

(Securities Code: 4971)
May 30, 2016

To: All Shareholders

1, Higashi-Hatsushima, Amagasaki, Hyogo
Head Office
3-95, Showa-dori, Amagasaki, Hyogo

MEC COMPANY LTD.

CEO & President Kazuo MAEDA

Notice of 47th Ordinary General Meeting of Shareholders

Dear Shareholders,

You are cordially invited to attend the 47th Ordinary General Meeting of Shareholders of MEC COMPANY LTD. The meeting will be held as described below.

If you are unable to attend the meeting on the day, you can exercise your voting rights in writing. Please examine the Reference Documents for the General Meeting of Shareholders shown below, indicate your approval or disapproval in the enclosed voting form, and return it to us by 5:15 p.m., Japan Standard Time on Monday, June 20, 2016.

Details

- 1. Date and time** 10 a.m. on Tuesday, June 21, 2016 (Japan Standard Time)
- 2. Venue** 3-96, Showa-dori, Amagasaki, Hyogo
Meeting room 701, 7th floor, Amagasaki Chamber of Commerce and Industry Hall
(Please refer to the map to the shareholders' meeting venue at the end of this material.)
- 3. Subject matters**
- Reported matters**
1. Report on the contents of the Business Report, Consolidated Financial Statements and Financial Statements for the 47th term (from April 1, 2015 to March 31, 2016)
 2. Report on the results of the audit by the Accounting Auditor and the Board of Auditors on the consolidated financial statements for the 47th term
- Matters to be resolved**
- Proposal No. 1** Partial amendments to the Articles of Incorporation
- Proposal No. 2** Appointment of four Directors who are not Audit and Supervisory Committee Members

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- Proposal No. 3** Appointment of three Directors who are Audit and Supervisory Committee Members
- Proposal No. 4** Appointment of one Director who is a Substitute Audit and Supervisory Committee Member
- Proposal No. 5** Determination of Remuneration for Directors who are not Audit and Supervisory Committee Members
- Proposal No. 6** Determination of Remuneration for Directors who are Audit and Supervisory Committee Members
- Proposal No. 7** Determination of amount and details of Performance-based Stock Remuneration for Directors

4. Guidance to the exercise of voting rights

(1) Exercise of voting rights in writing

Please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form so that it arrives no later than 5:15 p.m., Japan Standard Time on Monday June 20, 2016.

(2) Exercise of voting rights via the Internet

If you wish to exercise your voting rights via the Internet, please review the “Guidance for Exercise of Voting Rights via the Internet” on pp. 4–5, and complete the exercise no later than 5:15 p.m., Japan Standard Time on Monday June 20, 2016.

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

End

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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, or Statements of Account or Reference Documents for the General Meeting of Shareholders, we will post the revised matters on our website (<http://www.mec-co.com/>).
 - Of the documents that we should provide in accordance with the provisions of laws and regulations and Article 14 of the Company's Articles of Incorporation, we will post the following on our website (<http://www.mec-co.com/>). Therefore, they will not be stated in documents to be provided at this shareholders' meeting.
 - 1) Consolidated notes to the Consolidated Financial Statements
 - 2) Individual notes to the Financial Statements

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<Procedures for the 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

- (1) Shareholders exercising their voting rights via the Internet can only do so via the website designated by the Company (shown below).

[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®” set forth on the right with the bar-code scanner of your cellular phone. P(“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 the password for the exercise of voting rights indicated on the Voting Rights Exercise Form attached herein and follow the instructions on the screen to register whether you approve or disapprove of each proposal.
- (2) Exercise of voting rights via the Internet is accepted until Monday, 5:15 p.m., Japan Standard Time on Monday June 20, 2016. We would, however, like to ask you to exercise your voting rights as soon as possible to ensure that we have sufficient time for tallying the votes.
- (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, regardless of the time or date of arrival of your vote. If you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using the 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 verify whether the person exercising voting rights is a legitimate shareholder. Please maintain the password as strictly confidential in the same manner as a seal or a personal identification number.
- (2) In the case that you commit more than a set number of errors in attempting to input your password, you will not be allowed to use the password. If you would like your password to be reissued, please follow the screen guide and follow the procedures.
- (3) The Voting Rights Exercise Code described in the Voting Right Exercise Form is valid only for the Meeting.

4. System requirements

If you exercise your voting rights via the Internet, please confirm the following system environment.

- (1) Website for personal computers
 - a. Display monitor with resolution of greater than 800×600 (SVGA)
 - b. Following applications installed
 - (a). Microsoft® Internet Explorer v. 5.01 SP2, or a more recent version, as a web browser
 - (b). Adobe® Acrobat® Reader® v. 4.0 or more recent version or Adobe® Reader® v. 6.0, or a more recent version, as a PDF file browser
- * Internet Explorer is a registered trademark, trademark and product name of Microsoft Corporation of the United States, and Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks, trademarks and product names of Adobe Systems Incorporated of the United States, in the United States and other countries.
- * These software packages are available on the website of each company for free.

(2) Website for cellular phones

Type of cellular phone with a function allowing 128 bit SSL (Secure Socket Layer) encrypted communications and compatible with any of the following services.

(i) i-mode, (ii) EZweb or (iii) Yahoo! Keitai

* i-mode is a trademark, registered trademark or service name of NTT DOCOMO, INC., EZweb is a trademark, registered trademark or service name of KDDI CORPORATION, Yahoo! is a trademark, registered trademark or service name of Yahoo! Incorporated of the United States, and Yahoo! Keitai is a trademark, registered trademark or service name of SoftBank Mobile Corp.

* If you access the website using a full browser application of a cellular phone, from a personal computer via a cellular phone under which the cellular phone is used only as a communication tool, or from a smart phone, your vote will be considered to be exercised on the website for personal computers, even if the above conditions are satisfied.

5. Inquiries about how to operate personal computers, etc.

(1) If you have any questions about how to operate PCs, mobile phones, etc., concerning the exercise of voting rights via the Internet on the site, please call the following number:

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support

Direct Line: (Toll free) 0120-652-031 (9:00 – 21:00; within Japan only)

(2) For other inquiries, please call one of the following numbers:

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

Shareholders who have an account with a securities company are requested to make inquiries to the securities company where they have the account.

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

(Toll free) 0120-782-031 (9:00–17:00, excluding weekends and holidays; within Japan only)

End

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal No. 1 Partial amendments to the Articles of Incorporation

1. Reason for the amendments

- (1) The Company will make a transition to a company with an Audit and Supervisory Committee with a view to further enhancing its corporate governance. Accordingly, the Company proposes the establishment of new provisions related to the Audit and Supervisory Committee and Audit and Supervisory Committee Members, as well as the deletion of the existing provisions related to the Board of Corporate Auditors and Corporate Auditors, that are required for the transition to a company with an Audit and Supervisory Committee. The Company also proposes the establishment of new provisions enabling the Company to delegate all or part of the decision of the important business operations to the President with the aim of enhancing its management efficiency and allowing for rapid decision-making.
- (2) In accordance with the introduction and deletion of the above provisions, the article numbers and other phrases and expressions will be adjusted.
The amendments to the Articles of Incorporation related to this proposal take effect at the closing of this General Meeting of Shareholders.

2. Details of Amendments

The details of the amendments are as follows:

(Underlined portions will be changed)

Current Articles of Incorporation	Proposed Amendments
[Newly established]	<u>(Organizational Bodies)</u> <u>Article 4. The Company shall have the following organizational bodies other than the General Meeting of Shareholders and Directors:</u> <u>(1) Board of Directors</u> <u>(2) Audit and Supervisory Committee</u> <u>(3) Accounting Auditors</u>
Article <u>4</u> through <u>16</u> [Omitted]	Article <u>5</u> through <u>17</u> [Unchanged]
<u>(Establishment of Board of Directors)</u> <u>Article 17. The Company shall have a Board of Directors.</u>	[Deleted]
(Number of Directors) Article 18. The Directors of the Company shall <u>not be more than seven (7)</u> in number.	(Number of Directors) Article 18. The Directors of the Company <u>who are not Audit and Supervisory Committee Members shall not be more than six (6)</u> in number, and the Directors thereof <u>who are Audit and Supervisory Committee Members shall not be more than four (4)</u> in number.

Current Articles of Incorporation	Proposed Amendments
<p>(Election of Director) Article 19. The Directors of the Company shall be elected by a resolution of a General Meeting of Shareholders.</p> <p>2. [Omitted] 3. [Omitted]</p> <p>(Terms of Office of Directors) Article 20. The term of office of a Director shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within one year after his/her election as Director.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Representative Directors and Directors with Management Responsibilities) Article 21. Representative Director(s) shall be determined by a resolution of the Board of Directors.</p> <p>2. The Board of Directors may, by its resolution, appoint one (1) President, and, whenever necessary, one (1) Chairman, among the Directors.</p> <p>(Convocation and Chairman of Meetings of the Board of Directors) Article 22. [Omitted]</p>	<p>(Election of Director) Article 19. The Directors of the Company <u>who are not Audit and Supervisory Committee Members</u> and the Directors thereof <u>who are Audit and Supervisory Committee Members</u> shall be <u>separately</u> elected by a resolution of a General Meeting of Shareholders.</p> <p>2. [Unchanged] 3. [Unchanged]</p> <p>(Terms of Office of Directors) Article 20. The term of office of a Director <u>other than a Director who is an Audit and Supervisory Committee Member</u> shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within one year after his/her election as Director.</p> <p>2. <u>The term of office of a Director who is an Audit and Supervisory Committee Member shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within two years after his/her election as Director.</u></p> <p>3. <u>The term of office of any Director who is an Audit and Supervisory Committee Member appointed to fill a vacancy left by a Director who is an Audit and Supervisory Committee Member retiring before the end of his/her term shall be concurrent with the term of office of his/her predecessor.</u></p> <p>(Representative Directors and Directors with Management Responsibilities) Article 21. Representative Director(s) shall be determined by a resolution of the Board of Directors among the Directors <u>of the Company who are not Audit and Supervisory Committee Members.</u></p> <p>2. The Board of Directors may, by its resolution, appoint one (1) President, and, whenever necessary, one (1) Chairman, among the Directors <u>of the Company who are not Audit and Supervisory Committee Members.</u></p> <p>(Convocation and Chairman of Meetings of the Board of Directors) Article 22. [Unchanged]</p>

