

Notice of 48th Ordinary General Meeting of Shareholders

Date and time



10 a.m. on Wednesday, June 21, 2017

Venue



2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH,
Miyako Hotel New Archaic

Please refer to the map to the venue for the shareholders' meeting provided at the end of this document. Note that this venue is different from the one we used for the previous year's meeting.

Matters to be resolved



- Proposal No. 1** Partial Amendments to the Articles of Incorporation
- Proposal No. 2** Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3** Appointment of one Substitute Director who is an Audit and Supervisory Committee Member

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May 30, 2017

To Our Shareholders

3-4-1, Kuise-minami-shimmachi, Amagasaki, Hyogo Prefecture

MEC COMPANY LTD.

CEO & President Kazuo MAEDA

Notice of 48th Ordinary General Meeting of Shareholders

Dear Shareholders,

You are cordially invited to attend the 48th 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 or via the Internet. Please examine the Reference Documents for the General Meeting of Shareholders shown below, and exercise your voting rights by 5:15 p.m. on Thursday, June 20, 2017 in accordance with the guidance provided below.

Sincerely yours,

Details

- 1. Date and time** 10 a.m. on Wednesday, June 21, 2017
- 2. Venue** 2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel New Archaic
(Please refer to the map to the venue for the shareholders' meeting provided at the end of this document. Note that this venue is different from the one we used for the previous year's meeting.)
- 3. Purposes:**
Items to be reported:
 1. The business report, the consolidated financial statements and the results of consolidated financial statement audits by the Accounting Auditor and the Audit and Supervisory Committee for the 48th business period (April 1, 2016 to March 31, 2017)
 2. The non-consolidated financial statements for the 48th business period (April 1, 2016 to March 31, 2017)

Matters to be resolved

- Proposal No. 1** Partial Amendments to the Articles of Incorporation
- Proposal No. 2** Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3** Appointment of one Substitute Director who is an Audit and Supervisory Committee Member

4. Guidance for exercise of voting rights

- (1) Exercising voting rights in writing:
Please indicate whether you are “for” or “against” each proposal on the voting form enclosed herein, and return it to us so that it arrives by 5:15 p.m. on Tuesday, June 20, 2017.
- (2) Exercising voting rights via the Internet:
Please see the “Guidance for Exercise of Voting Rights via the Internet” on pages 4 and 5, and exercise your voting rights by 5:15 p.m. on Tuesday, June 20, 2017.
- (3) If you exercise voting rights in a non-uniform manner, please notify us in writing of the reasons therefor by three days before the day of the shareholders’ meeting.

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- ⊙ 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, non-consolidated financial statements or reference documents for the general meeting of shareholders, we will post the revised matters on our website (<http://www.mec-co.com/en/>).
- ⊙ Of the documents that we should provide in accordance with the provisions of laws and regulations and Article 15 of the Company’s Articles of Incorporation, we will post the following on our website (<http://www.mec-co.com/>). Therefore, they are not included in the attachments to this Notice of Ordinary General Meeting of Shareholders.
 - 1) “Matters concerning the Company’s shares,” “matters concerning new share subscription rights in the Company,” and “basic policy on control of the Company” of the Business Report
 - 2) “Consolidated statements of changes in net assets” and “notes to the consolidated financial statements” of the consolidated financial statements
 - 3) “Non-consolidated statements of changes in net assets” and “notes to the non-consolidated financial statements” of the non-consolidated financial statements

Guidance for exercise of voting rights

There are three ways to exercise your voting rights.

If you are able to attend the Meeting:



Please hand in the enclosed voting form at the reception desk.

Date and time

**Wednesday, June 21, 2017
10 a.m.**

* Please refer to the map to the venue for the shareholders' meeting provided at the end of this document. Note that this venue is different from the one we used for the previous year's meeting.

If you are unable to attend the Meeting:



Exercising voting rights by mailing the voting form:

Please indicate whether you vote "for" or "against" each proposal on the voting form enclosed herein and drop it into a post box.

Deadline **Tuesday, June 20, 2017
Arrival by 5:15 p.m.**



Exercising voting rights via the Internet:

(by PC or smartphone/cell phone)

Enter whether you vote "for" or "against" each proposal.

For how to exercise your voting rights, please read pages 4 and 5.

Deadline **Tuesday, June 20, 2017
Entry by 5:15 p.m.**

■ Notes

1. If you are attending the meeting, it is not necessary to exercise your voting rights by mailing or via the Internet. Please hand in the enclosed voting form at the reception desk on the date of the Meeting.
2. If you exercise your voting rights twice, once by mail and once via the Internet, we will treat your Internet vote as the valid exercise of your voting rights. If you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using a computer and mobile phone, we will treat the most recent vote as the valid exercise of your voting rights.

<Guidance for Exercise of Voting Rights via the Internet>

If you prefer to exercise your voting rights via the Internet, please accept the following conditions before exercising your rights.

1. Website for the exercise of voting rights

Shareholders exercising their voting rights via the Internet can only do so via the following website designated by the Company.

[Website URL for the exercise of voting rights] <http://www.web54.net>

- * You may also access the website for exercising voting rights by scanning the “QR Code®” shown on the right using a mobile phone equipped with a barcode scanner. For details of how to do this, please check the instruction manual of your mobile phone.



(“QR Code” is a registered trademark of DENSO WAVE INCORPORATED.)

2. Handling of the exercise of voting rights

- (1) If you are exercising your voting rights via the Internet, please enter the code and password for the exercise of voting rights indicated on the voting form enclosed herein and follow the instructions on the screen to register whether you vote “for” or “against” each proposal.
- (2) Exercise of voting rights via the Internet is accepted until 5:15 p.m., Japan Standard Time on Tuesday June 20, 2017. Please exercise your voting rights as soon as possible.
- (3) If you exercise your voting rights twice, once by mail and once via the Internet, we will treat your Internet vote as the valid exercise of your voting rights. If you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using a computer and mobile phone, we will treat the most recent vote as the valid exercise of your voting rights.
- (4) Connection fees payable to the providers and communication expenses payable to telecommunication carriers (including access charges) when accessing the website for the exercise of voting rights will be borne by the shareholders.

3. Handling of password and voting rights exercise code

- (1) A password is important information to identify the person exercising voting rights as our shareholder. Please carefully keep the password like you would do for a seal or PIN.
- (2) If you enter an invalid password a set number of times, your password will be disabled. If you would like your password to be reissued, please follow the screen guide for the procedure.
- (3) The voting rights exercise code stated in the voting form is valid only for this shareholders’ meeting.

4. Inquiries about how to operate a personal computer or other devices

- (1) If you have any questions about how to operate a personal computer, mobile phone or other devices concerning the exercise of voting rights via the Internet on the website, please call the following number:

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Dedicated dial-in number

Phone Number: 0120-652-031 (9:00–21:00, Japan time; accessible only in Japan)

- (2) For other inquiries, please contact the following.

a. Shareholders who have an account with a securities company:

If you have an account with a securities company, please direct your inquiries to that securities company.

b. Shareholders who do not have an account with a securities company (shareholders who have a special account):

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Administration Center

Phone number: 0120-782-031 (weekdays 9:00–17:00, Japan time; accessible only in Japan)

Reference Document for the Annual Meeting of Shareholders

Proposals and Reference Matters

Proposal No. 1 Partial Amendments to the Articles of Incorporation

1. Reason for the amendment

The business year of the Company is currently from April 1 of each year to March 31 of the following year. However, we have decided to change it so that it runs from January 1 to December 31 of each year. This is in order to ensure timely and appropriate disclosure of corporate information by aligning the business year with that of overseas consolidated subsidiaries, and to improve operational efficiency in such areas as budgeting and operating control of the Group. Accordingly, required changes will be made to Article 12, Article 13, Article 38 and Article 39 of the current Articles of Incorporation.

Due to the change to the business year, the 49th business year will be for a nine-month period from April 1, 2017 to December 31, 2017. Therefore, supplementary provisions to that effect will be set forth as a transitional measure.

The partial amendments to the Articles of Incorporation will become effective at the conclusion of this General Meeting of Shareholders.

2. Details of amendments

The details of the amendments are as follows.

(Parts to be amended are underlined.)

