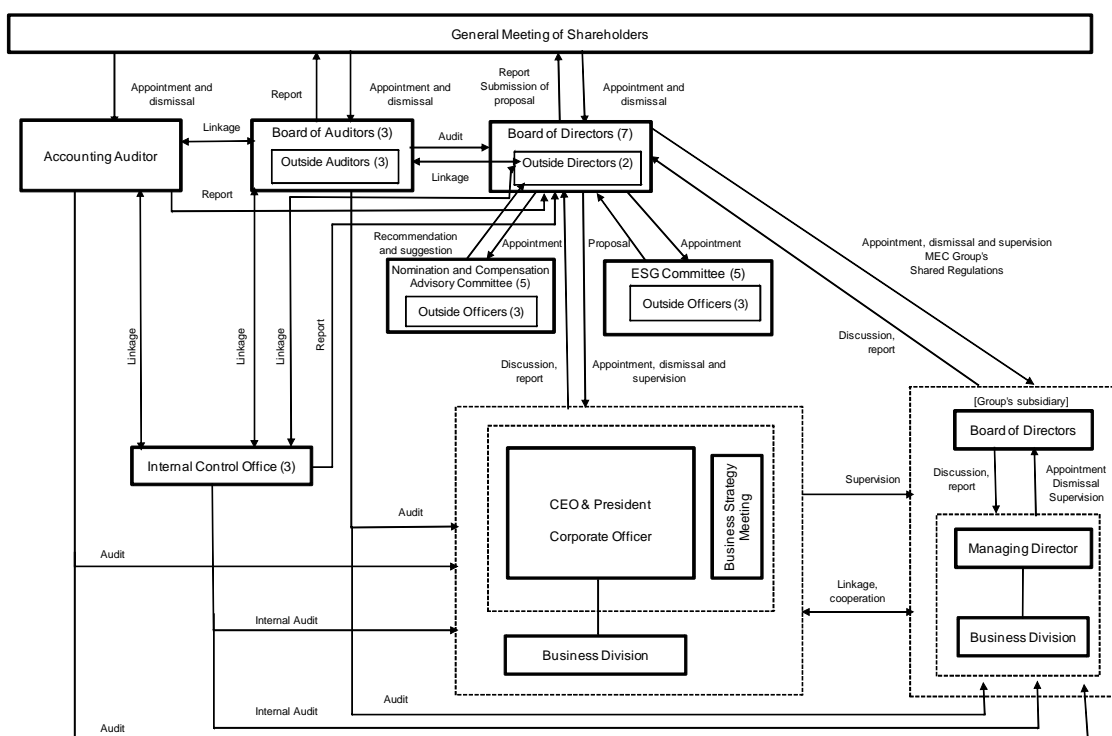
In addition, if the Board of Auditors judges that the Accounting Auditor falls under any of the items listed in Article 340, Paragraph 1 of the Companies Act, it will dismiss the Accounting Auditor based on the consent of all Corporate Auditors. In this case, the Auditor appointed by the Board of Auditors shall, at the first general meeting of shareholders to be convened after the dismissal, report on the reason for the dismissal and the fact that the Accounting Auditor has been dismissed.

### (5) **Overview of the contents of liability limitation agreements**

N/A



## 6. Systems and policies of the Company [Status of the Group's Corporate Governance]



### (1) System to ensure the appropriateness of business

An overview of the decision is as follows with regards to a system to ensure Directors' performance of their duties is in compliance with laws and regulations and the Articles of Incorporation and a system to ensure the appropriateness of other company business.

- 1) System to ensure the performance of duties of Directors and employees complies with laws and regulations and the Articles of Incorporation
  - (i) As the basis for the compliance system of the Company, we have stipulated the Group's Charter of Corporate Conduct, a Code of Conduct and compliance regulations. We have established a Compliance Committee, which is chaired by the President, and an Internal Control Committee, and while promoting the building, maintenance and improvement of internal control systems, as necessary we also develop the relevant regulations and guidelines, and implement employee education.

- (ii) Aiming to have appropriate and efficient operations; establish and maintain a system to perform internal checks; and prevent fraud, etc. before it occurs, we have established the Internal Control Office, which is an internal audit department, as an organization that is under the direct control of the Board of Directors. The internal audit department reports the results to the Board of Directors, in accordance with the annual plan.
  - (iii) If the Directors discover an important fact about serious legal violations or other compliance issues, they shall report immediately to the Auditors and other Directors.
  - (iv) As an internal reporting system for reporting the facts relating to acts in violation of laws and regulations, acts in violation of internal rules such as work rules, and inhumane acts such as sexual harassment, we have established an internal reporting system where one person from among the Outside Officers (currently an Outside Director) and external lawyers and the head of the Internal Control Office are direct recipients of information.
  - (v) When the Auditors find there is a problem with the operation of the Company's legal compliance system and internal reporting system, they can give their opinion to the President and at the same time request the development of improvement measures.
  - (vi) Full-time Auditors and the head of the Internal Control Office have one meeting every three months with the Outside Directors in principle, and while giving reports on the audit or the like, they exchange opinions.
- 2) System to ensure that the execution of Directors' duties is performed efficiently
- (i) In order to ensure that the Directors' performance of their duties is carried out efficiently, in addition to holding a Board of Directors meeting once a month, such meeting shall be held on an ad hoc basis if necessary. In addition, there will be discussions with regards to important matters relating to the business strategy of the Company at a business strategy meeting held once a month and composed of Directors and Executive Officers, etc. and at a company-wide policy meeting held twice a year that consists of managers, and the results shall be thoroughly made known to all.
  - (ii) In principle, the Outside Directors and Auditors shall have a meeting with the President once every three months, and there they shall exchange ideas and information.
  - (iii) In order to ensure the decisions made by the Board of Directors are carried out efficiently, the Company has established organization rules, regulations on the division of duties, administrative authority regulations, and regulations on *ringi* (method of reaching a decision by using a circular letter), and stipulated the details of the responsible persons and decision-making authorities and enforcement procedures of each business.
- 3) System for the storage and management of information related to the performance of duties by Directors
- The Company has established the following rules and regulations for creating, storing and managing minutes of important meetings such as the Board of Directors meetings and *ringi* documents (requests for managerial decision) and it is carrying out business processes in accordance with them.
- A. Regulations of the Board of Directors
  - B. Ringi (approval) regulations
  - C. Document management regulations

- 4) Regulations and other systems for management of risk of loss
  - (i) We recognize the following items as the main risks that arise in our business activities, and develop an internal system in order to grasp and manage them.
    - A. Environment risk
    - B. Risk of violation of laws, regulations and the Articles of Incorporation
    - C. Quality risk
    - D. Information security risk
    - E. Disaster risk
  - (ii) As the basic framework of risk management, the Company has established risk management regulations and related regulations, and places legal, risk management, and the CSR group as the responsible departments of risk management, and established a system where management responsibilities are set out for each individual risk.
  - (iii) The Company has formulated a business continuity plan (BCP), and also a task force headed by the President so that when unforeseen circumstances arise, the task force can obtain the support of outside experts if necessary and rapidly respond to the situation, prevent damage before it occurs, and implement measures to minimize any damage.
  