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Current Articles of Incorporation	Proposed Amendments
<p>(Procedure of Convocation and Holding of Meetings of the Board of Directors) Article 23. Notice to convene a Meeting of the Board of Directors shall be given to each Director <u>and Corporate Auditor</u> not less than three (3) days before the date set for such Meeting. However, such notice period may be shortened in the case of unavoidable emergency.</p> <p>2. Where all Directors <u>and Corporate Auditors</u> unanimously agree in writing, a Board Meeting may be held upon waiving such notice requirements.</p> <p>(Newly established)</p>	<p>(Procedure of Convocation and Holding of Meetings of the Board of Directors) Article 23. Notice to convene a Meeting of the Board of Directors shall be given to each Director not less than three (3) days before the date set for such Meeting. However, such notice period may be shortened in the case of unavoidable emergency.</p> <p>2. Where all Directors unanimously agree in writing, a Board Meeting may be held upon waiving such notice requirements.</p> <p><u>(Delegation of Decisions on Execution of Duties)</u> <u>Article 24. Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate to a President and Representative Director all or part of decisions on the execution of important operations (excluding matters stipulated in the items of Article 399-13, Paragraph 5 of the Companies Act) by a resolution of the Board of Directors.</u></p>
<p>(Method of Resolution of the Board of Directors) Article <u>24</u>. [Omitted]</p>	<p>(Method of Resolution of the Board of Directors) Article <u>25</u>. [Unchanged]</p>
<p>(Omission of Resolution of the Board of Directors Meeting) Article <u>25</u>. The Company shall deem a resolution of the Board of Directors to have been adopted if all of the Directors entitled to vote on a proposal agree in writing or by electromagnetic records thereto. <u>This does not apply, however, if there is an objection by a Corporate Auditor.</u></p>	<p>(Omission of Resolution of the Board of Directors Meeting) Article <u>26</u>. The Company shall deem a resolution of the Board of Directors to have been adopted if all of the Directors entitled to vote on a proposal agree in writing or by electromagnetic records thereto.</p>
<p>(Regulations of the Board of Directors) Article <u>26</u>. [Omitted]</p>	<p>(Regulations of the Board of Directors) Article <u>27</u>. [Unchanged]</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Remuneration of Directors, etc.) Article 27. The remuneration, bonuses or other proprietary interests to be received by Directors from the Company as compensation for the performance of their duties shall be decided by a resolution of a General Meeting of Shareholders.</p>	<p>(Remuneration of Directors, etc.) Article 28. The remuneration, bonuses or other proprietary interests to be received by Directors from the Company as compensation for the performance of their duties shall be decided by a resolution of a General Meeting of Shareholders, <u>while making a distinction between the Directors of the Company who are not Audit and Supervisory Committee Members and other Directors.</u></p>
<p>(Liability Limitation Agreement with Directors) Article 28. [Omitted]</p> <p style="text-align: center;"><u>Chapter 5. Corporate Auditors and Board of Corporate Auditors</u></p>	<p>(Liability Limitation Agreement with Directors) Article 29. [Unchanged]</p> <p style="text-align: center;">[Deleted]</p>
<p><u>(Establishment of Corporate Auditors and Board of Corporate Auditors)</u> Article 29. <u>The Company shall have Corporate Auditors and a Board of Corporate Auditors.</u></p>	<p style="text-align: center;">[Deleted]</p>
<p><u>(Number of Corporate Auditors)</u> Article 30. <u>The Corporate Auditors of the Company shall not be more than five (5) in number.</u></p>	<p style="text-align: center;">[Deleted]</p>
<p><u>(Election of Corporate Auditors)</u> Article 31. <u>The Corporate Auditors shall be elected by a resolution of the General Meeting of Shareholders.</u> 2. <u>The election shall be made by a majority of voting rights of the shareholders present at a General Meeting of Shareholders, at which shareholders having one-third or more of the total voting rights of all shareholders entitled to exercise voting rights shall be present.</u></p>	<p style="text-align: center;">[Deleted]</p>
<p><u>(Terms of Office of Corporate Auditors)</u> Article 32. <u>The term of office of a Corporate Auditor shall expire at the close of the Ordinary General Meeting of Shareholders with respect to the last business year ending within four (4) years after his/her election as Corporate Auditor.</u> 2. <u>The term of office of any Corporate Auditor elected to fill a vacancy shall expire when the term of office of the retiring Corporate Auditor would have expired.</u></p>	<p style="text-align: center;">[Deleted]</p>

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<p><u>(Full-time Corporate Auditors)</u> <u>Article 33. The Board of Corporate Auditors shall, by its resolutions, elect Corporate Auditors who shall serve on a full-time basis.</u></p>	[Deleted]
<p><u>(Procedure of Convocation and Holding of Meetings of the Board of Corporate Auditors)</u> <u>Article 34. Notice to convene a Meeting of the Board of Corporate Auditors shall be given to each Corporate Auditor not less than three (3) days before the date set for such Meeting. However, such notice period may be shortened in the case of unavoidable emergency.</u> <u>2. Where all Corporate Auditors unanimously agree in writing, a Meeting of the Board of Corporate Auditors may be held upon waiving such notice requirements.</u></p>	[Deleted]
<p><u>(Method of Resolution at Meetings of the Board of Corporate Auditors)</u> <u>Article 35. All resolutions of the Board of Corporate Auditors shall be adopted by a majority of voting rights of the Corporate Auditors, except where otherwise provided for by laws or ordinances.</u></p>	[Deleted]
<p><u>(Regulations of the Board of Corporate Auditors)</u> <u>Article 36. Except as otherwise provided by law or these Articles of Incorporation, matters concerning the Board of Corporate Auditors shall be decided in accordance with the Regulations of the Board of Corporate Auditors established by the Board of Corporate Auditors.</u></p>	[Deleted]
<p><u>(Remuneration of Corporate Auditors, etc.)</u> <u>Article 37. The remuneration, bonuses or other proprietary interests to be received by Corporate Auditors from the Company as compensation for the performance of their duties shall be decided by a resolution of a General Meeting of Shareholders.</u></p>	[Deleted]
<p><u>(Liability Limitation Agreement with Outside Corporate Auditors)</u> <u>Article 38. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may execute agreements with Corporate Auditors that limit the liability stipulated in Article 423, Paragraph 1 of the Companies Act; provided, however, that the limit of liability under such agreements shall be the higher of a prescribed amount, which shall be at least ten million yen (¥10,000,000), or the minimum amount prescribed by the laws and regulations.</u></p>	[Deleted]

Current Articles of Incorporation	Proposed Amendments
[Newly established]	<u>Chapter 5. Audit and Supervisory Committee</u>
[Newly established]	<u>(Powers of the Audit and Supervisory Committee)</u>
[Newly established]	<u>Article 30. In addition to making decisions with regard to the matters specified by laws and regulations, the Audit and Supervisory Committee shall exercise the authority for the performance of their duties.</u>
[Newly established]	<u>(Procedure of Convocation and Holding of Meetings of the Audit and Supervisory Committee)</u>
[Newly established]	<u>Article 31. Notice to convene a Meeting of the Audit and Supervisory Committee shall be given to each Audit and Supervisory Committee Member not less than three (3) days before the date set for such Meeting. However, such notice period may be shortened in case of unavoidable emergency.</u>
[Newly established]	<u>2. Where all Audit and Supervisory Committee Members unanimously agree in writing, a Meeting of the Audit and Supervisory Committee may be held upon waiving such notice requirements</u>
[Newly established]	<u>(Method of Resolution at Meetings of the Audit and Supervisory Committee)</u>
[Newly established]	<u>Article 32. All resolutions of the Audit and Supervisory Committee shall be adopted by a majority of voting rights of the Audit and Supervisory Committee Members, except where otherwise provided for by laws or ordinances.</u>
[Newly established]	<u>(Full-time Audit and Supervisory Committee Members)</u>
[Newly established]	<u>Article 33. The Audit and Supervisory Committee shall, by its resolutions, elect Audit and Supervisory Committee Members who shall serve on a full-time basis.</u>
[Newly established]	<u>(Regulations of the Audit and Supervisory Committee)</u>
[Newly established]	<u>Article 34. Except as otherwise provided for by law or these Articles of Incorporation, matters concerning the Audit and Supervisory Committee shall be decided in accordance with the Regulations of the Audit and Supervisory Committee established by the Audit and Supervisory Committee.</u>
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Current Articles of Incorporation	Proposed Amendments
<p>(Terms of Office of Directors) Article <u>41</u>. [Omitted]</p> <p>(Remuneration of Accounting Auditor, etc.) Article <u>42</u>. The remuneration, bonuses or other proprietary interests to be received by the Accounting Auditor from the Company as compensation for the performance of his/her duties shall be decided by the President with the consent of <u>the Board of Corporate Auditors</u>.</p> <p>Article <u>43</u> through <u>45</u> [Omitted]</p>	<p>(Terms of Office of Directors) Article <u>36</u>. [Unchanged]</p> <p>(Remuneration of Accounting Auditor, etc.) Article <u>37</u>. The remuneration, bonuses or other proprietary interests to be received by the Accounting Auditor from the Company as compensation for the performance of his/her duties shall be decided by the President with the consent of <u>the Audit and Supervisory Committee</u>.</p> <p>Article <u>38</u> through <u>40</u> [Unchanged]</p>

Proposal No. 2 Appointment of four Directors who are not Audit and Supervisory Committee Members

Subject to the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation), the Company will transit from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. In connection with the transition, all (5) of the current Directors' terms of office will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes the election of four (4) Directors other than those who are Audit and Supervisory Committee Members.

This proposal shall only take effect upon the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation).

Candidates for Directors other than those who are Audit and Supervisory Committee Members 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 Managing Director of the Company June 2002 President & Representative Director of the Company April 2011 President & Representative Director of the Company and Head of Research and Development Division June 2012 President & Representative Director of the Company (current) July 2015 CEO of the Company (current) [Status of important concurrent positions] MEC TAIWAN COMPANY LTD. Representative Director MEC (HONG KONG) LTD. Representative Director MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Representative Director MEC EUROPE NV. Director	720,400
[Reason for the selection of candidate for a Director who is not an Audit and Supervisory Committee Member] Since the appointment of Mr. Kazuo Maeda as the President and Representative Director of the Company in June 2002, he has committed himself to focusing on several key initiatives, including the activation of the Board of Directors as Chairman thereof, as well as the strengthening of corporate governance. In addition, leveraging his extensive experience and track record as a manager, he has demonstrated strong leadership to promote the improvement of the enterprise value. Given these points above, we have determined it appropriate to reelect him as a Director who is not an Audit and Supervisory Committee Member.			