Current Articles of Incorporation	Proposed amendments
<p>(Record Date)</p> <p>Article 12 The Company shall treat the shareholders with voting rights appearing or recorded in the final register of shareholders as of <u>March</u> 31 of each business year as shareholders entitled to exercise their rights at the ordinary general meeting of shareholders relating to the relevant business year.</p> <p>2. [Omitted]</p>	<p>(Record Date)</p> <p>Article 12 The Company shall treat the shareholders with voting rights appearing or recorded in the final register of shareholders as of <u>December</u> 31 of each business year as shareholders entitled to exercise their rights at the ordinary general meeting of shareholders relating to the relevant business year.</p> <p>2. (Unchanged)</p>
<p>(Convocation)</p> <p>Article 13 The ordinary general meeting of shareholders shall be convened in <u>June</u> of each year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.</p>	<p>(Convocation)</p> <p>Article 13 The ordinary general meeting of shareholders shall be convened in <u>March</u> of each year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.</p>
<p>Article 14 through Article 37 [Omitted]</p>	<p>Article 14 through Article 37 (Unchanged)</p>

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Current Articles of Incorporation	Proposed amendments
<p>(Business Year)</p> <p>Article 38 The business year of the Company shall commence on <u>April 1</u> of each year and shall end on <u>March 31 of the following year</u>.</p>	<p>(Business Year)</p> <p>Article 38 The business year of the Company shall commence on <u>January 1</u> of each year and shall end on <u>December 31 of each year</u>.</p>
<p>(Dividends of Surplus)</p> <p>Article 39 The Company shall distribute dividends of surplus to shareholders or registered share pledgees appearing or recorded in the register of shareholders as of <u>March 31</u> or <u>September 30</u> of each business year.</p> <p>2. [Omitted]</p> <p>3. [Omitted]</p>	<p>(Dividends of Surplus)</p> <p>Article 39 The Company shall distribute dividends of surplus to shareholders or registered share pledgees appearing or recorded in the register of shareholders as of <u>June 30</u> or <u>December 31</u> of each business year.</p> <p>2. (Unchanged)</p> <p>3. (Unchanged)</p>
<p>(Expiration Period)</p> <p>Article 40 [Omitted]</p> <p>[New]</p> <p>[New]</p> <p>[New]</p> <p>[New]</p>	<p>(Expiration Period)</p> <p>Article 40 (Unchanged)</p> <p><u>Supplementary Provisions</u></p> <p><u>Article 1</u> <u>Notwithstanding the provision of Article 38, the 49th business year shall commence on April 1, 2017 and end on December 31, 2017.</u></p> <p><u>Article 2</u> <u>Notwithstanding the provision of Article 39, the record date for dividends of surplus for the 49th business year shall be September 30, 2017 or December 31, 2017.</u></p> <p><u>Article 3</u> <u>These Supplementary Provisions shall be effective until December 31, 2017 and shall be deleted after that date.</u></p>

Proposal No. 2 Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)

The term of office of all four Directors (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this Proposal) will expire at the conclusion of this General Meeting of Shareholders.

Therefore, the Company proposes the appointment of four Directors.

Regarding this Proposal, the Audit and Supervisory Committee has decided that all candidates for Directors are qualified.

The candidates for Directors are as follows.

Candidate number	Name (Date of birth)	Career history, position, status of responsibility and important concurrent positions	Number of shares of the Company owned
1	Kazuo MAEDA (April 15, 1962)	January 2000 Joined the Company April 2000 General Manager of President's Office June 2000 General Manager of Directors' and President's Office April 2001 Company Managing Director June 2002 CEO & President of the Company April 2011 CEO & President of the Company and Head of Research and Development Division June 2012 CEO & President of the Company (incumbent) July 2015 CEO of the Company (current) [Status of important concurrent positions] Director of MEC TAIWAN COMPANY LTD. Representative Director of MEC (HONG KONG) LTD. Representative Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director, MEC EUROPE NV.	724,100 shares
[Reason for nomination] Since Mr. Kazuo Maeda assumed the position of the CEO & President of the Company in June 2002, he has committed himself to revitalizing the Board of Directors as Chairman thereof and strengthening corporate governance. In addition, from July 2015 as the CEO, he demonstrated strong leadership in increasing corporate value through various initiatives, including the medium-term management plan and the ESG strategy, leveraging his extensive experience and track record as a manager. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as Director.			

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Candidate number	Name (Date of birth)	Career history, position, status of responsibility and important concurrent positions	Number of shares of the Company owned
2	Makoto NAGAI (March 7, 1961)	<p>April 2001 Joined the Company</p> <p>May 2003 Managing Director, MEC EUROPE NV.</p> <p>June 2006 Corporate Officer</p> <p>April 2007 Executive Officer, Head of International Business Center</p> <p>January 2010 Corporate Officer, General Manager of MEC TAIWAN COMPANY LTD.</p> <p>June 2010 Managing Executive Officer</p> <p>April 2013 Managing Executive Officer, Head of Business Department</p> <p>June 2013 Director and Managing Executive Officer, Head of Business Department</p> <p>June 2015 Director and Senior Managing Executive Officer, and Head of Business Department (current)</p> <p>[Status of important concurrent positions]</p> <p>Representative Director of MEC TAIWAN COMPANY LTD.</p> <p>Director of MEC (HONG KONG) LTD.</p> <p>Director of MEC FINE CHEMICAL (ZHUHAI) LTD.</p> <p>Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.</p> <p>Director, MEC EUROPE NV.</p>	61,200 shares
<p>[Reason for nomination]</p> <p>Mr. Makoto Nagai, taking advantage of his experience as a Director of the Company and deep insight gained through engagement in corporate management overseas, has contributed to active discussions at the Board of Directors and played a central role in global business management, including overseas expansion. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as Director.</p>			

Candidate number	Name (Date of birth)	Career history, position, status of responsibility and important concurrent positions	Number of shares of the Company owned
3	Toshiko NAKAGAWA (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</p> <p>July 2015 Director, Managing Executive Officer, Head of Planning Office, Head of Innovation Office</p> <p>October 2016 Director and Managing Executive Officer, Head of Corporate Planning Division (current)</p> <p>[Status of important concurrent positions] Director of MEC TAIWAN COMPANY LTD. Director of MEC (HONG KONG) LTD. Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director, MEC EUROPE NV.</p>	59,900 shares
<p>[Reason for nomination] Leveraging her deep knowledge of research and development, Ms. Toshiko Nakagawa as a Director has greatly contributed to enhancing corporate value through the development of the medium-term management plan and policy development of research and development in new business fields, and. She has also promoted business management in the areas of corporate planning, basic research and development, and production. Therefore, we have determined that she is a suitable candidate and have nominated her to be re-appointed as Director.</p>			

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Candidate number	Name (Date of birth)	Career history, position, status of responsibility and important concurrent positions	Number of shares of the Company owned
4	Yutaka NISHIYAMA (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 (current)</p> <p>June 2014 Director (current)</p> <p>[Status of important concurrent positions] Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University</p>	1,000 shares
<p>[Reason for nomination] Mr. Yutaka Nishiyama has provided supervision and recommendations as independent Outside Director on the execution of duties by Directors from an independent standpoint in the areas of research and development, and new businesses. He has done so by leveraging his professional knowledge and experience gained while serving as Professor at the Faculty of Chemistry, Materials and Bioengineering. Although Mr. Nishiyama does not have experience being directly involved in corporate management, we have decided to nominate him to be reappointed as independent Outside Director based on his track record, experience and insight, as well as history of engagement in university operations as a professor.</p>			

- Note: 1. There are no special interests between the candidates and the Company.
2. Mr. Yutaka Nishiyama is a candidate for independent Outside Director, and is a candidate for registration as independent Director with the Tokyo Stock Exchange.
3. Mr. Yutaka Nishiyama is currently an independent Outside Director of the Company, and his term of office as such will be three years at the conclusion of this General Meeting of Shareholders.
4. The Company has entered into a limited liability agreement with Mr. Yutaka Nishiyama, with the following content. If his reappointment is approved, the Company plans to continue the limited liability agreement. 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.

Opinions of the Audit and Supervisory Committee

The three independent Outside Directors who are Audit and Supervisory Committee Members are among the five members of the Nomination and Compensation Advisory Committee, accounting for a majority. When electing and dismissing any Director, whether he or she is qualified is determined after examination according to the appointment and dismissal standards of the Nomination and Compensation Advisory Committee and further review by the Audit and Supervisory Committee. As for compensation, we have a highly transparent compensation system with increased portions of compensation linked to short-, medium-, and long-term performance, as a result of revising the standards for the performance-based portion of monetary compensation as well as the implementation of the performance-based stock compensation plan.

Proposal No. 3 Appointment of one Substitute Director who is an Audit and Supervisory Committee Member

In order to be prepared for cases in which there is a shortfall in the number of Directors who are Audit and Supervisory Committee Members provided for by laws and regulations, we propose the appointment of one substitute Director who is an Audit and Supervisory Committee Member.

In addition, we will be able to cancel the appointment of the substitute Director who is an Audit and Supervisory Committee Member by resolution of the Board of Directors and with the consent of the Audit and Supervisory Committee, but only before such Director takes office.

Also, we have obtained the consent of the Audit and Supervisory Committee with regards to this proposal.

The candidate for Substitute Director who is an Audit and Supervisory Committee Member is as follows.

Name (Date of birth)	Career history and important concurrent positions	Number of shares of the Company owned
Takao OKUDA (September 25, 1967)	<p>April 1996 Registered in Osaka Bar Association Joined Kitahama Partners</p> <p>October 2002 Founded Okuda Kinoshita Law Firm, Co-Representative Lawyer</p> <p>October 2005 Renamed to Minami-morimachi Law Firm, Co-Representative Lawyer (current)</p> <p>May 2015 Appointed to Auditor of the Company</p> <p>June 2015 Resigned from position of Auditor of the Company</p>	-

- Note: 1. There are no special interests between the candidate and the Company.
2. Mr. Takao Okuda is a candidate for substitute independent Outside Director and meets the requirements for registration as an independent Director stipulated by the Tokyo Stock Exchange.
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 Directors who are Audit and Supervisory Committee Members 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 an Outside Director 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. A summary of the contents of the liability limitation agreement that the Company is scheduled to conclude with Takao Okuda if he is appointed as Outside Director 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.