- 5) System to ensure the appropriateness of business in the Group
  - (i) In order to ensure the proper operation of business in the Company's group, regulations are shared throughout the Group such as the group management philosophy, mission statement, Group Charter of Corporate Behavior, code of conduct, regulations on the management of affiliated companies, Group Internal Control, Internal Audit Regulations, and Group Risk Management Regulations. In addition, each company in the Group formulates the relevant rules and guidelines, including the Regulations of the Board of Directors, and implements employee training.
  - (ii) The Company has established "Regulations on Affiliate Management" in order to manage the business of each Group company, and based on them each Group company conducts decision-making and reporting; in addition, by having important matters be subject to a resolution at the Company's Board of Directors meeting, the business of each Group company is managed.

In addition, each domestic business division including the business headquarters overseas, links with and cooperates with the business department of the Group companies for each business area.
  - (iii) If the Directors discover an important matter about legal violations or other compliance issues in a Group company, they shall report immediately to the Auditors and other Directors.
  - (iv) When each Group company recognizes there is a violation of laws or other compliance issues in the business management and management guidance provided by the Company, they report to the Auditors and the Internal Control Office, and the Auditors and the Internal Control Office can give their opinion to the President and at the same time request the development of improvement measures.
  - (v) To enhance the Group audit and internal control, there is a policy in which the Auditors and the Internal Control Office both survey all offices and rooms in Japan and overseas. When conducting a survey on overseas subsidiaries, there is information exchange not only with the Group's Accounting Auditor but also with parties such as the local Accounting Auditor.

- 6) System for Directors and employees to report to Corporate Auditors, system for reporting to other Auditors
  - (i) Based on various regulations relating to matters that Directors and employees should report to Auditors and the timing of such reporting, the Directors and employees shall each time report to the Auditor about important matters that affect the Company's business or financial performance.
  - (ii) Notwithstanding the preceding paragraph, Auditors can, at any time and if necessary, request reports from Directors and employees.
  - (iii) By maintaining proper operation of the internal reporting system, the Board of Directors ensures a proper reporting system for issuing reports to Auditors about issues of statutory violations and other compliance issues.
  
- 7) System to ensure that audits of other Auditors are performed efficiently
  - (i) The Board of Auditors, in principle, has five meetings a year with the Accounting Auditors and a monthly meeting with the Internal Control Office, and there is an exchange of views and information on those occasions in order to achieve cooperation and mutual checks and balances.
  - (ii) Auditors may, when they deem it necessary in the practice of an audit, independently appoint a lawyer, certified public accountant and other external experts.
  
- 8) Matters relating to the corresponding employee when Auditors request the stationing of an employee (auxiliary employee) to assist them in their duties  
The Company has stipulated provisions relating to employees who are to assist the Auditors in their duties, and it has stipulated provisions relating to the procedure of appointing auxiliary employees in cases where there is a request from the Auditors.
  
- 9) Matters concerning independence from Directors of auxiliary employees
  - (i) Auditors evaluate auxiliary employees and in addition the Board of Directors shall determine matters such as their appointment, dismissal, personnel changes and wage revisions, etc., with the consent of the Board of Auditors, in order to ensure the independence of the Board of Directors.
  - (ii) Auxiliary employees shall not concurrently serve as Officers related to the execution of business.
  
- 10) Status of operation of the system for ensuring the appropriateness of business  
As a system to ensure the appropriateness of the above-mentioned business, each department makes efforts to ensure the business is operating properly and in addition the Internal Control Office monitors the operational status whenever the occasion calls. The Internal Control Office discovered that there was an inadequacy in part of the way information was handled by the Company in the fiscal year under review. We immediately took corrective measures, reviewed the internal systems, and thoroughly ensured that information was managed appropriately.

## **(2) Basic policy on control of the Company**

### **1) Concept and content of the basic policy**

The Company believes that when a stock offer that is made to purchase a large volume of the Company's shares with the purpose of controlling the determination of the financial and business policies of the Company, such offer should be basically accepted or refused based on the judgment of the individual shareholders. Therefore, even if a transfer of management control has the meaning or effect of activating the Company's business activities, it is not in a position to deny such offer in any way. However, in cases where company acquisition could be carried out by share acquirers who have an illegal purpose such as selling shares at an exclusively high price, in order to protect the interests of all stakeholders, including shareholders, the Company believes that preventing damage to the corporate value is a responsibility of the Board of Directors of the Company. For this reason, we believe that when a party proposes to purchase or acquire a large number of the Company's shares, the Company should consider the contents of the business plan of the proposer and also its past investment behavior, etc. and also fully consider the impact that the purchase or acquisition proposal would have on the Company's corporate value and the common interests of its shareholders; and we also believe it is necessary for the Board of Directors to disclose the results of its judgment to shareholders.

In addition, the Company does not determine in advance any measures (so-called "takeover defense measures") to prepare for a specific threat posed by a Tender Offer to acquire a large amount of the Company's shares. However, with regard to the responsibilities of the Board of Directors when they receive a mandate from shareholders, in addition to watching the situation of buying and selling transactions and changes in the holders of the Company's shares, the Company prepares a contingency plan (Manual to Handle Share Acquisitions). If a party that is contemplating a large acquisition of the Company's shares has appeared, the Company evaluates any takeover proposal and business plans of the acquirer, with cooperation from outside experts. When the proposed acquisition or purchase is determined to violate the Company's corporate value and the common interests of its shareholders, it decides whether or not to implement countermeasures and the specific content of them, and carries them out.

Furthermore, we have recognized the introduction of so-called "takeover defense measures," as being an important issue to study for the future of business management. Therefore, we will pay attention to legal and social trends related to share acquisitions, and carry out repeated studies.

2) Specific contents of the initiatives

(i) Effective use of Company assets, formation of appropriate corporate group, and other special initiatives to contribute to the realization of the basic policy

The Company implements initiatives such as the following in order to contribute to the realization of the above-mentioned basic policy and serve the common interests of the shareholders.

A. Improvement of corporate value by promoting medium-term management plan

- a Strengthening of the sales force in the world's major markets
- b Enhancement and strengthening of the product line-up from cutting-edge board to the general-purpose board applications
- c Expansion of business opportunities by reducing environmental impact
- d Development of new business areas by refining technology to join metal and resin, and others
- e Achieve sustained improvement in consolidated ROE, based on the figure of 10%.

B. Actively return profits to shareholders, implement medium- and long-term investment for sustainable growth

- a Actively return profits to shareholders, aiming for a consolidated dividend payout ratio of 30% as a medium-term goal
- b Use about 10% or more of sales to make prior investment in research and development
- c Adapt to changes in demand in each market in the world, make investments in production equipment to realize the same quality around the world, etc.