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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, and 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] MEC TAIWAN COMPANY LTD. Director MEC (HONG KONG) LTD. Director MEC FINE CHEMICAL (ZHUHAI) LTD. Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director MEC EUROPE NV. Director</p>	59,400
<p>[Reason for the selection of the candidate for a Director who is not an Audit and Supervisory Committee Member]</p> <p>Mr. Makoto Nagai, taking advantage of his experience and advanced insight as a Director of the Company, has contributed to the activation of discussions at the Board of Directors and played a central role in global business management, including overseas expansion. Given these points above, we have determined it appropriate to reelect him as a Director (other than a Supervisory Committee Member).</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 2014 Director, Managing Executive Officer, Head of Planning Office, Head of Innovation Office (current)</p> <p>[Status of important concurrent positions] MEC TAIWAN COMPANY LTD. Director MEC (HONG KONG) LTD. Director MEC FINE CHEMICAL (ZHUHAI) LTD. Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director MEC EUROPE NV. Director</p>	59,300
<p>[Reason for the selection of the candidate for a Director who is not an Audit and Supervisory Committee Member]</p> <p>Ms. Toshiko Nakagawa, taking advantage of her deep knowledge of research and development as a Director of the Company, has contributed to the policy development of research and development in the medium-term management plan and new business fields, to promote basic research and development and business management in the production field. Given these points above, we have determined it appropriate to reelect her as a Director (other than a Supervisory Committee Member).</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 the same university</p> <p>April 2007 Professor at Faculty of Chemistry, Materials and Bioengineering at the 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>	600
<p>[Reason for the selection of the candidate for a Director who is not an Audit and Supervisory Committee Member]</p> <p>Mr. Yutaka Nishiyama, taking advantage of his cultivated professional knowledge and experience as Professor at the Faculty of Chemistry, Materials and Bioengineering, has fulfilled his duty as Outside Director to provide useful recommendations and opinions on the environmental aspects of our business mainly in our research and development and new business fields. While he has no experience of being directly involved in the management of a company in the past, given his past experience, knowledge and track record, we have determined it appropriate to reelect him as an Outside Director (other than a Supervisory Committee Member).</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 Directors of the Company, and his term of office as Independent Outside Director will be two years for him, as of the conclusion of this meeting.
4. The Company has entered into a limited liability agreement with Yutaka Nishiyama, with the following content. If his reappointment is approved, the Company plans to continue the corresponding limited liability agreement with the same content as the current agreement. In the event that he owes damages to the Company as a result of the acts stated in Article 423, Paragraph 1 of the Companies Act, he shall assume responsibility up to 10 million yen or the amount prescribed by laws and regulations, whichever is higher.

Proposal No. 3 Appointment of three Directors who are Audit and Supervisory Committee Members

Subject to the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation), the Company will transit from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee.

Accordingly, the Company proposes the election of three (3) Directors who are Audit and Supervisory Committee Members.

This proposal shall only take effect upon the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation).

Candidates for Directors who are Audit and Supervisory Committee Members 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	Takayuki SATAKE (November 22,1960)	<p>April 1999 Assistant Professor, Department of Business Administration, Faculty of Commerce and Economics, Kobe University of Commerce (currently the University of Hyogo)</p> <p>April 2004 Professor, Business Creation Department, Faculty of Business Administration at same university</p> <p>April 2010 Professor, Management Research Department, Graduate School at same university</p> <p>June 2012 Director (current)</p> <p>April 2016 Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University (current) Professor Emeritus, the University of Hyogo (current)</p> <p>[Status of important concurrent positions] Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University (current)</p>	1,500
<p>Mr. Takayuki Satake, taking advantage of his cultivated professional knowledge and experience as Professor at the Graduate School of Business Studies at the university, has fulfilled his duty as Outside Director to play a significant contribution to ensuring the proper decision-making of the Board of Directors. While he has no experience of being directly involved in the management of a company in the past, given the reasons shown above, we have determined it appropriate to elect him as an Outside Director who is a Supervisory Committee Member.</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
2	Katsuhiro MAEDA (January 16, 1949)	<p>April 1972 Joined Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 1991 General Manager, Tsukiji Branch at the bank</p> <p>November 2001 Director, Research Business Division, Japan Research Institute</p> <p>June 2005 Executive Vice President, JRI Office Engineering, Ltd. (currently JOE Corporation)</p> <p>June 2006 President, JRI Office Engineering, Ltd. (currently JOE Corporation)</p> <p>June 2011 Left JOE Corporation</p> <p>June 2012 Full-time Auditor of the Company (current)</p>	5,000
Katsuhiro Maeda, taking advantage of his wealth of experience and expertise cultivated as manager, has fulfilled his duty as Outside Director to carry out supervision of the duties of Directors from in view of corporate governance and risk management. Given his past experience, knowledge and track record, we have determined it appropriate to elect him as an Outside Director who is a Supervisory Committee Member.			
3	Akiko TANAKA (November 29, 1959)	<p>April 1983 Joined the Osaka Regional Taxation Bureau</p> <p>April 1999 Registered as tax accountant</p> <p>April 2001 Employee of Tax Corporation Kyoto Management network</p> <p>September 2010 President and CEO of COCORO DESIGN Co., Ltd. (current)</p> <p>October 2010 Director of Tanaka Akiko Tax Accountant Office (resigned in October 2015 due to the incorporation thereof)</p> <p>June 2012 The Company's Auditor (current)</p> <p>October 2015 Partner/Representative, Shinwa Tax Corporation</p> <p>[Status of important concurrent positions] Partner/Representative, Shinwa Tax Corporation President and CEO of COCORO DESIGN Co., Ltd.</p>	700
Ms. Akiko Tanaka, taking advantage of her knowledge accumulated and experience and expertise on company management guidance as a tax accountant, has fulfilled her duty as an independent Outside Auditor to conduct audits of the duties of Directors in view of accounting and tax aspects in an appropriate manner. Given her past experience, knowledge and track record, we have determined it appropriate to elect her as an Outside Director who is a Supervisory Committee Member.			

- Notes: 1. There are no special interests between each of the candidates and the Company.
2. Messrs. Takayuki Satake and Katsuhiro Maeda, and Ms. Akiko Tanaka are candidate Independent Outside Auditors, and candidate Independent Directors as established by the Tokyo Stock Exchange.
3. Mr. Takayuki Satake is currently the Company's Independent Outside Auditor, and his term of office as an Independent Outside Auditor will be four years at the close of this General Meeting of Shareholders. Mr. Katsuhiro Maeda and Ms. Akiko Tanaka are currently the Company's Independent Outside Auditors, and their terms of office as Independent Outside Auditors will be four years at the close of this General Meeting of Shareholders.
4. The Company has entered into a limited liability agreement with Messrs. Takayuki Satake and Katsuhiro Maeda, and Ms. Akiko Tanaka, with the following content. In addition, in the event that their appointments are approved, the Company intends to conclude a similar liability limitation agreement with them. In the event that they assume liability for damages to the Company as a result of the acts stated in Article 423, Paragraph 1 of the Companies Act, they shall assume responsibility up to 10 million yen or the amount prescribed by laws and regulations, whichever is higher.

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Proposal No. 4 Appointment of one Director who is a Substitute Audit and Supervisory Committee Member

Subject to the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation), the Company will transit from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee.

Accordingly, to avoid a situation where the number of Corporate Auditors falls below the minimum number provided for by laws and regulations, the Company proposes to elect one (1) substitute Auditor. This proposal shall only take effect upon the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation).

Candidates for a Director who is a Substitute Audit and Supervisory Committee Member are as follows:

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

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

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

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

4. The reason why Takao Okuda is judged to be able to properly perform the duties of an Outside Auditor is that, although 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. In the event that he is appointed as an Outside Auditor, the outline of the limited liability agreement 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 10 million yen or the amount prescribed by laws and regulations, whichever is higher.

Proposal No. 5 Determination of Remuneration for Directors who are not Audit and Supervisory Committee Members

Subject to the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation), the Company will transit from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee.

In regard to the present remuneration limit for Directors, a total maximum amount of monetary remuneration of one hundred eighty million yen (¥180 million) for Directors per fiscal year was approved at the 37th Ordinary General Meeting of Shareholders convened in June 23, 2006, which remains in effect to today. With the transition to a company with an Audit and Supervisory Committee, in consideration of the past remunerations of Directors and various factors, we propose to determine a new remuneration limit for Directors (excluding Directors who are Audit and Supervisory Committee Members) by abolishing the present remuneration limit for Directors, and to define the total maximum amount of monetary remuneration of one hundred seventy million yen (¥170 million) for Directors (excluding Directors who are Audit and Supervisory Committee Members) per fiscal year (of which, twenty million yen (¥20 million) is for Outside Directors), provided, however, that the remuneration of the Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not include the salaries of Directors who serve concurrently as employees.

The present number of Directors is five (5) (including two (2) Outside Directors), but if Proposal No.1 and Proposal No.2 are approved as submitted, the number of Directors other than Audit and Supervisory Committee Members will become four (4) (including one (1) Outside Director other than Outside Directors who are Audit and Supervisory Committee Members).

This proposal shall only take effect upon the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation).

Proposal No. 6 Determination of Remuneration for Directors who are Audit and Supervisory Committee Members

Subject to the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation), the Company will transit from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee.

Accordingly, in consideration of the past remunerations of Directors and various factors, we propose to define the total maximum amount of monetary remuneration of fifty million yen (¥50 million) for Directors who are Audit and Supervisory Committee Members per fiscal year.

The present number of Directors who are Audit and Supervisory Committee Members is three (3).

This proposal shall only take effect upon the approval of Proposal No.1 (Partial Amendments to the Articles of Incorporation).