(Attachment)

Business Report

(From April 1, 2016 to March 31, 2017)

1. Matters concerning the state of the corporate group

(1) Progress and results of business

Japan's economy during the current consolidated fiscal year under review (April 1, 2016 – March 31, 2017) saw a gradual recovery trend against the background of a steady employment situation, a recovery in personal consumption, a pick-up in exports, and an increase in industrial investment. However, the impact of the policy of the president of the United States, the problem of the UK's withdrawal from the EU, increasing global geopolitical risk, and changes in the exchange rates meant that the outlook is uncertain.

In the electronics industry, there has been a continued slump in sales of personal computers and tablet computers, and a slowdown in the growth rate of shipments of smartphones. Miniaturization of electronic parts used in smartphones is proceeding to secure space to increase the battery capacity. Therefore, electronic substrates on which electronic components are mounted are also tending to become higher density ones, and technological innovation for this is progressing. Markets related to the Internet of Things (IoT: a network of physical objects connected to the Internet) were expected to see high growth, as ever, and in particular there was steady demand for high-frequency components. The technology of self-driving vehicles is also progressing steadily, and there has been a large increase in demand for the sensors they use in devices such as lasers and cameras. Furthermore, accompanying the miniaturization of sensors, the density of electronic substrates has been increasing in ways we could not have assumed as well.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. In particular, we accelerated the improvement and development of the CZ Series of ultra-roughening agents, which command a high market share for use in the production of package substrates for smartphones and tablet computers, and actively promoted sales. With its high reliability, the CZ Series of products have been increasingly adopted in boards for mounting sensors for car makers. With the EXE Series, which manufacturers use to achieve a high-density wiring pattern with the etching method, we have already acquired a high market share for use in displays. And we have steadily had the series adopted for electronic boards mounted on smartphones. The flexible substrates used in smartphones, cars, HMDs (head-mounted displays), robots, and such like are becoming increasingly miniaturized. In connection with this, we will continue making proactive efforts to sell the UT Series of products which can roughen a surface without manufacturers needing to choose a type of copper foil, and a number of board makers are testing them. In addition, demand for the FlatBOND Series of products for use in high-frequency circuit boards that can cope with massive amounts of information processing will expand in the future as a result of the coming of the IoT era. They have been steadily mass-produced by customers and will continue to expand. AMALPHA is a technique for joining metal and resin directly, and it is used in the process of manufacturing the metal casing of some mobile devices. We continued to focus on sales activities for it, aiming to expand the market. Looking at a breakdown of sales, sales of chemicals were 8,862 million yen (up

143 million yen, 1.7% compared with the same period last year), sales of materials were 239 million yen (up 85 million yen, up 55.1% year-on-year), machinery sales were 130 million yen (down 47 million yen or 26.8% year-on-year), and other sales were 26 million yen (up 0 million yen, or 1.2%). The breakdown of chemical sales shows there were sales of 5,212 million yen for adhesion improvers, sales of 3,005 million yen for etching agents, and sales of 644 million yen for other chemicals.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 9,259 million yen (up 181 million yen or 2.0% year-on-year). Shipments of chemicals increased by 5.5% compared with the same period of the previous year, and use of our chemicals is expanding. Operating income amounted to 1,887 million yen (down 298 million yen year-on-year or 13.6%). Operating margin was 20.4%, down 3.7 points compared with the 24.1% in the same period last year. The main factors in this were a 71 million yen increase due to changes in our depreciation method, a 64 million yen decrease due to depreciation expenses related to the Amagasaki Headquarters, and a 96 million yen decrease due to expenses for moving costs and fixtures. Ordinary income amounted to 1,888 million yen (down 319 million yen year-on-year or 14.5%). Net income before income taxes amounted to 1,875 million yen (a year-on-year decrease of 278 million yen or 12.9%), and net income attributable to owners of parent was 1,642 million yen (an increase of 127 million yen, up 8.4% from the same period of the previous year). This was mainly due to the fact that the burden rate of corporate tax was low at 12.4% (29.7% in the previous year) due to the coming into force of the Japan-Taiwan Tax Agreement during the fiscal year under review.

It should be noted that net sales were down 678 million yen and operating income fell 369 million yen compared with the previous year, affected by the strong yen.

The overseas sales ratio was 54.6%. In MEC Taiwan, sales of chemicals for use in package substrates remained favorable. MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY expanded sales with increasing use of the EXE Series for smartphone electronic boards. MEC FINE CHEMICAL (ZHUHAI) LTD. and MEC Europe performed steadily. Furthermore, in order to enhance our presence in the expanding Southeast Asian market in the future, we have decided to establish a subsidiary in Thailand as our sixth company. It is schedule to start operating in July 2018.

Looking at cash flow, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 3,723 million yen, an increase of 300 million yen from the end of the previous consolidated fiscal year. This was because cash flow from operating activities came to 1,633 million yen, cash flow from investing activities was 2,461 million yen, and cash flow from financing activities was 1,128 million yen.

As a result of the above, ROE was 13.0%, up 0.5 points compared with the same period of the previous year. This was due to the fact that corporate income taxes were low and profit attributable to owners of parent was up 8.4% from the same period last year.

In addition, the Company negotiated with a business partner to sell its stockholdings. The cross-holding between the two companies was eliminated and there were gains on sale of 21 million yen. Further, regarding the return of profits to shareholders, dividends were up 2 yen per share compared with the previous year, and the dividend payout ratio was 23.6%. We repurchased 200,000 shares

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of treasury stock in the current fiscal year.

The Amagasaki Headquarters, which started being constructed in 2015, was completed in 2016 and the head office, research and development, and production functions moved there sequentially and it started operations. We are convinced that consolidating these functions into one site will speed up our decision-making and further accelerate the development of new products. We are keeping an eye on the advent of the IoT era, the use of a huge amount of sensors for self-driving vehicles and robots, and the full-scale arrival of artificial intelligence for processing massive amounts of information. And in connection with this, we will launch more newly developed products onto markets.

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

Category	47th term (previous fiscal year)		48th term (fiscal year under review)		
	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Composition ratio (%)	Year-on-year (%)
Chemicals for use with electronic substrates Chemicals for use with electronic parts	8,718	96.0	8,862	95.7	101.7
Machines for electronic substrates	178	2.0	130	1.4	73.2
Materials for electronic substrates	154	1.7	239	2.6	155.1
Other	26	0.3	26	0.3	101.2
Total	9,078	100.0	9,259	100.0	102.0

(2) Situation with regards to capital investment

The total capital investment we implemented during the fiscal year under review came to 2,033 million yen, and the main areas are as follows.

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

Amagasaki Headquarters	Construction of a new business office
Nagaoka Factory	Renewal of production 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

As for financing during the consolidated fiscal year under review, the Company raised a long-term loan of 2 billion yen from a domestic financial institution to fund the facilities of the Amagasaki Headquarters. The Company used the interest subsidy program of the Ministry of Health, Labour and Welfare for this borrowing.

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

Category	45th term (Term ended March 2014)	46th term (Term ended March 2015)	47th term (Term ended March 2016)	48th term (Fiscal year under review) (Term ended March 2017)
Net sales (millions of yen)	8,003	9,057	9,078	9,259
Operating income (millions of yen)	1,421	2,008	2,185	1,887
Ordinary income (millions of yen)	1,551	2,129	2,207	1,888
Profit attributable to owners of parent (millions of yen)	925	1,344	1,514	1,642
Net income per share (yen)	46.09	66.98	76.26	84.86
Total assets (millions of yen)	12,869	14,646	15,715	17,993
Net assets (millions of yen)	10,265	12,039	12,250	13,110
Net assets per share (yen)	511.44	599.85	632.41	683.86
ROE (%)	9.8	12.1	12.5	13.0
Number of employees (persons)	275	284	301	321

- Note: 1. The indexes per share are all calculated by deducting the number of treasury shares.
2. Treasury shares are excluded from the net assets computed as a denominator for ROE calculation.
3. 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," there is an ongoing situation in which the economic trends are uncertain.

Amid this business environment, the Group has operated its business upholding the corporate motto of "Enjoy your Work," which is the source of our corporate value, and based on the principles of "Visionary Technology," "Reliable Quality" and "Meticulous Service." In order to realize the above principles and contribute to the common interests of shareholders, we have developed a medium-term management plan "e-frontier next" covering three business years ending December 31, 2017 and are striving to increase corporate value by pushing forward the plan. The plan "e-frontier next" sets forth, in addition to the above principles, "enhancement of technology marketing" and "promotion of open innovation" as new qualitative targets that serve as essential elements of management strategies, as well as "promotion of ESG strategy" to develop management foundations.

In addition, in order to realize further routes for growth, we will do our utmost to tackle management issues, and strive to maximize corporate value.