(ii) Refer to the basic policies, and implement initiatives to prevent decisions on the Company's financial and business policies from being controlled by inappropriate persons

N/A

3) Judgment of the Board of Directors and reason therefor with regards to the initiatives outlined in the previous item

With regard to each initiative in the previous item (i), since they are efforts that are carried out in order to continuously improve the Company's corporate value and serve the common interests of the shareholders, the Board of Directors of the Company judges whether any are applicable to each of the following requirements.

- (i) It is in line with the first item of the basic policy.
- (ii) It does not impair the interests of shareholders.
- (iii) It is not for the purpose of having the Officers of the Company maintain their position.

**(3) Policy related to determining dividend of surplus**

1) Policy on determining dividend of surplus

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

2) Appropriation of surplus for the current term

With regard to the appropriation of retained earnings brought forward of 1,984,226,733 yen, we based our decision on the above-mentioned basic policy and set the dividend to thank our shareholders for their daily support. By resolution of the Board of Directors meeting held on May 19, 2015, the year-end per share dividend was set at 8 yen. Adding this to the interim dividend of 6 yen that has been paid already, the annual dividend comes to 14 yen per share. The total amount of the year-end dividends paid will be 160,568,472 yen. In addition, we have added 800 million yen of funds to a separate reserve, and the balance of 1,023,658,261 yen will be retained earnings carried over to the next term.

## Consolidated balance sheet

(As of March 31, 2015)

(Unit: Thousands of yen)

| ASSETS                               |                   | LIABILITIES  |                   |
|--------------------------------------|-------------------|--|-------------------|
| <b>Current assets:</b>               | <b>8,668,516</b>  | <b>Current liabilities:</b>                                  | <b>1,864,008</b>  |
| Cash and deposits                    | 5,297,267         | Notes and accounts payable-trade                             | 650,907           |
| Notes and accounts receivable-trade  | 2,538,015         | Accounts payable-other                                       | 340,169           |
| Merchandise and finished goods       | 310,179           | Accrued expenses   | 62,608            |
| Work in process                      | 55,013            | Income taxes payable   | 353,557           |
| Raw materials and supplies           | 212,364           | Provision for bonuses  | 204,282           |
| Deferred tax assets                  | 199,666           | Reserve for directors' bonuses                               | 47,830            |
| Other                                | 68,189            | Other  | 204,653           |
| Allowance for doubtful accounts      | (12,179)          | <b>Noncurrent liabilities:</b>                               | <b>742,457</b>    |
| <b>Noncurrent assets:</b>            | <b>5,977,619</b>  | Deferred tax liabilities                                     | 655,416           |
| <b>Property, plant and equipment</b> | <b>4,894,715</b>  | Net defined benefit liability                                | 59,610            |
| Buildings and structures             | 1,353,827         | Other  | 27,430            |
| Machinery, equipment and vehicles    | 440,826           | <b>Total liabilities</b>                                     | <b>2,606,466</b>  |
| Tools, furniture and fixtures        | 180,905           | <b>NET ASSETS</b>  |                   |
| Land                                 | 2,874,726         | <b>Shareholders' equity:</b>                                 | <b>10,840,756</b> |
| Construction in progress             | 44,429            | <b>Capital stock</b>   | <b>594,142</b>    |
| <b>Intangible assets</b>             | <b>42,449</b>     | <b>Capital surplus</b>                                       | <b>446,358</b>    |
| <b>Investments and other assets</b>  | <b>1,040,454</b>  | <b>Retained earnings</b>                                     | <b>9,800,268</b>  |
| Investment securities                | 512,486           | <b>Treasury stock</b>  | <b>(12)</b>       |
| Net defined benefit asset            | 413,006           | <b>Valuation and translation adjustment:</b>                 | <b>1,198,912</b>  |
| Deferred tax assets                  | 14,090            | <b>Valuation difference on available-for-sale securities</b> | <b>144,206</b>    |
| Other                                | 135,028           | <b>Foreign currency translation adjustment</b>               | <b>864,092</b>    |
| Allowance for doubtful accounts      | (34,157)          | <b>Remeasurements of defined benefit plans</b>               | <b>190,613</b>    |
| <b>Total assets</b>                  | <b>14,646,135</b> | <b>Total net assets</b>                                      | <b>12,039,669</b> |
|                                      |                   | <b>Total liabilities and net assets</b>                      | <b>14,646,135</b> |



## Consolidated statement of income

( From April 1, 2014  
To March 31, 2015 )

(Unit: Thousands of yen)

| Item   | Monetary amount |                  |
|--|-----------------|------------------|
| <b>Net sales</b>                             |                 | <b>9,057,322</b> |
| <b>Costs of sales</b>                        |                 | <b>3,262,170</b> |
| <b>Gross profit</b>                          |                 | <b>5,795,152</b> |
| Selling, general and administrative expenses |                 | 3,786,632        |
| <b>Operating income</b>                      |                 | <b>2,008,520</b> |
| <b>Nonoperating income</b>                   |                 |                  |
| Interest and dividends income                | 43,285          |                  |
| Revenue income from trial products           | 18,402          |                  |
| Foreign exchange gains                       | 46,902          |                  |
| Other  | 18,987          | 127,577          |
| <b>Nonoperating expenses</b>                 |                 |                  |
| Share allocation                             | 5,027           |                  |
| Other  | 1,803           | 6,831            |
| <b>Ordinary income</b>                       |                 | <b>2,129,266</b> |
| <b>Extraordinary income</b>                  |                 |                  |
| Gain on sales of noncurrent assets           | 3,082           | 3,082            |
| <b>Extraordinary loss</b>                    |                 |                  |
| Loss on sales of noncurrent assets           | 69              |                  |
| Loss on retirement of noncurrent assets      | 7,422           | 7,492            |
| <b>Net income before income taxes</b>        |                 | <b>2,124,857</b> |
| Income taxes-current                         | 624,054         |                  |
| Income taxes-deferred                        | 156,473         | 780,528          |
| <b>Income before minority interests</b>      |                 | <b>1,344,329</b> |
| <b>Net income</b>                            |                 | <b>1,344,329</b> |