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Proposal No. 7 Determination of amount and details of Performance-based Stock Remuneration for Directors

1. Reasons for the proposal and the significance of the remuneration

At present, the remuneration of Directors (excluding Outside Directors, and the same hereinafter) consists of a fixed cash remuneration and a consolidated ordinary income-linked cash remuneration to its Directors. The Company proposes to introduce a new performance-linked stock incentive plan to its Directors (hereinafter referred to as “the Plan”).

Since the Plan intends to share the value with the shareholders further as well as to improve the Company’s medium- to long-term performance and contribute to increasing the value of the Company, we consider that the proposal is significant and meaningful.

More specifically, subject to the approval of Proposal No. 1 (Partial amendments to the Articles of Incorporation) and Proposal No. 5 (Determination of Remuneration for Directors who are not Audit and Supervisory Committee Members) at the General Meeting of Shareholders as submitted, we ask for your approval of the introduction of performance-linked stock incentives, different from the present remuneration of Directors with a total maximum amount of monetary remuneration of one hundred seventy million yen (¥170 million) for Directors. It is proposed that the details of the Plan should be left to the discretion of the Board of Directors within the framework specified in 2 below. If Proposal No. 2 (Appointment of four Directors who are not Audit and Supervisory Committee Members) is approved as drafted, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) will become three (3).

2. Amount and details of remuneration, etc., under the Plan

(1) Outline of the Plan

This Plan is a medium- to long-term performance-linked stock incentive Plan whereby a trust will be created with money the Company contributes (hereinafter referred to as “the Trust”) and said trust will acquire shares of the Company (defined as shares of common stock of the Company, and the same hereinafter) to distribute the shares of the Company to the Company’s Directors based on the stock distribution points granted to the Directors according to their positions and the performance-linked factor set in advance, following the Stock Distribution Regulations prescribed by the Company’s Board of Directors (provided, however, that part or all of the stock distribution may be made in money equivalent to the market value of the stock of the Company pursuant to the Stock Distribution Regulations; hereinafter referred to as “the Shares, etc., of the Company”). In principle, the Directors will receive a distribution of the Shares, etc., of the Company at the time when they retire from their office. For other details regarding the framework of the Plan, please refer to the [Reference] below. When the proposal on the introduction of the Plan is passed at the General Meeting of Shareholders as it is, the Company will introduce it to Executive Officers as stated in the [Reference].

(2) Upper limit on the amount of trust money to be contributed to the Trust

The Plan will be introduced over the next two (2) consecutive fiscal years, and the initial period of the Trust shall be two (2) years. During the period of the Trust, the Company will create a Trust for the Directors fulfilling certain specific requirements as beneficiaries by contributing cash of up to a limit of one hundred and ten million yen (¥110 million) as funds for acquiring shares of the Company that need to be distributed to its incumbent Directors as remuneration under the Plan. The Trust will acquire shares of the Company by applying the funds contributed by the Company as a source of its funds by the deposition of treasury shares or from the stock market.

(Note) The Trust Money actually entrusted shall be the total amount of funds for acquiring shares to which the estimated amount of necessary costs including trust fees and expenses are added.

The Company will, by its resolution at the Board of Directors' meeting, continue the Plan by extending the period of the Trust at the time when the initial period of the Trust expires. (This includes the case where the Company extends the period of the Trust practically by transferring the assets in the Trust to a trust the Company creates for the same purpose as the Trust, and the same hereinafter.) In this case, the Company will additionally contribute money up to the limit of the amount obtained by multiplying the number of fiscal years of the extended Trust period (on a fiscal year basis) by fifty-five million yen (¥55 million) to the Trust as funds for acquiring additional shares of the Company that would need to be distributed to Directors under the Plan. However, in the case of such an additional contribution, if there are residual shares or cash (hereinafter referred to as "Residual Shares, etc.") in the Trust Asset on the last day of the Trust period before the extension, the total amount of the Trust Money to be contributed additionally shall be within the amount obtained by deducting the amount of the Residual Shares, etc. (as for the shares of the Company, the number of shares obtained by deducting the number of shares equivalent to the stock distribution points granted to the Directors that have not yet been distributed shall be appraised at the book value on the last day of the Trust period before the extension) from the upper limit of the Trust Money to which the Company can contribute additionally under each Plan.

In this case, the Company will continue to grant stock distribution points (as stated in (3) (i)) and distribute shares of the Company (as stated in (3) (ii)) to its Directors within the extended period of the Trust.

Even in the case where the Company does not continue the Plan, if the Directors to whom stock distribution points are granted remain in office, the period of the Trust may be extended until the Directors retire and the distribution of the Shares, etc., of the Company to them is completed.

(3) Calculation method and the upper limit of the number of shares in the Company to be granted to Directors

(i) Grant method and the upper limit of stock distribution points to Directors

The Company, pursuant to the Stock Distribution Regulations prescribed by the Company's Board of Directors, grants stock points to the Directors of the number calculated by dividing by the book value per share of the Company kept in the Trust the standard amount of distribution set according to each Director's position multiplied by the performance-linked factor specified according to the Company's mid-term management plan on the granting date of the points, as defined in the Stock Distribution Regulations.

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[Calculation formula]

Standard amount of distribution set according to each Director's position \times
Performance-linked factor* \div Book value per share of the Company kept in the Trust

* * For the idea of the performance-linked factor and the schedule of two fiscal years, please refer to Note 2 of the Reference below.

The aggregate number of stock distribution points to be granted by the Company to its Directors for each fiscal year shall be up to fifty-five thousand (55,000) points.

(ii) Distribution of Shares, etc., of the Company

Shares of the Company will be distributed to each Director in accordance with the number of stock distribution points to be granted by the Company to its Directors as stated in (i) above. The total number of shares of the Company to be distributed to each Director through the Trust will be determined as one share per one point granted to him or her (provided, however, that if any stock split, reverse stock split or any other event for which it would be considered reasonable to adjust the number of shares occurs with respect to the shares of the Company, then the Company will make reasonable adjustments depending on the ratio of such stock split, reverse stock split, etc.). However, a certain specific portion of the shares of the Company will be converted into money within the Trust, and will be distributed in cash equivalent to the market value. Shares, etc., of the Company will be distributed by the Trust to each Director, subject to the completion of a certain procedure for the identification of a beneficiary at the time of retirement. In the case where any shares of the Company kept in the Trust are converted into cash as a result of a tender offer transaction of the shares of the Company, the Company may grant cash instead of shares of the Company.

[Reference]

(Extract from "the Announcement of the Introduction of a Performance-linked Stock Incentive Plan for the Company's Directors" that was released on May 10, 2016)

MEC COMPANY LTD. announces that a meeting of its Board of Directors on May 10, 2016 resolved to introduce a performance-linked stock incentive plan (hereinafter referred to as "the Plan") utilizing a trust service for the Company's Directors (excluding Outside Directors), as recommended by the Nominating and Remuneration Advisory Committee organized by a majority of Outside Directors. In line with this, we will submit a proposal for the introduction of the Plan to the 47th annual meeting of shareholders scheduled on June 21, 2016 (hereinafter referred to as "the General Meeting of Shareholders"). Details are as follows:

Details

1. Purpose of the Introduction of the Plan

The Company currently pays a fixed cash remuneration and a consolidated ordinary income-linked cash remuneration to its Directors (excluding Outside Directors; the same hereinafter). In order to share the value with the shareholders further, the Company has decided to introduce the Plan and pay a stock remuneration that is separate from the current remuneration for the purpose of improving the Company's medium- to long-term performance and contributing to increasing the value of the Company. Introduction of the Plan is subject to approval for the stock remuneration at the General Meeting of Shareholders. When the proposal on the introduction of the Plan is passed at the General Meeting of Shareholders as it is, the Company will introduce to the Executive Officers (excluding those who concurrently serve as Directors; the same hereinafter) a performance-linked stock incentive Plan (hereinafter referred to as "the Plan for Executive Officers," and the trust in the Plan for Executive Officers shall be referred to as "the Trust for Executive Officers") as well.

2. Outline of the Plan

(1) Outline of the Plan

This Plan is a medium- to long-term performance-linked stock incentive Plan whereby a trust will be created with money the Company contributes (hereinafter referred to as "the Trust") and acquire shares of the Company (defined as shares of common stock of the Company; the same hereinafter) to distribute shares of the Company to the Company's Directors based on stock distribution points granted to the Directors according to their positions and the performance-linked factor set in advance, following the Stock Distribution Regulations prescribed by the Company's Board of Directors (provided, however, that part or all of the stock distribution may be made in money equivalent to the market value of the stock of the Company pursuant to the Stock Distribution Regulations; hereinafter referred to as "the Shares, etc., of the Company"). According to the Stock Distribution Regulations, the Company's Board of Directors will, based on the definition of the evaluation period for calculating stock distribution points as the consecutive fiscal years of the period for the medium-term management plan (three (3) consecutive fiscal years) that are targeted by the Plan (hereinafter referred to as "the Target Period"; provided, however, that for the first calculation of stock distribution points, the Target Period shall be two (2) fiscal years from the fiscal year ending on March 31, 2017 to the fiscal year ending March 31, 2018, as the first fiscal year of the Target Period for the medium-term management plan has already passed), calculate the stock distribution points for each Director, taking account of the medium- to long-term performance-linked factor. In principle, the Directors will receive a distribution of the Shares, etc., of the Company according to the cumulative number of such stock distribution points when they retire from their office.