1) Enhancement of technology marketing

Traditionally, most of the Group's customers are manufacturers of electronic substrates/parts. Going forward, the Group will significantly expand its scope and strengthen activities such as joint assessment with "upstream" material manufacturers, introduction of our technologies to "downstream" end users and assembly manufacturers, and acquisition of certifications. We believe that enhanced technology marketing will also contribute to faster product development. We will find potential customers and expand sales, and develop new products, through marketing activities that emphasize the Company's core technologies.

2) Promotion of open innovation

In recent years, the progress in development and technological innovation of IoT and artificial intelligence (AI) in the world has been dramatic. In order to quickly capture these trends and seize opportunities for business expansion, the Group will tap its latent strengths and find new values for commercialization by actively utilizing external ideals and development capabilities in addition to its principle of "Visionary Technology." Also, we believe that making active use of external sources besides internal ones will enable us to expedite our development activities.

Translations

3) Promotion of ESG strategy

The strategy for ESG, which stands for environment, social and governance, is a cornerstone of businesses. For example, in the area of the environment, the Company, which is engaged in the chemicals business, will strive to manage chemical substances properly and protect nature and biodiversity. In the area of social efforts, the Company helps its employees to achieve a work-life balance and actively promotes activities and contributions in regional society.

The Company has the ESG Committee chaired by the CEO & President. The Committee meets quarterly and promotes the ESG strategy. For example, the Amagasaki Headquarters also serves as an evacuation site for local residents partly because it is located in a residential area. Also, we plan to hold briefing sessions and site tours for community residents so that they can have a deeper understanding of the Company.

Furthermore, we will also push forward with the ESG strategy in product development, focusing on environmental aspects.

In the area of governance, we actively invite outside officers in light of management diversification and ensuring transparency, and work on information disclosure and improved capital efficiency at all times.

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, 2017)

1) Status of parent companies
N/A

2) Status of important subsidiaries

Company name	Capital	Investment ratio	Main businesses
MEC TAIWAN COMPANY LTD.	NT\$25 million	100%	Electronic boards and parts materials business
MEC (HONG KONG) LTD.	HK\$4.5 million	100%	Electronic boards and parts materials business
MEC FINE CHEMICAL (ZHUHAI) LTD.	HK\$8 million	100% (100)(*1)	Electronic boards and parts materials business
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO.,LTD.	US\$4 million	100%	Electronic boards and parts materials business
MEC EUROPE NV.	1 million EUR	100% (*2)	Electronic boards 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, 2017)

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 Chemicals for use with electronic parts	Adhesion improvers Etching agents Other surface processing agents
	Machines for electronic substrates	Machines for chemical treatment Various types of machines for use before and after chemical treatment
Merchandise	Materials for electronic substrates	Copper foil Dry film
Other		Mechanical repair

Translations

(8) Main offices and factories (as of March 31, 2017)

Name	Location
MEC COMPANY LTD.: Head Office, R&D Center, Amagasaki Factory	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 Office and Factory	Taoyuan City, Taiwan
MEC (HONG KONG) LTD.: Head Office	Kowloon, Hong Kong
MEC FINE CHEMICAL (ZHUHAI) LTD.: Head Office and Factory	Zhuhai, China
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.: Head Office and Factory	Suzhou, China
MEC EUROPE NV.: Head Office and Factory	Ghent, Belgium

Note: The Company has relocated its head office on December 26, 2016 and its R&D center on January 16, 2017, consolidating these functions into one location.

(9) Status of employees (as of March 31, 2017)

1) Status of employees of the corporate group

Number of employees	Increase or decrease compared with the end of the previous fiscal year
321	increase of 20

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
177 (126 men) (51 women)	increase of 9	40.5	12.6

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, 2017)

Lenders	Amounts borrowed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	875 million yen
Sumitomo Mitsui Banking Corporation	875

2. Matters related to the Officers of the Company (as of March 31, 2017)

(1) Directors

Status	Name	Status of responsibility and important concurrent positions
CEO & President	Kazuo MAEDA	CEO of the Company Director of MEC TAIWAN COMPANY LTD. Representative Director of MEC (HONG KONG) LTD. Representative Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director, MEC EUROPE NV.
Director	Makoto NAGAI	Senior Managing Executive Officer, Head of Business Department Representative Director of MEC TAIWAN COMPANY LTD. Director of MEC (HONG KONG) LTD. Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director, MEC EUROPE NV.
Director	Toshiko NAKAGAWA	Managing Executive Officer, Head of Corporate Planning Division Director of MEC TAIWAN COMPANY LTD. Director of MEC (HONG KONG) LTD. Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director, MEC EUROPE NV.
Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University
Director (Audit and Supervisory Committee Member)	Katsuhiro MAEDA	
Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University Professor Emeritus, the University of Hyogo Outside Director, OAK Co., Ltd.
Director (Audit and Supervisory Committee Member)	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation Representative Director, COCORO DESIGN Co., Ltd.

Note: 1. Director Yutaka Nishiyama and Directors (Audit and Supervisory Committee Members) Katsuhiro Maeda, Takayuki Satake and Akiko Tanaka are independent Outside Directors, and have been registered as independent Directors with the Tokyo Stock Exchange.

Translations

2. Director (Audit and Supervisory Committee Member) Akiko Tanaka is a certified tax accountant, and has considerable knowledge about finance and accounting.
3. In line with the intent of the audit and supervisory committee system, the Company has a closely connected structure by placing the Internal Control Office directly under the Audit and Supervisory Committee, systematically conducting audits by leveraging the internal control system, and establishing a secretariat of employees who assist the Audit and Supervisory Committee. Also, the Audit and Supervisory Committee sets forth the division of roles for each year utilizing the framework for appointing Audit and Supervisory Committee members for specific roles. It maintains the quality of audits by, for example, conducting field audits of all business offices together with the Internal Control Office. In addition, all Audit and Supervisory Committee Members as independent Outside Directors serve as members of the Nomination and Compensation Advisory Committee and the ESG Committee, as well as other organs including the Board of Directors, and strive to fulfill the relegated supervisory function.
Furthermore, the Company intends to select one of the Audit and Supervisory Committee Members for appropriately handling duties as the occasion demands. The monthly Audit and Supervisory Committee meetings are also attended by Outside Directors and the Internal Control Office to share information and exchange opinions. Therefore, the Company does not appoint full-time Audit and Supervisory Committee Members.
4. Auditor Taro Matsushita resigned at the conclusion of the 47th Ordinary General Meeting of Shareholders held on June 21, 2016 as his term of office expired.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and each of Messrs. Yutaka Nishiyama, Katsuhiko Maeda and Takayuki Satake, and Ms. Akiko Tanaka 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 four persons under this agreement is 10 million yen or the amount stipulated in laws and regulations, whichever is higher.
6. The Company shifted to a company with an Audit and Supervisory Committee on June 21, 2016. In association with this, the term of office of Director Takayuki Satake and Full-time Auditor Katsuhiko Maeda and Auditor Akiko Tanaka expired, and each of them assumed the office of Director (Audit and Supervisory Committee Member).

(2) Total amount of remuneration of Directors and Auditors

Category	Number of people	Total amount of remuneration, etc.
Director (excluding Audit and Supervisory Committee Members) (Of which, independent Outside Directors)	5 (2)	112 million yen (5)
Director (Audit and Supervisory Committee Member) (Of which, independent Outside Directors)	3 (3)	19 (19)
Auditor (Of which, Outside Auditors)	3 (2)	7 (4)
Total	11	138

- Note: 1. The above figures include three Auditors who resigned at the conclusion of the 47th Ordinary General Meeting of Shareholders held on June 21, 2016. The Company shifted from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee on June 21, 2016.
2. The remuneration limit for Directors before the transition to a company with an Audit and Supervisory Committee 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”). After the transition, the remuneration limit for Directors (excluding Audit and Supervisory Committee Members) was resolved to be an annual amount of 170 million yen (of which, the limit for Outside Directors is to be no more than 20 million yen; salaries received as employees by Directors who concurrently serve as employees are not included) at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016.
 3. The remuneration limit for Directors who are Audit and Supervisory Committee Members was resolved to be an annual amount of no more than 50 million yen at the 47th Ordinary General Meeting of Shareholders, held on June 21, 2016.
 4. 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.
 5. Independent Outside Directors and Auditors have a fixed monthly remuneration.
 6. The Board of Directors (excluding the independent Outside Directors) have a fixed monthly remuneration and performance-based compensation. Performance-based compensation consists of performance-based monetary compensation linked to the consolidated ordinary income and performance-based stock compensation as medium- to long-term compensation, the weightings of which are decided depending on the position of the relevant person.

(3) 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 5 years from the present time.
- g. Is next of kin of 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 general rules for the interlocking directorates of all officers, we have set the figure of four companies including the Company for non-executive officers, and two companies including the Company for executive officers. Officers with concurrent positions are as follows.