## Consolidated statement of changes in shareholders' equity

〔 From April 1, 2014  
To March 31, 2015 〕

(Unit: Thousands of yen)

|   | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of current period                              | 594,142              | 446,358         | 8,649,354         | (12)           | 9,689,842                  |
| Cumulative effect of change in accounting policy                    |                      |                 | 27,367            |                | 27,367                     |
| Opening balance that reflects the change in accounting policy       | 594,142              | 446,358         | 8,676,721         | (12)           | 9,717,209                  |
| Changes in monetary amount during period                            |                      |                 |                   |                |                            |
| Dividends of surplus  |                      |                 | (220,781)         |                | (220,781)                  |
| Net income  |                      |                 | 1,344,329         |                | 1,344,329                  |
| Net change in amount of items other than shareholders' equity (net) |                      |                 |                   |                |                            |
| Total changes in monetary amount during period                      | -                    | -               | 1,123,547         | -              | 1,123,547                  |
| Balance at end of current period                                    | 594,142              | 446,358         | 9,800,268         | (12)           | 10,840,756                 |

|   | Valuation and translation adjustment                  |   |   |  | Total net assets |
|---|---|---|---|--|------------------|
|   | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total valuation and translation adjustment |                  |
| Balance at beginning of current period                              | 73,635  | 429,794                                 | 71,963                                  | 575,393                                    | 10,265,235       |
| Cumulative effect of change in accounting policy                    |   |   |   |  | 27,367           |
| Opening balance that reflects the change in accounting policy       | 73,635  | 429,794                                 | 71,963                                  | 575,393                                    | 10,292,602       |
| Changes in monetary amount during period                            |   |   |   |  |                  |
| Dividends of surplus  |   |   |   |  | (220,781)        |
| Net income  |   |   |   |  | 1,344,329        |
| Net change in amount of items other than shareholders' equity (net) | 70,571  | 434,298                                 | 118,649                                 | 623,519                                    | 623,519          |
| Total changes in monetary amount during period                      | 70,571  | 434,298                                 | 118,649                                 | 623,519                                    | 1,747,067        |
| Balance at end of current period                                    | 144,206   | 864,092                                 | 190,613                                 | 1,198,912                                  | 12,039,669       |

## Balance sheet

(As of March 31, 2015)

(Unit: Thousands of yen)

| ASSETS                               |                   | LIABILITIES  |                   |
|--------------------------------------|-------------------|--|-------------------|
| <b>Current assets:</b>               | <b>5,293,039</b>  | <b>Current liabilities:</b>                                  | <b>1,441,047</b>  |
| Cash and deposits                    | 2,904,755         | Notes payable-trade  | 415,151           |
| Notes receivable-trade               | 270,945           | Accounts payable-trade                                       | 149,100           |
| Accounts receivable-trade            | 1,230,264         | Accounts payable-other                                       | 221,996           |
| Merchandise and finished goods       | 82,859            | Accrued expenses   | 50,926            |
| Raw materials and supplies           | 111,093           | Income taxes payable   | 258,204           |
| Prepaid expenses                     | 17,161            | Deposits received  | 11,612            |
| Deferred tax assets                  | 118,495           | Provision for bonuses  | 204,282           |
| Accounts receivable-other            | 551,588           | Reserve for directors' bonuses                               | 47,830            |
| Other                                | 5,873             | Notes payable-facilities                                     | 80,865            |
| <b>Noncurrent assets:</b>            | <b>4,837,091</b>  | Other  | 1,077             |
| <b>Property, plant and equipment</b> | <b>3,409,264</b>  | <b>Noncurrent liabilities:</b>                               | <b>156,603</b>    |
| Buildings                            | 746,975           | Reserve for retirement benefits                              | 43,030            |
| Structures                           | 39,188            | Deferred tax liabilities                                     | 86,782            |
| Machinery and equipment              | 230,593           | Asset retirement obligations                                 | 3,397             |
| Vehicles                             | 12,437            | Other  | 23,394            |
| Tools, furniture and fixtures        | 61,603            |  |                   |
| Land                                 | 2,274,036         | <b>Total liabilities</b>                                     | <b>1,597,651</b>  |
| Construction in progress             | 44,429            |  |                   |
| <b>Intangible assets</b>             | <b>38,566</b>     | <b>NET ASSETS</b>  |                   |
| Leasehold right                      | 29,380            | <b>Shareholders' equity:</b>                                 | <b>8,388,272</b>  |
| Software                             | 7,183             | <b>Capital stock</b>   | <b>594,142</b>    |
| Other                                | 2,002             | <b>Capital surplus</b>                                       | <b>446,358</b>    |
| <b>Investments and other assets</b>  | <b>1,389,261</b>  | Legal capital surplus  | 446,358           |
| Investment securities                | 512,486           | <b>Retained earnings</b>                                     | <b>7,347,784</b>  |
| Stocks of subsidiaries and affiliate | 687,935           | Legal retained earnings                                      | 63,557            |
| Investments in capital               | 5                 | Other retained earnings                                      | 7,284,226         |
| Long-term prepaid expenses           | 549               | General reserve  | 5,300,000         |
| Prepaid pension cost                 | 131,658           | Retained earnings brought forward                            | 1,984,226         |
| Other                                | 56,626            | <b>Treasury stock</b>  | <b>(12)</b>       |
|                                      |                   | <b>Valuation and translation adjustment:</b>                 | <b>144,206</b>    |
|                                      |                   | <b>Valuation difference on available-for-sale securities</b> | <b>144,206</b>    |
|                                      |                   | <b>Total net assets</b>                                      | <b>8,532,479</b>  |
| <b>Total assets</b>                  | <b>10,130,130</b> | <b>Total liabilities and net assets</b>                      | <b>10,130,130</b> |

## Statement of income

( From April 1, 2014  
To March 31, 2015 )

(Unit: Thousands of yen)

| Item   | Monetary amount |                  |
|--|-----------------|------------------|
| <b>Net sales</b>                             |                 | <b>6,274,172</b> |
| <b>Costs of sales</b>                        |                 | <b>2,212,628</b> |
| <b>Gross profit</b>                          |                 | <b>4,061,544</b> |
| Selling, general and administrative expenses |                 | 2,802,261        |
| <b>Operating income</b>                      |                 | <b>1,259,282</b> |
| <b>Nonoperating income</b>                   |                 |                  |
| Interest and dividends income                | 556,704         |                  |
| Foreign exchange gains                       | 31,532          |                  |
| Other  | 26,510          | 614,747          |
| <b>Nonoperating expenses</b>                 |                 |                  |
| Other  | 279             | 279              |
| <b>Ordinary income</b>                       |                 | <b>1,873,750</b> |
| <b>Extraordinary income</b>                  |                 |                  |
| Gain on sales of noncurrent assets           | 667             | 667              |
| <b>Extraordinary losses</b>                  |                 |                  |
| Loss on sales of noncurrent assets           | 10              |                  |
| Loss on retirement of noncurrent assets      | 6,591           | 6,601            |
| <b>Net income before income taxes</b>        |                 | <b>1,867,815</b> |
| Income taxes-current                         | 424,000         |                  |
| Income taxes-deferred                        | 21,044          | 445,044          |
| <b>Net income</b>                            |                 | <b>1,422,771</b> |