The structure of the Plan is outlined as follows:

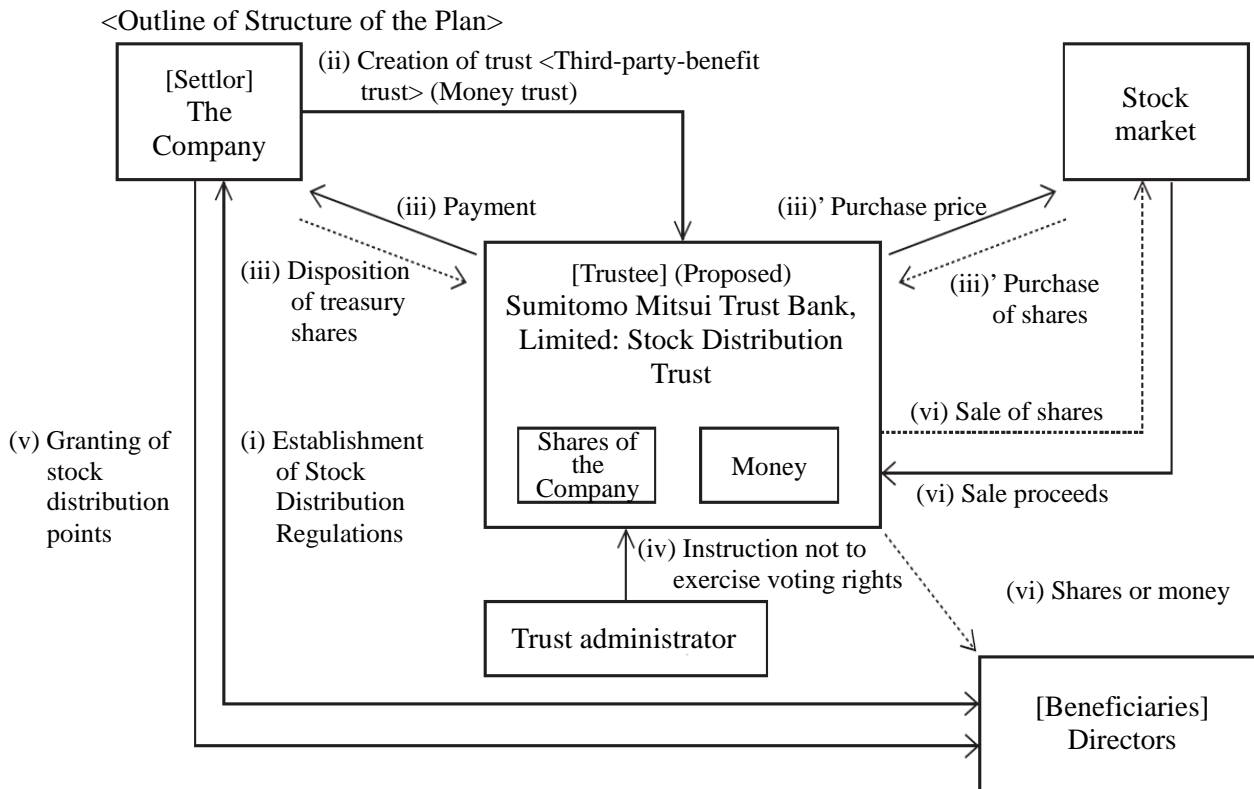
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(Note) Dotted lines denote the movements of shares.

- (i) The Company will establish the Stock Distribution Regulations intended for its Directors.
- (ii) The Company will create a stock distribution trust (third-party-benefit trust) for its Directors as beneficiaries.
When doing so, the Company will entrust an amount of money equivalent to that for the fund for acquiring shares and overhead costs to the Trustee.
- (iii) The Trustee will acquire, in one block, a sufficient enough number of shares of the Company that are expected to be distributed in future (by deposition of treasury shares or from the stock market).
- (iv) Throughout the period of the Trust, the Company will appoint a Trust Administrator (to be limited to be a party independent of the Company and its Directors and Corporate Auditors) who is responsible for protecting the interests of the beneficiaries who are covered by the Stock Distribution Regulations and for supervising the Trustee. Throughout the period of the Trust, any voting rights associated with the shares of the Company kept within the Trust shall not be exercised.
- (v) Pursuant to the Stock Distribution Regulations prescribed in advance, the Company will grant stock distribution points to its Directors.
- (vi) The Directors fulfilling the requirements prescribed in the Stock Distribution Regulations will receive, as beneficiaries of the Trust, a distribution of shares of the Company equivalent to the cumulative number of the points from the Trustee when they retire from their office.
In certain specific cases set forth in advance in the Stock Distribution Regulations and the Trust Agreement, the Company will sell part of the distributable shares kept within the Trust in the stock market and distribute the money.

(2) Creation of the Trust

The Company will create the Trust by contributing the funds necessary for the Trust to acquire, in advance for a certain specific period of time, such number of shares of the Company as is reasonably expected to be required for distribution pursuant to the Stock Distribution Regulations. The Trust will acquire shares of the Company by applying the funds contributed by the Company as a source of its funds.

(3) Upper Limit on the Amount of Trust Money to Be Contributed to the Trust as Funds for Acquiring Shares

The initial period of the Trust shall be two years, starting from the fiscal year ending on March 31, 2017 to the fiscal year ending March 31, 2018. During the period of the Trust, the Company will create the Trust for the Directors fulfilling certain specific requirements as beneficiaries by contributing cash of up to a limit of one hundred and ten million yen (¥110 million) as funds for acquiring shares of the Company that need to be distributed to its incumbent Directors as remuneration under the Plan. The upper limit of the amount to be contributed shall be one hundred and eighty million yen (¥180 million) (Note 1) in total with the amount of Trust Money contributed to the Trust for Executive Officers as funds for acquiring shares of the Company.

(Note 1) The Trust Money actually entrusted shall be the total amount of funds for acquiring shares to which the estimated amount of necessary costs including trust fees and expenses are added.

(4) Target Period of the Plan and Period of the Trust

As stated in 2 (1) above, the initial Target Period of the Plan shall be two (2) fiscal years (from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2018), and when the period of the Trust is extended after the initial period as stated below, the Target Period will be the consecutive fiscal years for the medium-term management plan.

In principle, the Company will continue the Plan by extending the period of the Trust at the time when the initial period of the Trust expires. (This includes the case where the Company extends the period of the Trust practically by transferring the assets in the Trust to a trust the Company creates for the same purpose as the Trust; the same shall apply hereinafter.) In this case, the Company will additionally contribute money of up to a limit of the amount obtained by multiplying the number of fiscal years of the extended Trust period (on a fiscal year basis) by fifty-five million yen (¥55 million) (ninety million yen (¥90 million) in total with the amount of Trust Money contributed to the Trust for Executive Officers) to the Trust as funds for acquiring additional shares of the Company that would need to be distributed to the Directors under the Plan, and will continue to grant stock distribution points to its Directors within the extended period of the Trust.

However, in the case of such an additional contribution, if there are residual shares or cash (hereinafter referred to as “Residual Shares, etc.”) in the Trust Asset on the last day of the Trust period before the extension, the total amount of the Trust Money to be contributed additionally shall be within the amount obtained by deducting the amount of the Residual Shares, etc. (as for the shares of the Company, the number of shares obtained by deducting the number of shares equivalent to the stock distribution points granted to the Directors that have not yet been distributed shall be appraised at book value on the last day of the Trust period before the extension) from the upper limit of the Trust Money to which the Company can contribute additionally under each Plan. Even in the case where stock distribution points are not continued to be granted as stated above, if the Directors to whom stock distribution points are granted remain in office, the period of the Trust may be extended until the Directors retire and the distribution of the Shares, etc., of the Company to them is completed.

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(5) Details of the Shares, etc., of the Company Distributed to Directors

The Company, pursuant to the Stock Distribution Regulations prescribed by the Company's Board of Directors, defines stock points granted to the Directors as the number calculated by dividing by the book value per share of the Company kept in the Trust the standard amount of distribution set according to each Director's position multiplied by the performance-linked factor (Note 2) specified according to the Company's mid-term management plan. The aggregate number of stock distribution points to be granted by the Company to its Directors for each fiscal year shall be up to a limit of ninety thousand (90,000) points in total (of which up to fifty-five thousand (55,000) points come under the Plan), with the aggregate number of stock distribution points granted under the Plan for Executive Officers.

(Note 2) The performance-linked factor is the sum total of factors determined within the range of zero (0) to one hundred fifty (150) % according to the attainment of the key performance indicators specified in the medium-term management plan, each of which shall have an appraisal weight. For the two (2) fiscal years of the initial Target Period, from the viewpoints of improvement in capital efficiency and the promotion of business development for a global niche leader, the consolidated ROE, consolidated operating income margin and consolidated net sales will have respective appraisal weights of fifty (50), twenty-five (25) and twenty-five (25). The performance indicators, appraisal weights and stock distribution points granted to Directors will be described in the business reports.

(6) Method of Acquisition of Shares of the Company by the Trust

For the initial Target Period (two (2) fiscal years), the Trust will acquire shares of the Company by the method of the Company's disposition of treasury shares or through the stock market within the upper limit of the funds for acquiring shares of the Company as stated in 2 (3) above. If, during the period of the Trust, due to an increase in the number of Directors or any other cause, the possibility arises that the number of shares of the Company kept within the Trust may fall short of that corresponding to the number of stock distribution points to be granted to the Directors during the period of the Trust, the Company may have the Trust acquire additional shares by contributing additional money to the trust within the upper limit of the Trust Money as stated in 2 (3) above.

(7) Distribution of Shares, etc., of the Company

The total number of shares of the Company to be distributed to each Director through the Trust will be determined as one (1) share per one (1) point granted to him or her (provided, however, that if any stock split, reverse stock split or any other event for which it would be considered reasonable to adjust the number of shares occurs with respect to the shares of the Company, then the Company will make reasonable adjustments depending on the ratio of such a stock split, reverse stock split, etc.), and shares of the Company will be distributed from the Trust to each Director according to the cumulative stock distribution points granted at the time of his or her retirement. However, a certain specific portion of the shares of the Company will be converted into money within the Trust, and will be distributed in cash equivalent to the market value.

(8) Exercise of Voting Rights

Pursuant to the instructions of the Trust Administrator who will be independent of the Company, the voting rights associated with the shares of the Company kept within the Trust shall not be exercised without exception. This will assure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

(9) Handling of Dividends

Dividends on the shares of the Company kept within the Trust will be received by the Trust, and will be applied to payment for acquisition of the shares of the Company, trust fees for the Trustee associated with the Trust, etc.

(10) Handling at the Time of Termination of the Trust

Of the residual property left within the Trust at the time of expiration of the Trust, the shares of the Company are scheduled to be acquired by the Company without compensation and canceled by the resolution of the Board of Directors. Of the residual property left within the Trust at the time of expiration of the Trust, pursuant to the provisions of the Stock Distribution Regulations and the Trust Agreement, the Company is scheduled to donate a certain amount of cash to specified public-service promotion corporations bearing no stake in the Company and its Directors.