Category	Name	Status of important concurrent positions	Relationship with the Company
Independent Outside Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University Professor Emeritus, the University of Hyogo Outside Director, OAK Co., Ltd.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation Representative Director, COCORO DESIGN Co., Ltd.	No special relationship

3) Major activities during the fiscal year

We have made it a rule that the attendance rate of each Outside Director at Board of Directors meetings and the attendance rate of each Outside Director who is an Audit and Supervisory Committee Member at Audit and Supervisory Committee meetings must be at least 85%.

Category	Name	Status of major activities
Independent Outside Director	Yutaka NISHIYAMA	<p>He has attended all 17 Board of Directors meetings and attended as an observer 8 of 13 Audit and Supervisory Committee meetings, held during the fiscal year under review.</p> <p>He has greatly contributed to the Company by providing useful recommendations mainly in the area of research and development based on his professional knowledge and experience gained while serving as Professor at the Faculty of Chemistry, Materials and Bioengineering. Also, as a member of the ESG Committee, he actively presented his objective opinions on ESG promotion from environmental aspects.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Katsuhiko MAEDA	<p>He attended all 17 Board of Directors meetings, 5 Board of Auditors meetings and 13 Audit and Supervisory Committee meetings, held during the fiscal year under review. In addition to the operation of the Audit and Supervisory Committee as the chair, he is also a member of the Nomination and Compensation Advisory Committee and the ESG Committee.</p> <p>He provided his opinions and recommendations in wide-ranging fields, including measures to meet the revised Companies Act in association with the shift to the system of a company with an Audit and Supervisory Committee as well as measures for strengthening corporate governance, and enhancing audit and oversight functions, from professional viewpoints based on his experience as a manager and learning.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	<p>He attended all 17 Board of Directors meetings during the fiscal year under review. Also, he attended all 13 Audit and Supervisory Committee meetings after assuming the office of Audit and Supervisory Committee Member, and utilized the specialized knowledge and experience he had cultivated as Professor at the Graduate School of Business Studies in his audit and supervision activities.</p> <p>In particular, he contributed to the establishment of stronger in-house platforms for achieving management that is based on the creation of customer value and for fulfilling responsibilities as a company that can contribute to local communities as a public organ of society. Also, 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 serves as a coordinator for opinion exchange meetings between the CEO & President/senior management and Outside Directors. As a member of the Nomination and Compensation Advisory Committee and the ESG Committee, he contributed greatly, especially in the promotion of ESG, and actively expressed his objective opinions.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	<p>He attended all 17 Board of Directors meetings, 5 Board of Auditors meetings and 13 Audit and Supervisory Committee meetings, held during the fiscal year under review. In addition to performing the duties of the Audit and Supervisory Committee Member, she is engaged in activities for promoting active participation by women and enhancing corporate management as a member of the Nomination and Compensation Advisory Committee.</p> <p>Utilizing her knowledge and experience as a tax accountant, she provided information on such areas as developments in international taxation, and made recommendations as an accounting professional on necessary matters for financial accounting with an eye on global-based corporate management.</p>

3. 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	23 million yen
Total amount of the money to be paid by the Company and its subsidiaries, and other economic benefits	25 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 an audit based on the Companies Act and the audit fee for an 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. The Audit and Supervisory Committee obtained the necessary documents and reports from the Directors, the relevant departments of the Company and the Accounting Auditor, and then confirmed the details of the audit plan performed by the Accounting Auditor, the execution of duties conducted by the Accounting Auditor, and the basis for the calculation of compensation estimates. Finally, as a result of reviewing the appropriateness and validity, we made a decision on giving consent to the remuneration amount, etc., of the Accounting Auditor.
3. 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 14 million yen.

(3) Contents of non-audit services

With regards to the contents of non-audit services for which the Company pays remuneration to certified public accountants, there was an "advisory engagement for faster financial closing."

(4) Policy for Determining the Dismissal or Non-reappointment of the Accounting Auditor

The Audit and Supervisory Committee has established appointment criteria and evaluation standards for an Accounting Auditor, and the Committee confirms the independence and expertise of such Auditor in each period. 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.

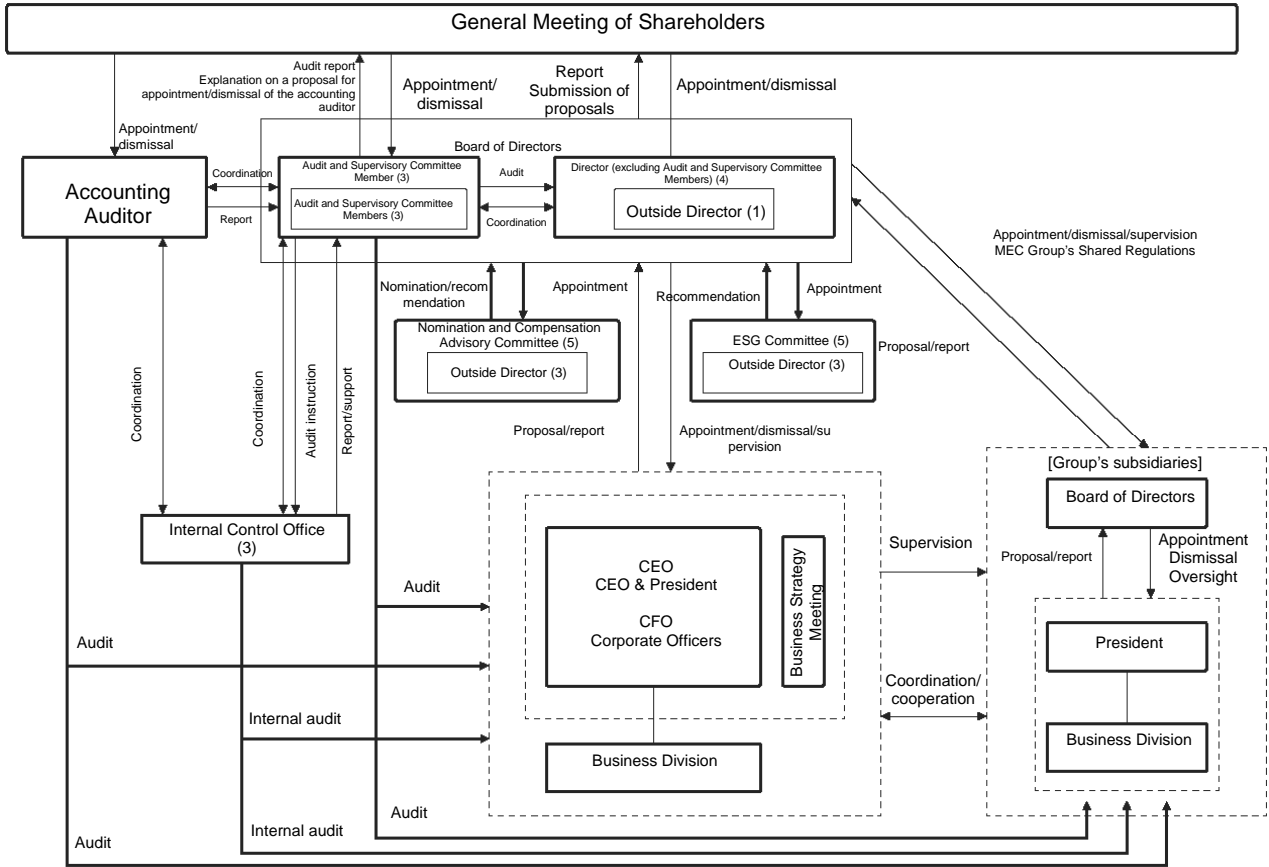
In addition, if the Audit and Supervisory Committee judges that the Accounting Auditor falls under any of the items listed in Article 340, Paragraph 1 of the Companies Act, it will dismiss the Accounting Auditor based on the consent of all Audit and Supervisory Committee Members. In this case, an Audited and Supervisory Committee Member appointed by the Audit and Supervisory Committee shall, at the first general meeting of shareholders to be convened after the dismissal, report on the fact that the Accounting Auditor has been dismissed and the reasons therefor.

(5) Overview of the contents of liability limitation agreements

N/A

4. Systems and policies of the Company

[Status of the Group's Corporate Governance]



(1) System to ensure the appropriateness of the business operations of the Company and its subsidiaries and affiliates (hereinafter referred to as the “MEC Group”)

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 that the performance of duties of the MEC Group’s Directors and employees complies with laws and regulations and the Articles of Incorporation
 - (i) As the basis for the internal control and compliance systems of the MEC Group, we have stipulated MEC Group’s Charter of Corporate Behavior and Corporate Code of Conduct, as well as MEC Group’s Internal Control, Internal Audit and J-SOX Regulations, and Compliance Regulations.