## Statement of changes in shareholders' equity

〔 From April 1, 2014  
To March 31, 2015 〕

(Unit: Thousands of yen)

|   | Shareholders' equity |                       |                       |                         |                         |                                   |                         |                |                            |
|---|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
|   | Capital stock        | Capital surplus       |                       | Legal retained earnings | Retained earnings       |                                   |                         | Treasury stock | Total shareholders' equity |
|   |                      | Legal capital surplus | Total capital surplus |                         | Other retained earnings |                                   | Total retained earnings |                |                            |
|   |                      |                       |                       |                         | General reserve         | Retained earnings brought forward |                         |                |                            |
| Balance at beginning of current period                              | 594,142              | 446,358               | 446,358               | 63,557                  | 4,800,000               | 1,254,870                         | 6,118,427               | (12)           | 7,158,916                  |
| Cumulative effect of change in accounting policy                    |                      |                       |                       |                         |                         | 27,367                            | 27,367                  |                | 27,367                     |
| Opening balance that reflects the change in accounting policy       | 594,142              | 446,358               | 446,358               | 63,557                  | 4,800,000               | 1,282,237                         | 6,145,794               | (12)           | 7,186,283                  |
| Changes in monetary amount during period                            |                      |                       |                       |                         |                         |                                   |                         |                |                            |
| Provision of general reserve  |                      |                       |                       |                         | 500,000                 | (500,000)                         | -                       |                | -                          |
| Dividends of surplus  |                      |                       |                       |                         |                         | (220,781)                         | (220,781)               |                | (220,781)                  |
| Net income  |                      |                       |                       |                         |                         | 1,422,771                         | 1,422,771               |                | 1,422,771                  |
| Net change in amount of items other than shareholders' equity (net) |                      |                       |                       |                         |                         |                                   |                         |                |                            |
| Total changes in monetary amount during period                      | -                    | -                     | -                     | -                       | 500,000                 | 701,989                           | 1,201,989               | -              | 1,201,989                  |
| Balance at end of current period                                    | 594,142              | 446,358               | 446,358               | 63,557                  | 5,300,000               | 1,984,226                         | 7,347,784               | (12)           | 8,388,272                  |

|   | Valuation and translation adjustments                 |  | Total net assets |
|---|---|--|------------------|
|   | Valuation difference on available-for-sale securities | Total valuation and translation adjustment |                  |
| Balance at beginning of current period                              | 73,635  | 73,635                                     | 7,232,551        |
| Cumulative effect of change in accounting policy                    |   |  | 27,367           |
| Opening balance that reflects the change in accounting policy       | 73,635  | 73,635                                     | 7,259,918        |
| Changes in monetary amount during period                            |   |  |                  |
| Provision of general reserve  |   |  | -                |
| Dividends of surplus  |   |  | (220,781)        |
| Net income  |   |  | 1,422,771        |
| Net change in amount of items other than shareholders' equity (net) | 70,571  | 70,571                                     | 70,571           |
| Total changes in monetary amount during period                      | 70,571  | 70,571                                     | 1,272,560        |
| Balance at end of current period                                    | 144,206   | 144,206                                    | 8,532,479        |

**Copy of the Accounting Auditor's report relating to the consolidated financial statements**

**Report of Independent Auditors**

May 13, 2015

MEC COMPANY LTD.

To: The Board of Directors

**Deloitte Touche Tohmatsu LLC**

|   |                             |                   |        |
|---|-----------------------------|-------------------|--------|
| Designated Limited Liability Partners<br>Managing Partner | Certified Public Accountant | Tomoyoshi WADA    | (Seal) |
| Designated Limited Liability Partners<br>Managing Partner | Certified Public Accountant | Kenichiro OKAMOTO | (Seal) |

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and notes to consolidated financial statements of MEC COMPANY LTD. for the year from April 1, 2014 to March 31, 2015 in accordance with Article 444, Paragraph 4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the general preparation and fair presentation of consolidated financial statements in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan. This includes putting in place and managing internal control that the management deems to be necessary in order to properly prepare and present consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent Auditor. Our audit was conducted in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures, at our judgment, are selected and applied based on the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal control, but in order to design audit procedures that are appropriate in the circumstances when conducting risk assessment, we examine the effectiveness of the entity's internal control that is relevant to the preparation and fair presentation of the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with accounting standards that are generally accepted in Japan, present fairly, in all material respects, the status of profit and loss of MEC COMPANY LTD. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared.

**Interest**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Copy of the Accounting Auditor's report relating to the financial statements

### Report of Independent Auditors

May 13, 2015

MEC COMPANY LTD.

To: The Board of Directors

#### Deloitte Touche Tohmatsu LLC

|  |                             |                   |        |
|--|-----------------------------|-------------------|--------|
| Designated Limited Liability Partners Managing Partner | Certified Public Accountant | Tomoyoshi WADA    | (Seal) |
| Designated Limited Liability Partners Managing Partner | Certified Public Accountant | Kenichiro OKAMOTO | (Seal) |

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in shareholders' equity and notes to non-consolidated financial statements and supplementary schedules of MEC COMPANY LTD. for the 46th term from April 1, 2014 to March 31, 2015 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

#### Management's Responsibility for the Financial Statements

Management is responsible for the general preparation and fair presentation of financial statements and their supplementary schedules in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan. This includes putting in place and managing internal control that the management deems to be necessary in order to properly prepare and present financial statements and their supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and their supplementary schedules based on our audit as independent Auditor. Our audit was conducted in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and their supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and their supplementary schedules. The audit procedures, at our judgment, are selected and applied based on the assessment of risks of material misstatement of the financial statements and their supplementary schedules, whether due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal control, but in order to design audit procedures that are appropriate in the circumstances when conducting risk assessment, we examine the effectiveness of the entity's internal control that is relevant to the preparation and fair presentation of the financial statements and their supplementary schedules. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and their supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements and their supplementary schedules referred to above, which were prepared in accordance with accounting standards that are generally accepted in Japan, present fairly, in all material respects, the status of profit and loss of the financial statements and their supplementary schedules for the period, for which the financial statements and their supplementary schedules were prepared.

#### Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Copy of the Report of Board of Auditors

### Audit Report

The Board of Auditors, having received a report from each Auditor and Board of Auditors member on the method and results of his or her audit on the performance of duties of Directors during the 46th fiscal period from April 1, 2014 to March 31, 2015, and, as a result of discussion, does hereby report the results of audit as follows:

#### 1. Method and details of audit conducted by Auditors and Board of Auditors members

In addition to formulating audit policy and annual audit plans and receiving reports concerning the status and results of audits conducted by each Auditor and Board of Auditors member, the Board of Auditors received reports from Directors and the Accounting Auditors regarding the performance of their duties and sought explanations when deemed necessary.