End

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(Attachment)

Business Report

(From April 1, 2015
to March 31, 2016)

1. Matters concerning the state of the corporate group

(1) Progress and results of business

In the world economy in the fiscal year under review (April 1, 2015 to March 31, 2016), while a gradual recovery trend was observed in the United States, the pace slowed down in the second half due to the lower crude oil prices and stronger US dollar. On the other hand, while there was a decelerating trend in the growth of the economies of emerging countries including China, a gradual recovery trend was seen in the European economy.

Looking at Japan's economy, the economy continued to recover moderately. On the other hand, domestic demand remained weak mainly due to a delay in improvement of capital expenditure and personal consumption from the income of corporate and household sectors.

In the electronics industry, while demand for personal computers and tablet PC remained sluggish, inventory adjustments of some smartphones began in the second half of 2015. On the other hand, markets related to the Internet of Things (IoT) have been rapidly growing in recent years, and there is strong demand for devices and servers for aggregating and analyzing big data.

In these environments, the Company's Group has seen steadily growing sales of the CZ Series of ultra-roughening agents that significantly improve the adhesion strength between copper and resin, the EXE Series of products that realize a high-density wiring pattern with the etching method, and the CA and CB Series of agents for treating the surface of copper for use in flexible substrates. We were able to achieve good results with FlatBOND, a product used in manufacturing electronic substrates that can handle high-speed data transmission. However, there have been sluggish sales of chemicals for use in touch panels accompanying the weak sales of tablet PCs.

Amalphi is a technique for directly bonding a metal and a resin, and it has been adopted as a chemical for use in the metal housing of some mobile devices. We have continuously activated the development and sales activities related to this technique, aiming at achieving new orders for industrial robots and automobiles and the like.

As a result, our net sales in the fiscal year under review amounted to 9.078 billion yen (up 0.2% year-on-year), operating income was 2.185 billion yen (up 8.8% year-on-year), ordinary income was 2.207 billion yen (up 3.7% year-on-year), and net income attributable to the parent company's shareholders for the term was 1.514 billion yen (up 12.7% year-on-year).

With regards to construction of the Amagasaki Headquarters, we are advancing with it as planned. In addition, the Company received the "Minister of State for Special Missions Award," as one of the "Leading Companies Where Women Shine in FY2015," for activities to promote the development of a workplace environment in which women can play an active role, specifically in recognition of our policy, initiative and achievement on women's appointment to executive and management positions as well as our remarkable information disclosure of such activities.

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

Category	46th term (previous fiscal year)		47th 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 displays	8,486	93.7	8,718	96.0	102.7
Machines for electronic substrates	112	1.2	178	2.0	159.1
Materials for electronic substrates	432	4.8	154	1.7	35.8
Others	26	0.3	26	0.3	99.8
Total	9,057	100.0	9,078	100.0	100.2

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(2) Situation with regards to capital investment

The total capital investment we implemented during the fiscal year under review came to 2208 million yen, and the main areas are as follows:

1) Main facilities completed during the fiscal year under review

Nagaoka Factory	Expansion of production facilities
Laboratory	Expansion of research facilities

2) Ongoing new construction and expansion of main facilities during the fiscal year under review

Amagasaki Headquarters	Construction of a new business office
Headquarters	Construction of a mission-critical system

3) Sale, removal and destruction of significant fixed assets carried out during the fiscal year under review

N/A

(3) Financing

N/A

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

Category	44th term (Term ended March 2013)	45th term (Term ended March 2014)	46th term (Term ended March 2015)	47th term (Fiscal year under review) (Term ended March 2016)
Net sales (million yen)	6,703	8,003	9,057	9,078
Operating income (million yen)	917	1,421	2,008	2,185
Ordinary income (million yen)	956	1,551	2,129	2,207
Net income attributable to the parent company's shareholders (million yen)	626	925	1,344	1,514
Net income per share (yen)	31.24	46.09	66.98	76.26
Total assets (million yen)	10,883	12,869	14,646	15,715
Net assets (million yen)	8,669	10,265	12,039	12,250
Book value per share (yen)	431.94	511.44	599.85	632.41
ROE (%)	7.6	9.8	12.1	12.5
Number of employees (persons)	274	275	284	301

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

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 or short-term employees.

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(5) Issues to be addressed

With regards to the environment surrounding the Company's Group, as described in "(1) Progress and results of business" in "1. Matters concerning the current state of the corporate group" in the attached documents, there is an ongoing situation in which the economic trends are uncertain. Despite these business conditions, we in the Group will keep making the best use of our capacity to develop advanced technologies in contributing to our customers' cost reduction and curbing our environmental burden through improving efficiency in electronic substrate processing processes. We will also keep striving to boost our competitiveness further through the utilization of the Group network that can respond to demand in global markets, and we will keep making efforts to secure new orders particularly for new products, with the aim of enhancing profitability. In addition, in order to realize further routes for growth, we will do our utmost to tackle the following issues, and strive to maximize shareholder value. We will strive to achieve a continuous improvement in consolidated ROE based on a figure of 10%.

1) Use of existing core technology to develop products in new areas and the establishment of businesses

The Group specializes in the businesses of materials for electronic substrates and parts, and hence faces the risk of being strongly affected by the amount of production in the electronic substrate and parts industry. To reduce this risk, we will focus on utilizing the technology we have accumulated so far and establishing technology that can be applied in new areas. Specifically, to improve adhesion with plastic by roughening the surface of metals such as nickel, aluminum and stainless steel, we will continue to enhance AMALPHA, which can also contribute to the weight reduction of products without using an adhesive.

2) Strategy for overseas markets

The Company's Group is building a strong sales network that covers the electronic substrate and parts markets in Japan. In the Asian market, we made some achievements — we focused on acquiring customers, established subsidiaries in areas that continue to see economic growth such as China and Taiwan, and established an office in Vietnam. On the other hand, with regards to general chemicals that cannot take advantage of the superiority of our chemicals processes, we will strategically sift and sort them for areas with high marketability where a shift to high-density products is progressing, such as flexible substrates. In this way, we will ensure that we can secure orders while controlling risk. In order to resourcefully and strategically tackle these issues, we will continue to focus on strengthening the Group's ability to meet customer needs.

3) Strengthening corporate governance

The Company's Group, in order to maximize shareholder profits, believes it is essential to increase corporate value by making ongoing efforts aimed at strengthening corporate governance. Specifically, our policy is to advance efforts for fair and transparent management, quick and accurate information disclosure, and thorough accountability, and we are working toward that aim in line with the concepts of our corporate governance code. We will commit ourselves to making a further improvements.

Also, in line with our policy to actively promote diversity of management, we are committed to inviting Outside Directors into the Company. In addition, we are setting rules through efforts such as establishing strict criteria, if such Outside Directors lack independence from the Company.

Furthermore, the policy of the Company's Group is to appoint more qualified personnel than before, aiming to acquire a lot of value with such diversity. We will continue endeavoring to enhance various systems such as those to realize the recruitment of Officers and managers, and to allow all employees to return to work after childcare. As a recent result, the Company received the "Minister of State for Special Missions Award," as one of the "Leading Companies Where Women Shine in FY2015," for activities to promote the development of a workplace environment in which women can play an active role, specifically in recognition of our policy, initiative and achievement on women's appointment to executive and management positions as well as our remarkable information disclosure of such activities.

4) Securing and nurturing human resources

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

5) Improving business efficiency

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

By overcoming these issues, we in 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 to realize high growth on an ongoing basis.

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(6) Status of important parent companies and subsidiaries (as of March 31, 2016)

1) Status of parent companies

N/A

2) Status of important subsidiaries

Company name	Capital stock	Investment ratio	Main businesses
MEC TAIWAN COMPANY LTD.	NT\$25 million	100%	Electronic substrate and parts materials business
MEC (HONG KONG) LTD.	HK\$4.5 million	100%	Electronic substrate and parts materials business
MEC FINE CHEMICAL (ZHUHAI) LTD.	HK\$8 million	100% (100) ^(*1)	Electronic substrate and parts materials business
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.	US\$4 million	100%	Electronic substrate and parts materials business
MEC EUROPE NV.	EUR1 million	100% ^(*2)	Electronic substrate and parts materials business

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

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

(7) Main businesses (as of March 31, 2016)

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 displays	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
Others		Mechanical repair

(8) Main offices and factories (as of March 31, 2016)

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

(9) Status of employees (as of March 31, 2016)

1) Status of employees of the corporate Group

Number of employees	Increase or decrease compared with the end of the previous fiscal year
301	Increase of 17

Note: The number of employees is the number of permanent employees, and does not include part-timers or 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
168 (122 men) (46 women)	increase of 12	40.7	12.9 years

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

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(10) Main lenders (as of March 31, 2016)

N/A

2. Matters related to the shares of the Company (as of March 31, 2016)

- (1) Total number of shares authorized to be issued 80 million
(2) Total number of outstanding shares 20,071,093 (including 700,089 treasury stocks)
(3) Number of shareholders 5,440
(4) Major shareholders

Name of shareholder	Number of shares held	Shareholding ratio
Japan Trustee Services Bank, Ltd. (Trust Account)	1,272,200	6.56%
Maeda Holdings Ltd.	1,199,000	6.18
Kosaku MAEDA	1,005,304	5.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	857,600	4.42
Kazuo MAEDA	720,400	3.71
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	640,800	3.30
MEC Customers' Shareholding Association	492,000	2.53
The Master Trust Bank of Japan, Ltd. (Trust Account)	445,200	2.29
MEC Employees' Stock Ownership Plan	340,688	1.75
Osamu KOSHITAKA	315,096	1.62

Note: 1. The Company holds 700,089 shares of treasury stock but is excluded from the major shareholders listed above.

2. The shareholding ratio is calculated after deducting the number of treasury shares.

3. Matters related to the stock acquisition rights of the Company (as of March 31, 2016)

N/A

4. Matters related to the Officers of the Company (as of March 31, 2016)

(1) Directors and Auditors

Status	Name	Status of responsibility and important concurrent positions
President & Representative Director	Kazuo MAEDA	CEO of the Company MEC TAIWAN COMPANY LTD. Representative Director MEC (HONG KONG) LTD. Representative Director MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Representative Director MEC EUROPE NV. Director
Director	Makoto NAGAI	Senior Managing Executive Officer and Head of Business Department MEC TAIWAN COMPANY LTD. Director MEC (HONG KONG) LTD. Director MEC FINE CHEMICAL (ZHUHAI) LTD. Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director MEC EUROPE NV. Director
Director	Toshiko NAKAGAWA	Managing Executive Officer, Head of Planning Office, Head of Innovation Office MEC TAIWAN COMPANY LTD. Director MEC (HONG KONG) LTD. Director MEC FINE CHEMICAL (ZHUHAI) LTD. Director MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director MEC EUROPE NV. Director
Director	Takayuki SATAKE	Management Research Professor at University of Hyogo, Graduate School
Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University
Full-time Auditor	Katsuhiro MAEDA	
Full-time Auditor	Taro MATSUSHITA	
Auditor	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation President and CEO of COCORO DESIGN Co., Ltd.