Translations

- We have established the Internal Control Committee and the Compliance Committee, which are chaired by the President, 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) If the Directors discover an important fact about serious legal violations or other compliance issues in the MEC Group, they shall report immediately to the Audit and Supervisory Committee Members and other Directors.
 - (iii) We aim to have appropriate and efficient operations, ensure independence of, and maintain a system to perform internal checks, and prevent fraud, etc. before it occurs. Hence, we have established the Internal Control Office, which is an internal audit department, as an organization that is under the direct control of the Audit and Supervisory Committee. Decisions concerning personnel affairs (e.g., transfer, compensation) of employees who belong to the Internal Control Office shall be made upon obtaining consent of the Audit and Supervisory Committee. The Internal Control Office shall conduct internal audits according to the annual plan and report on the audit results to the Audit and Supervisory Committee, Directors, the Internal Control Committee and other relevant organs.
 - (iv) As the MEC Group's whistle-blowing system for reporting 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 a whistle-blowing system. With it, one person from among the Outside Directors and external lawyers, and the head of the Internal Control Office are direct recipients of information. We ensure we prevent disadvantageous treatment of any whistleblower or other persons due to their reporting or cooperating with investigations.
 - (v) When the Audit and Supervisory Committee finds that there is a problem with the operation of the Company's legal compliance system and internal reporting system, they give their opinion to the CEO & President and at the same time request the development of improvement measures.
 - (vi) The Audit and Supervisory Committee shall meet Outside Directors who are not Audit and Supervisory Committee Members and the Internal Control Office once a month, in principle, by requesting their attendance at the Audit and Supervisory Committee meetings as observers to report on audit results and other matters and exchange opinions.
- 2) System to ensure that the duties of MEC Group's Directors are performed efficiently
- (i) In order to ensure that the duties of MEC Group's Directors are performed efficiently in accordance with basic management policies, the Board of Directors shall meet monthly and meet on an ad hoc basis as the occasion demands. 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 order to enhance the supervisory function over the performance of duties by the Directors, Outside Directors shall be appointed so that they will account for a majority or half of the Board of Directors. At the same time, we have also enhanced the Executive Officer System with the aim of separating supervision and execution.
 - (iii) We have established the Nomination and Compensation Advisory Committee and the ESG Committee, the majority of whose members are Outside Directors, reporting directly to the Board of Directors. These Committees nominate candidates based on multifaceted discussions and provide various recommendations to the Board of Directors.

- (iv) In principle, the Outside Directors shall have a meeting with the President and other Directors and CEOs once every three months, and there they shall exchange ideas and information.
This meeting shall be operated by the lead Outside Director.
 - (v) 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 of the MEC Group
The MEC Group has established matters concerning creating, storing and managing minutes of important meetings such as the Board of Directors meetings and *ringi* documents in the board of directors' regulations, *ringi* regulations and document retention regulations, based on which business processes shall be carried out.
- 4) Regulations and other systems for management of risk of loss in the MEC Group
- (i) As the main risks that arise in our business activities, we recognize A. risk of violation of laws, regulations or the Articles of Incorporation; B. quality risk; C. environment Risk; D. personal information protection and risk of lack of protection of specific personal information; E. information leakage and security risk; F. disaster risk; G. supply-chain risk; and other risks, and develop an internal system in order to capture and manage them.
 - (ii) As the basic framework of risk management, we have established the Risk Management Committee chaired by the President, as well as MEC Group Risk Management Regulations and related regulations, and established a system where management responsibilities are set out for each individual risk.
 - (iii) We have formulated a business continuity plan (BCP), and, if unforeseen circumstances arise, will act quickly by setting up a task force headed by the President, and obtaining support of external experts where necessary, to prevent or minimize any damage.
- 5) System to ensure the appropriateness of business in each Group company
- (i) In order to ensure the proper operation of business in each Group company, regulations are shared throughout the Group such as the group-wide management philosophy, the mission statement, the Group Charter of Corporate Behavior, the Corporate Code of Conduct, Regulations on Affiliate Management, Internal Control/Internal Audit/J-SOX Regulations, Whistle-blowing Regulations, Risk Management Regulations, and other documents. In addition, each company in the MEC Group formulates the relevant rules and guidelines, and implements employee training.
 - (ii) In order to manage the business of each Group company, we have established the Regulations on Affiliate Management, based on which each Group company makes decisions and reporting. For important matters, group companies are managed by requiring resolution of the Company's Board of Directors for such matters.
In addition, domestic business divisions including the business headquarters oversee, and coordinate/cooperate with, business divisions of the Group companies in their respective business areas.

Translations

- (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 Audit and Supervisory Committee 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 Audit and Supervisory Committee and the Internal Control Office, and the Audit and Supervisory Committee and the Internal Control Office give their opinion to the CEO & President and at the same time request the development of improvement measures.
 - (v) To enhance the MEC Group's audit and internal control, there is a policy whereby the Auditor and Supervisory Committee and the Internal Control Office both survey all business offices, departments and offices in Japan and overseas. When conducting a survey on Group companies, information is exchanged not only with the Group's Accounting Auditor but also with local accounting auditors.
- 6) System for Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the MEC Group to report to the Audit and Supervisory Committee, and other systems for reporting to the Audit and Supervisory Committee
- (i) With respect to matters that Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees should report to the Audit and Supervisory Committee and the timing of such reporting, the Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall report to the Audit and Supervisory Committee on important matters that affect the Company's business or financial performance each time they arise in accordance with relevant internal regulations. In addition, we ensure that a person who has made such a report will not be treated disadvantageously due to his or her reporting.
 - (ii) Notwithstanding the preceding paragraph, the Audit and Supervisory Committee may, whenever necessary, request reports from Directors and employees.
- 7) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
- (i) The Audit and Supervisory Committee and the Internal Control Office, in principle, have five meetings a year with the Accounting Auditors and exchange opinions and information on those occasions in order to achieve cooperation and mutual checks and balances.
 - (ii) The Audit and Supervisory Committee may, when they deem it necessary in the practice of an audit, independently appoint a lawyer, certified public accountant and other external experts. Any prepayment or reimbursement of expenses arising from the execution of each Audit and Supervisory Committee Member's duties shall be properly treated upon request from the Audit and Supervisory Committee Member.
- 8) Matters relating to the corresponding employee when the Audit and Supervisory Committee requests the stationing of an employee (auxiliary employee) to assist them in their duties
- We have established regulations on assistance to the Audit and Supervisory Committee that set forth procedures for appointing an auxiliary employee upon request by the Audit and Supervisory Committee.
- The secretariat to which such auxiliary employee belongs will be established in the Internal Control Office in accordance with the provisions of the Audit and Supervisory Committee Regulations.

- 9) Matters concerning independence from Directors (excluding Directors who are Audit and Supervisory Committee Members) of auxiliary employees
- (i) To ensure independence of auxiliary employees from Directors, the Board of Directors shall make decisions on personnel affairs (e.g., transfer, compensation) of auxiliary employees after obtaining consent of the Audit and Supervisory Committee. Auxiliary employees who have received necessary orders for their auditing work from Audit and Supervisory Committee Members shall not receive orders or instructions related to the Audit and Supervisory Committee Members' orders from any Director (excluding Audit and Supervisory Committee Members) or employee.
 - (ii) Auxiliary employees shall not concurrently serve as Officers related to the execution of business.

(2) Overview of the operational status of the system to ensure the appropriateness of the MEC Group's business operations

- 1) Operational status regarding the system to ensure compliance with laws and regulations and the Articles of Incorporation
 - (i) The Company held meetings of the Internal Control Committee and the Compliance Committee twice a year semiannually during the fiscal year under review, and all Directors attended. In any case, there were no significant deficiencies detected that should be disclosed.

The Internal Control Office reports the annual audit plan approved by the Audit and Supervisory Committee to the Board of Directors, and the results of internal audits each time to the Audit and Supervisory Committee, the Board of Directors and other organs.
 - (ii) In order to enhance the whistle-blowing system further in view of global expansion going forward, we have developed the global whistle-blowing system for the Group. The operational status of the whistle-blowing system was reported in the Compliance Committee.
 - (iii) Outside Directors and the head of Internal Control Office attend meetings of the Audit and Supervisory Committee held monthly in principle and exchange opinions effectively with Directors who are Audit and Supervisory Committee Members.
 - (iv) To ensure the employees' understanding and compliance with the MEC Group's management policy and the Corporate Code of Conduct so that they can act as good corporate citizens, we provide thorough compliance education to all newly joined employees (including contract and temporary workers) with "Labor and Ethics Guidelines."
 - (v) To encourage Directors, Executive Officers and employees of Group companies to understand and act on the MEC Group's management philosophy and the medium-term management plan with shared values, we provided dissemination and training programs for penetration.
 - (vi) We conducted monitoring surveys on a regular basis for the purpose of understanding the company-wide compliance status, and reported it to the Compliance Committee.

- 2) Operational status regarding the system to ensure efficient execution of duties by Directors
 - (i) The Company held the Board of Directors meeting 17 times during the fiscal year, and actively deliberated and discussed the follow-up of the medium-term management plan, the budget, enhancement of corporate governance, establishment of overseas subsidiaries, and other matters.
 - (ii) The Nomination and Compensation Advisory Committee and the ESG Committee held meetings four times and six times, respectively, to provide useful recommendations to the Board of Directors. The meetings focused on the introduction of the compensation system based on medium- to long-term performance, the deliberation of the proposal for electing Directors, etc., and ESG management in association with construction of Amagasaki Headquarters, and responding to Japan's Corporate Governance Code.
 - (iii) Outside Directors had quarterly meetings with the CEO & President and senior executives to exchange opinions, and had active discussions mainly on themes relating to the basis of management.
 - (iv) In transitioning to a system of a company with an Audit and Supervisory Committee, we have delegated decisions on the execution of important operations to the CEO & President, and delegated/reviewed authority to execute duties to contribute to prompt execution of duties.