Furthermore, each Auditor and Board of Auditors member, in accordance with audit standards, policy and plans formulated by the Board of Auditors, sought to facilitate mutual understanding with Directors, the Internal Control Office and other employees, gathered information and worked to improve the environment for conducting audits, attended the business strategy meetings and other important meetings, received reports on the execution of their duties from the Directors and employees, etc., asked for explanations as necessary, inspected important decision documents, and examined the status of operations and assets at the head office and all offices. The Board of Auditors members also periodically received reports from Directors, the Internal Control Office and other employees, sought explanations as necessary, and expressed their opinions regarding the contents of resolutions by the Board of Directors concerning the development of systems stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act, which are necessary to ensure that Directors' performance of their duties is in conformity with laws and regulations and the Articles of Incorporation of the Company and to ensure the appropriateness of operations of the Company, as described in the Business Report, as well as the status of the building and management of the system developed pursuant to such resolutions (internal control system). During the period under review, we had one meeting every three months with the CEO & President, in addition to the Outside Directors, for a total of four times, and 12 meetings with the Internal Control Office. In addition, the Board of Auditors members examined the contents of the basic policy presented in the Business Report stipulated in Article 118, Item 3(A) of the Enforcement Regulations of the Companies Act, and each measure stipulated in Article 118, Item 3(B) of said act, in light of the status of discussions by the Board of Directors and others. With respect to subsidiaries, we communicated and exchanged information with the Directors and employees of the subsidiaries, and received Business Reports from the subsidiaries if necessary; in addition, excluding the subsidiary MEC (HONG KONG) LTD. which is small in scale, we went to other subsidiaries and investigated the status of their business and assets. Based on the above methods, we examined the Business Report for the fiscal year under review.

In addition, we examined whether the Accounting Auditor had been maintaining an independent position and had implemented appropriate audits backed by expertise, and at the same time we received an explanation of the audit plan in advance from the Accounting Auditor, as well as a report on the performance of its duties, and sought explanations as necessary. In addition, we received a report from the Accounting Auditor saying that the "system for ensuring that duties are performed properly" (as stipulated in Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with the "Quality Control Standards for Auditing" (October 28, 2005, Business Accounting Council), and we sought explanations as necessary.



We had five meetings with the Accounting Auditor. Also we had meetings and exchanged opinions and information with the Accounting Auditors of all subsidiaries at the time of visiting the sites. Based on the above method, the Board of Auditors members conducted examinations of the consolidated financial statements for the fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and notes to consolidated financial statements) as well as the financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, statement of changes and notes to non-consolidated financial statements) and their supplementary schedules.

2. Results of Audit

(1) Results of audit of the Business Report, etc.

- (i) We recognize that the Business Report present fairly the position of the Company pursuant to laws and regulations and the Articles of Incorporation.
- (ii) With regard to the performance of duties of Directors, no unfair conduct, nor any material breach of laws, regulations or the Company's Articles of Incorporation has been found.
- (iii) The details of resolutions approved by the Board of Directors concerning the internal control system are proper and fair. In addition, no matters that necessitate comment have been found regarding the details defined in the Company's Business Report and performance of duties of Directors both with respect to the internal control system.
- (iv) No matters that necessitate comment have been found regarding basic policy related to the individuals responsible for determining financial and business policies presented in the Company's Business Report. As described in the Business Report, we recognize that the effective use of the assets of the Company, formation of an appropriate corporate group, and special Initiatives to contribute to the realization of other basic policies, as stated in Article 118, Item 3(B) of the Enforcement Regulations of the Companies Act, are in line with the basic policy and do not detract from the common interests of shareholders; in addition, we recognize that they are not intended for the Directors of the Company to maintain their positions.

(2) Results of audit on consolidated financial statements

The methods and results of the Accounting Auditor Deloitte Touche Tohmatsu LLC are fair and reasonable.

(3) Results of audit on the financial statements and supplementary schedules

The methods and results of the Accounting Auditor Deloitte Touche Tohmatsu LLC are fair and reasonable.

May 18, 2015

MEC COMPANY LTD. Board of Auditors

Full-time Outside Auditor Katsuhiro MAEDA  
(Seal)

Outside Auditor Akiko TANAKA (Seal)

Outside Auditor Takao OKUDA (Seal)

## Reference Documents for the General Meeting of Shareholders

### Proposals and reference matters

#### Proposal No. 1 Change to part of the Articles of Incorporation

1. Reason for the amendment

The "Act for Partial Revision of the Companies Act" (Act No. 90, 2014) was promulgated on May 1, 2015, and it newly recognized that contracts to limit liability may be enacted between a company and Directors who are not Executive Directors etc. and between a company and Auditors who are not Outside Auditors etc. Accompanying this, in order to make it possible to widely acquire excellent human resources so as to have those Directors and Auditors sufficiently play their expected roles and improve the medium- and long-term corporate value of the Company going forward, regardless of whether they are internal or external, we will change part of Article 28 and Article 38 of our Articles of Incorporation.

Furthermore, we have obtained the consent of each Auditor with regards to the amendment of Article 28 of the Articles of Incorporation.

2. Details of amendment

The details of the changes are as follows.

(The underlined parts show the changes.)

| Current Articles of Incorporation   | Proposed amendment   |
|---|--|
| <p>(Contracts for Limitation of Liability with <u>Outside</u> Directors)<br/>                     Article 28<br/>                     In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with an <u>Outside</u> Director to limit the liability for damages of same as provided for by Article 423, Paragraph 1 of said Act.<br/>                     Provided, however, that the maximum amount of liability under the agreement shall be the higher of either a predetermined amount of 10 million yen or more, or an amount prescribed by laws and regulations.</p> | <p>(Contracts for Limitation of Liability with Directors)<br/>                     Article 28<br/>                     In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Director (<u>excluding an Executive Director, Manager or other employee</u>) to limit the liability for damages of same as provided for by Article 423, Paragraph 1 of said Act.<br/>                     Provided, however, that the maximum amount of liability under the agreement shall be the higher of either a predetermined amount of 10 million yen or more, or an amount prescribed by laws and regulations.</p> |

| Current Articles of Incorporation   | Proposed amendment  |
|---|---|
| <p data-bbox="225 344 719 409">(Contracts for Limitation of Liability with <u>Outside</u> Company Auditors)</p> <p data-bbox="225 412 347 441">Article 38</p> <p data-bbox="225 443 775 633">In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with an <u>Outside</u> Auditor to limit the liability for damages of same as provided for by Article 423, Paragraph 1 of said Act.</p> <p data-bbox="225 636 775 792">Provided, however, that the maximum amount of liability under the agreement shall be the higher of either a predetermined amount of 10 million yen or more, or an amount prescribed by laws and regulations.</p> | <p data-bbox="809 344 1303 409">(Contracts for Limitation of Liability with Company Auditors)</p> <p data-bbox="809 412 932 441">Article 38</p> <p data-bbox="809 443 1359 633">In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Corporate Auditor to limit the liability for damages of same as provided for by Article 423, Paragraph 1 of said Act.</p> <p data-bbox="809 636 1359 792">Provided, however, that the maximum amount of liability under the agreement shall be the higher of either a predetermined amount of 10 million yen or more, or an amount prescribed by laws and regulations.</p> |

**Proposal No. 2** Appointment of five Directors

The terms of office of all Directors (seven) will expire at the close of this General Meeting of Shareholders.