- Note: 1. The Directors Takayuki Satake and Yutaka Nishiyama are independent Outside Directors, and have been registered as independent Directors with the Tokyo Stock Exchange.
2. The two Auditors of Katsuhiro Maeda and Akiko Tanaka are independent Outside Auditors, and have been registered as independent Directors with the Tokyo Stock Exchange.
3. Auditor Taro Matsushita has been working in the accounting department of the Company for many years with substantial experience of engaging in accounting and financial operations. He thus has considerable knowledge of finance and accounting.
4. Auditor Akiko Tanaka is a certified tax accountant, and has considerable knowledge of finance and accounting.

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5. Directors Yoshiro Mizoguchi and Hiroshi Nishikawa completed their terms of office at the closing of the 46th Ordinary General Meeting of Shareholders held on June 19, 2015, and retired from their positions.
6. Auditor Hideaki Matsuyama resigned on May 8, 2015. At the time of his resignation at that time, Mr. Hideaki Matsuyama's important concurrent positions were Representative of the Matsuyama Office and Representative Director of Nadia Ltd.
At the 46th Ordinary General Meeting of Shareholders held on June 19, 2015, Mr. Hideaki Matsuyama explained the reason for his resignation from the position as the fact that he opposed the reappointment and promotion of a director who was involved in a fraudulent act with respect to the execution of a director's duty, but such opposition was not accepted. However, Auditor Katsuhiro Maeda expressed an opinion on behalf of the Corporate Auditors then in office to the effect that the "fraudulent act" referred to by Mr. Hideaki Matsuyama as the reason for his resignation could not be deemed as a fraudulent act or a material fact in violation of laws and regulations. He also clarified the reason for his judgment.
In addition, upon the resignation of Mr. Hideaki Matsuyama, Substitute Auditor Takao Okuda was appointed as Auditor on May 15, 2015. Mr. Takao Okuda retired upon the expiration of his term of office at the closing of the 46th Ordinary General Meeting of Shareholders held on June 19, 2015.
7. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and each of Messrs. Takayuki Satake, Yutaka Nishiyama, Katsuhiro Maeda and Taro Matsushita, 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 five persons under this agreement is 10 million yen or the amount stipulated in laws and regulations, whichever is higher.

(2) Total amount of remuneration of Directors and Auditors

Category	Number of people	Total amount of remuneration, etc.
Director	7	110 million yen
(Of which, independent Outside Directors)	(2)	(8)
Auditor	5	30
(Of which, independent Outside Auditors)	(4)	(21)
Total	12	141

- Note: 1. The Directors and Auditors mentioned above include two Directors and one Outside Corporate Auditor who retired at the conclusion of the 46th Ordinary General Meeting of Shareholders on June 19, 2015, and one Outside Corporate Auditor who resigned on May 8, 2015.
2. The remuneration limit for Directors was resolved to be an annual amount of no more than 180 million yen at the 37th Ordinary General Meeting of Shareholders, held on June 23, 2006 (however, Article 361, Paragraph 1, No. 3 of the Companies Act prescribes that “this shall not include remuneration other than monies”).
3. 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.
4. Independent Outside Directors and Auditors have a fixed monthly remuneration.
5. The Board of Directors (excluding independent Outside Directors) have a fixed monthly remuneration and performance-based compensation. The total amount of performance-based compensation is calculated based on consolidated ordinary income, and has a weight distribution depending on the position of the relevant person.

(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.

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- a Has work experience in an organization that is our major shareholder and 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 above is within the past five years from the present time.
- g Is next of kin to a person listed in any of the following (A) through (B).
 - (A) Persons listed from a to f above.
 - (B) Person who executes business, non-executive person who does not execute business, or employee at the Company or its subsidiaries or affiliates.

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

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

Category	Name	Status of important concurrent position	Relationship with the Company
Independent Outside Director	Takayuki SATAKE	Management Research Professor at University of Hyogo, Graduate School	No special relationship
Independent Outside Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University	No special relationship
Independent Outside Auditor	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation President and CEO of COCORO DESIGN Co., Ltd.	No special relationship

3) Major activities during the fiscal year

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

Category	Name	Status of major activities
Independent Outside Director	Takayuki SATAKE	He attended all 18 meetings of the Board of Directors held during the fiscal year, and utilized the specialized knowledge he had cultivated as Professor at the Graduate School of Business Studies and his experience in management. In particular, to achieve management that is based on the creation of customer value, and as a public institution of society in order to establish more firmly an in-house platform so that we fulfill our responsibility as a company that can contribute to the local region, he works to establish an in-house system that aims for an improvement in ES, an improvement in CS, and the further practice of CSR; and in particular, he makes a tremendous contribution to the promotion of ESG and actively gives his objective opinion.
Independent Outside Director	Yutaka NISHIYAMA	He has attended all 18 Board of Directors meetings held in the fiscal year, and utilized the specialized knowledge and experience he has cultivated as a Professor at a faculty of chemistry, materials and bioengineering, mainly in the Research and Development Department, which has greatly contributed to the Company. For the purpose of promoting ESG, he has actively given useful recommendations and opinions on environmental aspects.
Independent Outside Auditor	Katsuhiro MAEDA	He has attended all 18 Board of Directors meetings and 17 Board of Auditors meetings that were held in the fiscal year. He has used the wealth of experience that he had cultivated as a manager and his professional point of view, based on learning, to actively give his audit opinion and wide-ranging proposals related to the measure on how to address the Revision of the Companies Act as well as corporate governance/the code of business conduct, and reform of the risk management and internal control system.
Independent Outside Auditor	Akiko TANAKA	She has attended all 18 Board of Directors meetings and 17 Board of Auditors meetings that were held in the fiscal year, and utilizing her knowledge as a tax accountant and her experience in guiding company management etc., she has given appropriate audit opinions and proposals related to handling tax risks, including giving a lecture on the key points on how to address tax amendments for business purposes at the business strategy meeting held twice a year.

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5. Matters relating to Accounting Auditors

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of compensation for Accounting Auditor

Category	Amount of remuneration, etc.
Amount of remuneration to be paid by the Company	24 million yen
Total amount of money to be paid by the Company and its subsidiaries, and other economic benefits	34 million yen

- Note: 1. In an audit contract entered into between the Company and the Accounting Auditor, there is no clear distinction between the remuneration, etc., for the audit based on the Companies Act and the audit fee for the audit based on the Financial Instruments and Exchange Act, 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 Board of Corporate Auditors obtained the necessary documents from the Directors, the relevant departments of the Company and the Accounting Auditor, and confirmed the details of the audit plan performed by the Accounting Auditor after the receipt of the report thereof, 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 the consent of 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 18 million yen.

(3) Contents of non-audit services

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

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

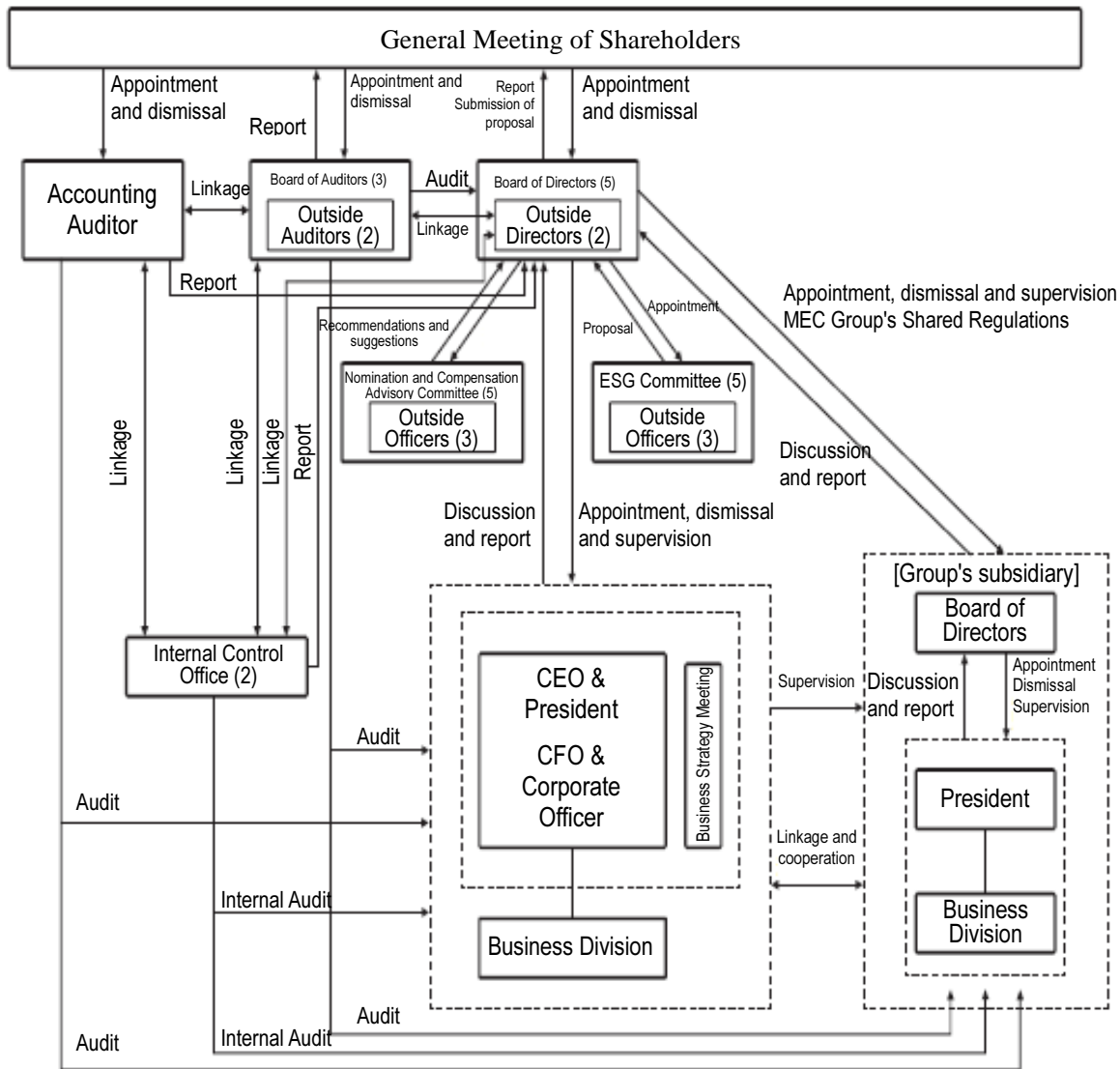
The Board of Auditors has established selection criteria and evaluation standards for an Accounting Auditor, and also each period it confirms the independence and expertise of such Auditor. If a change in the Accounting Auditor is determined to be reasonable, we will determine the contents of a proposal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