- 3) Operational status regarding the storage and management of information
The Company establishes retention periods for the meeting minutes of General Meeting of Shareholders, meeting minutes of the Board of Directors, financial statements, and the like, in accordance with laws and regulations, and retains them properly.
- 4) Operational status on risk management
Being engaged in an industry where chemicals are handled, the Company focuses on safety and the risk assessment of chemicals. During the fiscal year under review, due to new construction of the head office, we conducted inspections on the management system for poisonous materials at all business offices. Also, we have implemented business continuity management (BCM) training across major production bases inside and outside Japan. Information sharing and identification of deficiencies were conducted and checked at the Risk Management Committee held twice a year.
- 5) Operational status regarding the system to ensure the appropriateness of Group companies' business operations
The appointed Audit and Supervisory Committee Member and the Internal Control Office examined Group companies and exchanged opinions with local accounting auditors.
- 6) Operational status regarding audits by the Audit and Supervisory Committee
 - (i) Audit and Supervisory Committee Members attended discussions held by important bodies, such as the Business Strategy Meeting and company-wide policy meetings, and confirmed the status of design and operation of the internal control system together with the results of onsite audits.
 - (ii) The Audit and Supervisory Committee had opinion and information exchange meetings three times with the Accounting Auditor and 13 times with the Internal Control Office, and also attended meetings with the Accounting Auditor and the Internal Control Office organized by the Accounting Division. The Audit and Supervisory Committee reports on discussions it has had with the Accounting Auditor each time to the Board of Directors.

<Reference>

Major initiatives regarding Japan's Corporate Governance Code

- 1) Early disclosure of convening notices for general shareholder meetings and electronic voting

The Company strives to effectively secure shareholder rights including voting rights at general shareholder meetings

During the business year ended March 2017, in order to allow sufficient time for shareholders to exercise their voting rights, the Company sent the convening notice of the general shareholders meeting three weeks in advance of the meeting and electronically disclosed it on the Company's website one week earlier, in an effort to provide accurate information promptly and fairly. The Company also introduced electronic voting in consideration of shareholders' convenience.

- 2) Introduction of performance-linked share-based compensation

The Company introduced the performance-linked share-based compensation plan in order to strengthen sharing of values with shareholders, as well as to contribute to enhancing medium- to long-term performance and increasing corporate value of the Company.

3) Assessment of the Board of Directors and the Audit and Supervisory Committee

We have assessed the Board of Directors and the Audit and Supervisory Committee to ensure the effectiveness of these organs.

Regarding the assessment of the Board of Directors, we ensure the effectiveness of the Board of Directors by conducting independent Outside Directors' assessment on executive Directors' self-assessment from independent standpoints, as well as examination by the ESG Committee. Regarding the assessment of the Audit and Supervisory Committee, self-assessment by Audit and Supervisory Committee Members as well as outside assessment by independent Outside Directors (excluding Audit and Supervisory Committee Members) and the head of the Internal Control Office are conducted on selected items concerning auditing and supervision.

(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 2,511,134,332 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 23, 2017, the year-end per share dividend was set at 10 yen. Adding this to the interim dividend of 10 yen that has been paid already, the annual dividend comes to 20 yen per share. The total amount of the year-end dividends paid will be 193,071,790 yen. In addition, we have added 1,000,000,000 yen of funds to a separate reserve, and the balance of 1,318,062,542 yen will be retained earnings carried over to the next term.

Consolidated balance sheet

(As of March 31, 2017)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	8,722,081	Current liabilities:	3,117,529
Cash and deposits	4,718,329	Notes and accounts payable-trade	1,072,085
Notes and accounts receivable-trade	2,784,578	Current portion of long-term loans payable	500,000
Merchandise and finished goods	289,112	Accounts payable-other	286,776
Work in process	83,204	Accrued expenses	69,955
Raw materials and supplies	293,452	Income taxes payable	244,989
Deferred tax assets	212,240	Allowance for bonuses	227,956
Other	353,112	Provision for directors' bonuses	32,797
Allowance for doubtful accounts	(11,947)	Accounts payable-facilities	205,259
		Other	477,709
Noncurrent assets:	9,271,590	Noncurrent liabilities:	1,765,769
Property, plant and equipment	8,111,974	Long-term loans payable	1,250,000
Buildings and structures	4,144,907	Deferred tax liabilities	397,122
Machinery, equipment and vehicles	669,764	Net defined benefit liability	50,812
Tools, furniture and fixtures	353,827	Provision for share-based compensation	43,484
Land	2,842,430	Other	24,350
Construction in progress	101,045		
Intangible assets	155,103	Total Liabilities	4,883,299
Investments and other assets	1,004,511	NET ASSETS	
Investment securities	462,583	Shareholders' equity:	12,467,590
Net defined benefit asset	479,261	Capital	594,142
Deferred tax assets	10,720	Capital surplus	456,912
Other	81,782	Retained earnings	12,252,190
Allowance for doubtful accounts	(29,836)	Treasury stock	(835,654)
		Total of other comprehensive income:	642,782
		Valuation difference on available-for-sale securities	121,571
		Foreign currency translation adjustment	385,223
		Remeasurements of defined benefit plans	135,986
		Total net assets	13,110,372
Total assets	17,993,671	Total liabilities and net assets	17,993,671

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Report

Consolidated statements of income

(From April 1, 2016 to March 31, 2017)

(Thousands of yen)

Item	Amount	
Net sales		9,259,839
Cost of sales		3,214,591
Gross profit		6,045,247
Selling, general and administrative expenses		4,157,782
Operating income		1,887,465
Non-operating income		
Interest income	21,312	
Dividends income	10,039	
Trial products income	24,542	
Other	13,745	69,640
Non-operating expenses:		
Interest expenses	2,179	
Sales discounts	4,478	
Foreign exchange losses	36,676	
Waste disposal expenses	18,630	
Other	6,858	68,822
Ordinary income		1,888,283
Extraordinary income		
Gain on sales of noncurrent assets	6,769	
Gain on sales of investment securities	21,908	28,677
Extraordinary loss		
Loss on retirement of noncurrent assets	16,868	
Loss on valuation of investment securities	5,999	
Loss on dissolution of Employees' Pension Fund	18,625	41,493
Income before income taxes		1,875,467
Income taxes-current	497,593	
Income taxes - deferred	(264,663)	232,929
Net income		1,642,538
Profit attributable to owners of parent		1,642,538

Balance Sheet
(As of March 31, 2017)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	5,399,734	Current liabilities:	2,534,814
Cash and deposits	2,366,577	Notes payable-trade	549,458
Notes receivable-trade	240,794	Accounts payable-trade	284,610
Accounts receivable-trade	1,417,183	Current portion of long-term loans payable	500,000
Merchandise and finished goods	92,818	Accounts payable-other	159,637
Raw materials and supplies	189,424	Accrued expenses	54,896
Prepaid expenses	15,903	Income taxes payable	139,600
Deferred tax assets	105,916	Deposits received	12,524
Accounts receivable-other	965,604	Allowance for bonuses	227,956
Other	5,510	Provision for directors' bonuses	32,797
		Notes payable-facilities	373,741
		Accounts payable-facilities	195,541
		Other	4,051
Noncurrent assets:	8,385,965	Noncurrent liabilities:	1,439,221
Property, plant and equipment	6,803,323		
Buildings	3,633,682	Long-term loans payable	1,250,000
Structures	79,739	Deferred tax liabilities	84,482
Machinery and equipment	529,881	Asset retirement obligations	587
Vehicles	18,483	Provision for retirement benefits	37,750
Tools, furniture and fixtures	267,500	Provision for share-based compensation	43,484
Land	2,274,036	Other	22,916
		Total Liabilities	3,974,036
		NET ASSETS	
Intangible assets	133,460	Shareholders' equity:	9,690,091
Leasehold right	29,380	Capital	594,142
Software	102,000	Capital surplus	456,912
Other	2,080	Legal capital surplus	446,358
		Other capital surplus	10,553
Investments and other assets	1,449,180	Retained earnings	9,474,691
Investment securities	462,583	Legal retained earnings	63,557
Stocks of subsidiaries and affiliates	687,935	Other retained earnings	9,411,134
Investments in capital	5	General reserve	6,900,000
Long-term prepaid expenses	623	Retained earnings brought forward	2,511,134
Prepaid pension cost	283,371	Treasury stock	(835,654)
Other	14,660	Valuation and translation adjustments:	121,571
		Valuation difference on available-for-sale securities	121,571
		Total net assets	9,811,663
Total assets	13,785,699	Total liabilities and net assets	13,785,699

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Report

Statement of income

(From April 1, 2016 to March 31, 2017)

(Thousands of yen)

Item	Amount	
Net sales		6,444,641
Cost of sales		2,165,331
Gross profit		4,279,309
Selling, general and administrative expenses		3,069,470
Operating income		1,209,838
Non-operating income		
Interest and dividend income	668,147	
Other	29,124	697,272
Non-operating expenses		
Interest expenses	2,179	
Foreign exchange losses	18,332	
Waste disposal expenses	18,630	
Other	670	39,812
Ordinary income		1,867,299
Extraordinary income		
Gain on sales of noncurrent assets	305	
Gain on sales of investment securities	21,908	22,213
Extraordinary loss		
Loss on retirement of noncurrent assets	12,203	
Loss on valuation of investment securities	5,999	
Loss on dissolution of Employees' Pension Fund	18,625	36,829
Income before income taxes		1,852,683
Income taxes-current	305,145	
Income taxes - deferred	(8,538)	296,606
Net income		1,556,076

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

Report of Independent Auditors

May 16, 2017

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	Yukihiro YAGURA (Seal)

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and notes to consolidated financial statements of MEC Co., Ltd. for the year from April 1, 2016 to March 31, 2017 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 Co., 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.