Therefore, aiming for an efficient management structure, we propose to reduce the number of Directors by two persons and elect five Directors.

The candidates for Directors are as follows.

| Candidate number | Name<br>(Date of birth)         | Career history, position, status of responsibility and important concurrent positions  | Number of shares of the Company that are owned |
|------------------|---------------------------------|--|--|
| 1                | Kazuo MAEDA<br>(April 15, 1962) | <p>January 2000    Joined the Company</p> <p>April 2000      General Manager of President's Office</p> <p>June 2000      General Manager of Directors' and President's Office</p> <p>April 2001      Company Managing Director</p> <p>June 2002      CEO &amp; President of the Company</p> <p>April 2011      CEO &amp; President of the Company and Head of Research and Development Division</p> <p>June 2012      CEO &amp; President of the Company (current)</p> <p>[Status of important concurrent positions]</p> <p>MEC TAIWAN COMPANY LTD. Representative Director</p> <p>MEC (HONG KONG) LTD. Representative Director</p> <p>MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director</p> <p>MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Representative Director</p> <p>MEC EUROPE NV. Director</p> | 716,000  |

| Candidate number | Name<br>(Date of birth)         | Career history, position, status of responsibility and important concurrent positions   | Number of shares of the Company that are owned |
|------------------|---------------------------------|---|--|
| 2                | Makoto NAGAI<br>(March 7, 1961) | <p>April 2001      Joined the Company<br/> May 2003      Managing Director, MEC EUROPE NV.<br/> June 2006      Corporate Officer<br/> April 2007      Executive Officer, Head of International Business Center<br/> January 2010   Corporate Officer, General Manager of MEC TAIWAN COMPANY LTD.<br/> June 2010      Managing Executive Officer<br/> April 2013      Managing Executive Officer, Head of Business Department<br/> June 2013      Director and Managing Executive Officer, and Head of Business Department (current)</p> <p>[Status of important concurrent positions]<br/> MEC TAIWAN COMPANY LTD. Director<br/> MEC (HONG KONG) LTD. Director<br/> MEC FINE CHEMICAL (ZHUHAI) LTD. Director<br/> MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br/> MEC EUROPE NV. Director</p> | 57,200   |

| Candidate number | Name<br>(Date of birth)                 | Career history, position, status of responsibility and important concurrent positions  | Number of shares of the Company that are owned |
|------------------|---|--|--|
| 3                | Toshiko<br>NAKAGAWA<br>(August 3, 1961) | <p>April 1984    Joined the Company</p> <p>April 2004    Head of Research and Development Center</p> <p>June 2004    Executive Officer, Head of Research and Development Center</p> <p>June 2010    Managing Executive Officer, Head of Research and Development Center</p> <p>April 2011    Managing Executive Officer, Head of Business Department</p> <p>July 2011    Managing Executive Officer, Head of Business Department, Head of Business Support Office</p> <p>April 2012    Managing Executive Officer, Head of Business Department, Head of Business Planning Office</p> <p>April 2013    Managing Executive Officer, Head of Research and Development Division, Head of Planning Office</p> <p>June 2014    Director, Managing Executive Officer, Head of Research and Development Division, Head of Planning Office (current)</p> <p>[Status of important concurrent positions]<br/> MEC TAIWAN COMPANY LTD. Director<br/> MEC (HONG KONG) LTD. Director<br/> MEC FINE CHEMICAL(ZHUHAI) LTD. Director<br/> MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director<br/> MEC EUROPE NV. Director</p> | 58,500   |
| 4                | Takayuki SATAKE<br>(November 22, 1960)  | <p>April 1999    Assistant Professor, Department of Business Administration, Faculty of Commerce and Economics, Kobe University of Commerce (currently the University of Hyogo)</p> <p>April 2004    Professor, Business Creation Department, Faculty of Business Administration at same university</p> <p>April 2010    Professor, Management Research Department, Graduate School at same university</p> <p>June 2012    Director (current)</p>  | 1,200  |
| 5                | Yutaka NISHIYAMA<br>(March 13, 1960)    | <p>April 1996    Assistant Professor, Faculty of Engineering, Kansai University</p> <p>March 2000    Overseas researcher (MIT) at same university</p> <p>April 2007    Professor at Faculty of Chemistry, Materials and Bioengineering at same university</p> <p>June 2014    Director (current)</p>   | 200  |

- Note:
1. There are no special interests between the candidates and the Company.
  2. Takayuki Satake and Yutaka Nishiyama are candidates for independent Outside Directors, and are candidates for registration as independent Directors with the Tokyo Stock Exchange.
  3. (1) The reason for proposing Takayuki Satake as a candidate for Outside Director is that we would like him to apply the specialized knowledge and experience he has cultivated as a professor at the Graduate School of Business Studies in university to the Company's management. In addition, though he does not have experience of being involved in the management of a company, for the above-mentioned reasons we have determined that as an Outside Director he will be able to perform his duties properly.  
(2) The reason for proposing Yutaka Nishiyama as a candidate for Outside Director is that we have high expectations he will be able to apply the specialized knowledge and experience he has cultivated as a professor at the Faculty of Chemistry, Materials and Bioengineering mainly at the Company's Research and Development Division and give useful recommendations and opinions on the environmental aspects of our business. In addition, though he does not have experience of being involved in the management of a company, because he has been involved in university management during his position of university professor, we have determined that as an Outside Director he will be able to perform his duties properly.
  4. Takayuki Satake and Yutaka Nishiyama are currently Independent Outside Directors of the Company, and their term of office as Independent Outside Director is three years for Takayuki Satake and one year for Yutaka Nishiyama, as of the conclusion of this meeting.
  5. The Company has entered into a limited liability agreement with Takayuki Satake and Yutaka Nishiyama, with the following content. If their reappointment is approved, the Company plans to continue the corresponding limited liability agreement with the same content as the current agreement.  
In the event that they owe damages to the Company as a result of the acts stated in Article 423, Paragraph 1 of the Company Law, they shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

**Proposal No. 3** Appointment of two Auditors

The terms of office of Auditors Ms. Akiko TANAKA and Mr. Takao OKUDA will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed to elect two (2) Corporate Auditors.

Furthermore, we have the consent of the Board of Auditors with regard to this proposal.

Details of the Auditor candidates are as follows.

| Candidate number | Name<br>(Date of birth)              | Career history, position, status of responsibility and important concurrent positions   | Number of shares of the Company that are owned |
|------------------|--------------------------------------|---|--|
| 1<br>*           | Taro MATSUSHITA<br>(October 6, 1954) | <p>October 1990    Joined the Company</p> <p>April 2001    The Company's Management Headquarters, Head of Accounting Section</p> <p>June 2002    The Company's Director, Section Head of Accounting and Finance Center</p> <p>June 2003    The Company's Corporate Officer, Section Head of Accounting and Finance Center</p> <p>June 2013    The Company's Chairman, in charge of Administrative Headquarters (To present)</p>   | 38,300   |
| 2                | Akiko TANAKA<br>(November 29, 1959)  | <p>April 1983    Joined the Osaka Regional Taxation Bureau</p> <p>April 1999    Registered as tax accountant</p> <p>April 2001    Employee of Tax Corporation Kyoto Management network</p> <p>September 2010    President and CEO of COCORO DESIGN Co., Ltd. (current)</p> <p>October 2010    Director of Tanaka Akiko Tax Accountant Office (current)</p> <p>June 2012    The Company's Auditor (To present)</p> <p>(Status of important concurrent positions)<br/>Director of Tanaka Akiko Tax Accountant Office<br/>President and CEO of COCORO DESIGN Co., Ltd.</p> | 600  |

Notes: 1. The person marked with an asterisk (\*) is a candidates to be newly appointed as an Auditor.

2. There are no special interests between each of the candidates and the Company.
3. Akiko TANAKA is a candidate Independent Outside Auditor, and a candidate Independent Director as established by the Tokyo Stock Exchange.
4. The Company has chosen Akiko TANAKA as a candidate for Outside Auditor because it has determined that she will be able to use her specialized knowledge and experience cultivated as a tax accountant, as well as her experience being involved in company management, and adequately perform her duties as an Outside Auditor.
5. Akiko TANAKA is currently the Company's Independent Outside Auditor, and her term of office as an Independent Outside Auditor will be three years at the close of this General Meeting of Shareholders.
6. The Company has entered into a limited liability agreement with Akiko TANAKA, with the following content. In the event that her reappointment is approved, we plan to continue the limited liability agreement in question with her. In addition, in the event that Taro MATSUSHITA's appointment is approved, (provided that the first proposal is resolved as originally proposed), the Company intends to conclude a similar liability limitation agreement with him. In the event that he



assumes liability for damages to the Company as a result of the acts stated in Article 423, Paragraph 1 of the Companies Act, he shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

**Proposal No. 4** Appointment of one Substitute Auditor

To avoid a situation where the number of Corporate Auditors falls below the minimum number provided by laws and regulations, it is proposed to elect one substitute Auditor.

In addition, we will be able to cancel the appointment of the substitute Auditor by resolution of the Board of Directors and with the consent of the Board of Auditors, but only before such Auditor takes office.

Also, we have obtained the consent of the Board of Auditors with regards to this proposal.

The candidate for substitute Auditor is as follows.

| Name<br>(Date of birth)             | Career history and important concurrent positions   | Number of shares<br>of the Company<br>that are owned |
|-------------------------------------|---|--|
| Takao OKUDA<br>(September 25, 1967) | April 1996 Registered in Osaka Bar Association<br>Joined Kitahama Partners<br>October 2002 Founded Okuda Kinoshita Law Firm,<br>Co-Representative Lawyer<br>October 2005 Renamed to Minami-morimachi Law Firm,<br>Co-Representative Lawyer<br>(current)<br>May 2015 The Company's Auditor<br>(To present) | -  |

Note: 1. There are no special interests between the candidates and the Company.

2. Mr. Takao Okuda is intended to be appointed as a substitute Outside Auditor. In addition, he has met the requirements of an independent Outside Auditor.

3. The reason for proposing Takao Okuda as a candidate for substitute Outside Auditor is that in the eventuality the Company has an insufficient number of Corporate Auditors as stipulated in laws and regulations, we have determined it is appropriate for him to serve as an Outside Auditor since he is familiar with corporate legal affairs.

4. The reason why Takao Okuda is judged to be able to properly perform the duties of as an Outside Auditor is that, though he does not have experience being involved in the management of a company, he is familiar with corporate legal affairs, and has sufficient insight to govern the Company's management.

5. Mr. Takao OKUDA is currently the Company's Independent Outside Auditor, and his term of office as an Independent Outside Auditor will be one month at the close of this General Meeting of Shareholders.

6. The Company has entered into a limited liability agreement with Takao OKUDA, with the following content. In the event that he is appointed as Outside Auditor, we plan to continue the limited liability agreement in question with him. An overview is as follows.

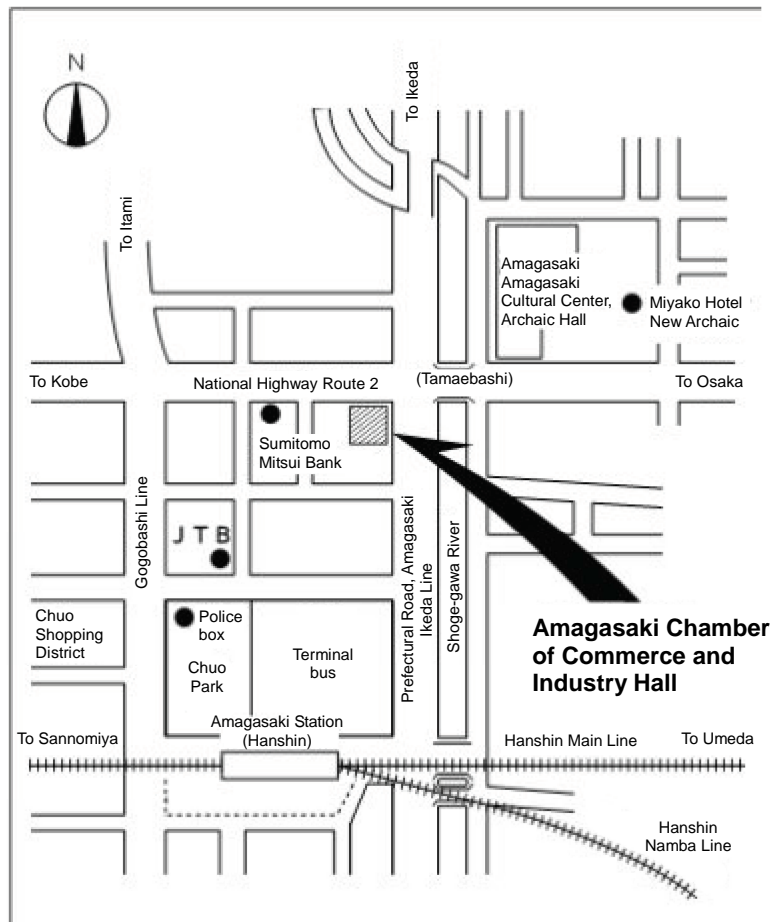
In the event that he assumes liability for damages to the Company as a result of the acts stated in Article 423, Paragraph 1 of the Company Law, he shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

## Map to venue for shareholders' meeting

**Venue** Meeting room 701, 7th floor, Amagasaki Chamber of Commerce and Industry Hall

3-96, Showa-dori, Amagasaki, Hyogo

### Map of area around the venue



**How to get there:** Exit at Amagasaki Station (Hanshin), and walk about 3 minutes to the north.