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Report

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

<u>Report of Independent Auditors</u>			<u>May 16, 2017</u>
MEC COMPANY LTD.			
<u>To: The Board of Directors</u>			
<u>Deloitte Touche Tohmatsu LLC</u>			
Designated Limited Liability Partners Managing Partner	Certified Public Accountant	Tomoyoshi WADA (Seal)	
Designated Limited Liability Partners Managing Partner	Certified Public Accountant	Yukihiro YAGURA (Seal)	
<p>We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in equity and notes to non-consolidated financial statements and supplementary schedules of MEC Co., Ltd. for the 48th term from April 1, 2016 to March 31, 2017 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>			

Copy of the Report of Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors during the 48th business year from April 1, 2016 to March 31, 2017. We report on the methods and results of the audits as follows. The Company shifted from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016. Therefore, for audits during a period from April 1, 2016 to the conclusion of the General Meeting of Shareholders on June 21, 2016, audits conducted by Auditors and the Board of Auditors were succeeded to by the Audit and Supervisory Committee, which created the audit report of the current business year after confirming the methods and results of the audits.

1. Methods and details of audits

Regarding the content of resolutions by the Board of Directors on matters listed in Article 399-13, Paragraph 1, Item 1, (b) and (c) of the Companies Act and the system established based on the resolutions, (internal control system), the Audit and Supervisory Committee received regular reports on the development and operation of the system, sought explanations where necessary, and expressed opinions. In addition, we conducted audits according to the following methods.

In accordance with the audit and supervisory standards set forth by the Audit and Supervisory Committee as well as audit policies, audit plans and division of duties, we gathered information and worked to improve the environment for conducting audits in coordination with the Internal Audit Office. We also attended the business strategy meetings and other important meetings, received reports on the execution of duties from the Directors and employees, etc., sought explanations as necessary, inspected important decision documents, and examined the status of the business and assets at the head office and all business offices. Outside Directors including the Audit and Supervisory Committee Members had four quarterly meetings with the CEO & President and senior executives, and 18 monthly meetings with the Internal Control Office, to exchange opinions. In addition, with respect to subsidiaries, we communicated and exchanged information with the directors and employees of the subsidiaries, and received business reports from the subsidiaries where necessary. Furthermore, we visited subsidiaries excluding MEC (HONG KONG) LTD. which is small in scale, inspected important documents, and investigated the status of their business and assets.

With respect to 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, we examined the content thereof in light of the status of discussions by the Board of Directors and other organs.

We examined whether the Accounting Auditor had maintained an independent position and had implemented appropriate audits backed by expertise. At the same time, we received an explanation on the audit plan in advance from the Accounting Auditor, as well as a report on the performance of its duties, and sought explanations where necessary. Furthermore, we received a notice from the Accounting Auditor that the "System for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Company Accounting Regulations) is established in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005) and other standards, and sought explanations where necessary. We had six meetings with the Accounting Auditor. Also, we had meetings and exchanged opinions and information with the accounting auditors of all subsidiaries at which we conducted on-site audits.

Translations

Based on the above methods, we examined the business report and supplementary schedules thereof, and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and notes to consolidated financial statements) as well as the financial statements (balance sheet, income statement, statement of changes in equity, statement of changes and notes to non-consolidated financial statements) and supplementary schedules thereof, for the fiscal year.

2. Results of Audit

- (1) Results of audit of the Business Report, etc.
 - (i) We acknowledge that the business report and supplementary schedules thereof fairly present the Company's conditions in accordance with laws, 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 a basic policy related to the individuals responsible for determining the financial and business policies presented in the Company's Business Report. As described in the Business Report, we recognize that the measures 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 the 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 22, 2017

MEC COMPANY LTD. Audit and Supervisory
Committee

Audit and Supervisory Committee Member Katsuhiko MAEDA (Seal)

Audit and Supervisory Committee Member Takayuki SATAKE (Seal)

Audit and Supervisory Committee Member Akiko TANAKA (Seal)

Note: The three Audit and Supervisory Committee Members are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Map to venue for shareholders' meeting

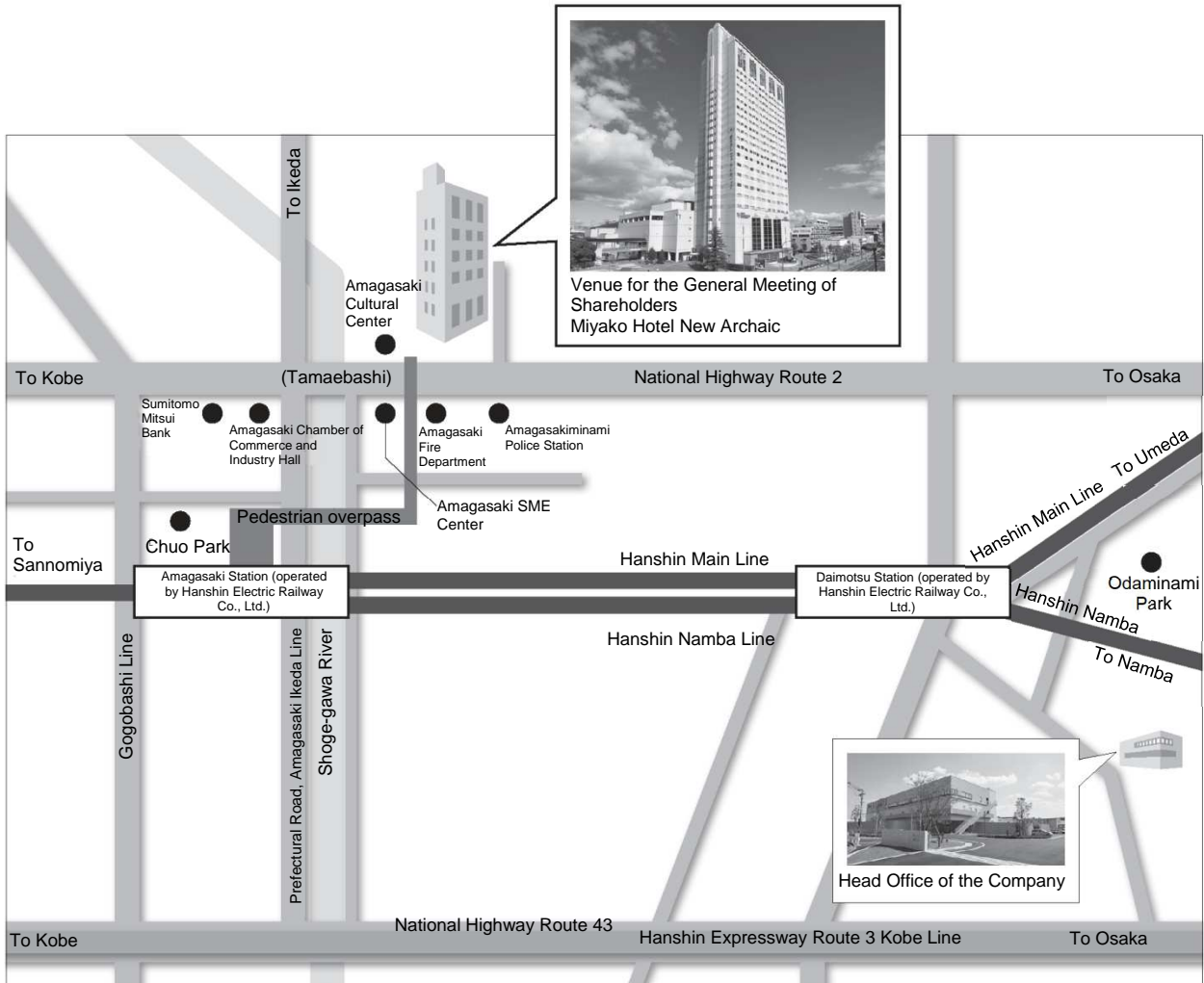
Venue

2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel New Archaic

Access

Approx. six minutes from Amagasaki Station (operated by Hanshin Electric Railway Co., Ltd.) via a pedestrian overpass.

Please note that the venue is different from the one used in the previous year. Parking lots dedicated for this General Meeting are not available. Please use public transportation.



This material uses a universal design font to make it legible and easy to read.