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

(5) Overview of the contents of liability limitation agreements

N/A

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



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(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 regarding a system to ensure that the 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 is as follows:

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 compliance system of the MEC Group, we have stipulated the Group-wide Charter of Corporate Behavior, the Corporate Code of Conduct, Internal Control, Internal Audit and J-SOX Regulations, and Compliance Regulations. We have established an Internal Control Committee and a Compliance Committee, which is 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) Aiming to have appropriate and efficient operations, establish and maintain a system to perform internal checks, and prevent fraud, etc., before it occurs, we have established the Internal Control Office, which is an internal audit department, as an organization that is under the direct control of the Board of Directors. The internal audit department reports the results to the Board of Directors, in accordance with the annual plan.
 - (iii) If the Directors discover an important fact about serious legal violations or other compliance issues in the MEC Group, they shall report immediately to the Auditors and other Directors.
 - (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 where one person from among the Outside Officers (currently an Outside Director) and external lawyers, and the head of the Internal Control Office are direct recipients of information. We ensure to prevent any whistleblower from receiving any disadvantages attributable to his/her report or cooperation with investigations.
 - (v) If the Auditors find there is a problem with the operation of the Company's legal compliance system or whistle-blowing system, they can give their opinion to the President and at the same time request the development of improvement measures.
 - (vi) Full-time Auditors and the head of the Internal Control Office have one meeting every three months with the Outside Directors in principle, and while giving reports on the audit or the like, they exchange opinions.
- 2) System to ensure that the duties of MEC Group's Directors are performed efficiently
- (i) In order to ensure that the Directors' performance of their duties is carried out efficiently, in addition to holding a Board of Directors meeting once a month, such meeting shall be held on an ad hoc basis if necessary. In addition, there will be discussions with regards to important matters relating to the business strategy of the Company at a business strategy meeting held once a month and composed of Directors and Executive Officers, etc., and at a company-wide policy meeting held twice a year that consists of managers, and the results shall be thoroughly made known to all.
 - (ii) In order to enhance the supervisory function with respect to the performance of duties by the Directors, we have promoted the appointment of Outside Directors. At the same time, we have also enhanced the Executive Officer System with the aim of separating the supervision and enforcement functions.
 - (iii) We have established the "Nomination and Compensation Advisory Committee" and the "ESG Committee," the majority of which are occupied by Outside Directors directly reporting to the Board of Directors. These committees provided a lot of useful advice to the Board of Directors and also proposed candidates based on thorough study.
 - (iv) In principle, the Outside Directors and Auditors shall have a meeting with the President once every three months, and there they shall exchange ideas and information.
 - (v) In order to ensure the decisions made by the Board of Directors are carried out efficiently, the MEC Group has established organization rules, regulations on the division of duties, administrative authority regulations, and regulations on *ringi* (a 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 defined the matters for creating, storing and managing the minutes of important meetings such as the Board of Directors meetings and *ringi* documents (requests for managerial decision) in the Regulations of the Board of Directors, *Ringi* (approval) regulations, Document management regulations, and other rules and regulations, and it is carrying out business processes in accordance with them.
- 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. Information leakage and security risk; E. Disaster risk; F. Supply-chain risk; and other risks, and develop an internal system in order to grasp and manage them.
 - (ii) As the basic framework of risk management, we have established the MEC Group Risk Management Regulations and Related Regulations, and placed the legal affairs, risk management and CSR group as the responsible department of risk management, and established a system where management responsibilities are set out for each individual risk.
 - (iii) We have formulated a business continuity plan (BCP), and also a task force headed by the President so that when unforeseen circumstances arise, the task force can obtain the support of outside experts if necessary and rapidly respond to the situation, prevent damage before it occurs, and implement measures to minimize any damage.
- 5) System to ensure the appropriateness of business in 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 the Management of Affiliated Companies, 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) We have established “Regulations on Affiliate Management” in order to manage the business of each Group company, and based on them each Group company conducts decision-making and reporting; in addition, by subjecting important matters to a resolution at the MEC Group’s Board of Directors meeting, the business of each Group company is managed.
 In addition, each domestic business division, including the business headquarters overseas, links with and cooperates with the business departments of the Group companies for each business area.
 - (iii) If the Directors discover an important matter about legal violations or other compliance issues in a Group company, they shall report immediately the matter to the Auditors and other Directors.
 - (iv) When each Group company recognizes there is a violation of laws or other compliance issues in the business management and management guidance provided by the Company, they shall report the violation to the Auditors and the Internal Control Office, and the Auditors and the Internal Control Office can give their opinions to the President and at the same time request the development of improvement measures.
 - (v) To enhance the MEC Group audit and internal control, there is a policy whereby the Auditors and the Internal Control Office both survey all offices and rooms in Japan and overseas. When conducting a survey on overseas subsidiaries, there is information exchange not only with the Group’s Accounting Auditor but also with parties such as the local Accounting Auditor.

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- 6) System for Directors and employees of the MEC Group to report to Corporate Auditors, and the system for reporting to other Auditors
- (i) Based on various regulations relating to matters that Directors and employees should report to Auditors and the timing of such reporting, the Directors and employees shall report to the Auditor each time about important matters that affect the Company's business or financial performance. The MEC Group shall ensure to prevent any whistleblower from receiving any disadvantages attributable to such report.
 - (ii) Notwithstanding the preceding paragraph, Auditors can, at any time and if necessary, request reports from Directors and employees.
- 7) System to ensure that audits of other Auditors are performed efficiently
- (i) The Board of Auditors, in principle, has five meetings a year with the Accounting Auditors and a monthly meeting with the Internal Control Office, and there is an exchange of views and information on those occasions in order to achieve cooperation and mutual checks and balances.
 - (ii) Auditors may, when they deem it necessary in the practice of an audit, independently appoint a lawyer, a certified public accountant or other external experts. Any prepayment or reimbursement of expenses arising from the execution of each Auditor's duties shall be properly treated upon request from the Auditor.
- 8) Matters relating to the corresponding employee when Auditors request the stationing of an employee (auxiliary employee) to assist them in their duties
- The Company has stipulated provisions relating to employees who are to assist the Auditors in their duties, and it has stipulated provisions relating to the procedure of appointing auxiliary employees in cases where there is a request from the Auditors.
- 9) Matters concerning independence from Directors of auxiliary employees
- (i) To ensure that employees who assist the Corporate Auditors with their duties are independent from the Directors, the Board of Directors shall be required to obtain a prior agreement of the Board of Corporate Auditors when determining the appointment, termination, personnel transfer, revision of wages, and so forth of such employees. An employee who assists a Corporate Auditor's duties, upon receiving necessary orders for auditing work from the Auditors, shall not receive orders or instructions related to the Auditors' orders from any Director 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 during the fiscal year under review, which all Directors and Auditors attended. In any case, there were no significant deficiencies detected that should be disclosed.
The Internal Control Office has reported the annual audit plan to the Board of Directors.
 - (ii) In view of the importance of the whistle-blowing system, the Company promoted the development of the whistle-blowing system for the Group companies. The operational status of the whistle-blowing system was reported in the Compliance Committee.
 - (iii) The full-time Auditors and the Internal Control Officer exchanged meaningful opinions with each of the Outside Directors at meetings held four times during the fiscal year under review.
 - (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 provided compliance education on the basis of the "Labor and Ethics Guidelines" to all newly joined employees (including contract and temporary workers) to let them know the programs and institutions available for and applicable to them.
 - (v) To encourage directors, corporate auditors, executive officers and employees of the Group companies to share and act on the MEC Group's management philosophy and the medium-term management plan with our common value, the Company provided appropriate education and training for dissemination and penetration.
 - (vi) In the fiscal year under review, we placed priority on the items below to be enhanced:
 - A. Supplier management
We provided training to promote the understanding of the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc.) to all the Group companies, and asked them to cooperate with suppliers.
 - B. Contract training
We provided a basic training program on contracts (domestic and international) with the aim of deepening the employees' understanding of respect for the mutual rights of the MEC Group and others.
 - C. Strengthening of information security
We enhanced security when the former mission-critical system was replaced by a new one.
 - (vii) We conducted monitoring surveys on a regular basis for the purpose of understanding of company-wide compliance status, and reported it to the Compliance Committee.
- 2) Operational status regarding the system to ensure efficient execution of the duties of Directors
- (i) The Company held the Board of Directors meeting 18 times during the fiscal year, and actively deliberated and discussed the follow-up of the medium-term management plan, the budget, measures on how to address the Revision of the Companies Act and corporate governance, and capital expenditure on new workplaces.
 - (ii) The Nomination and Compensation Advisory Committee and the ESG Committee held meetings six times, respectively, to provide useful advice to the Board of Directors with a focus on measures on how to address the Revision of the Companies Act and corporate governance. In addition, both committees also recommended candidates for CEO, CFO, a female executive officer, and the like.

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- (iii) The Outside Directors and Corporate Auditors had meetings with the President on four occasions.
- 3) Operational status regarding the storage and management of information
We reviewed the information management procedures on the storage and management of business-related information.
- 4) Operational status on risk management
We have established the “MEC Group Risk Management Regulations” for dissemination and penetration to each Group company. We have also prepared the “BCMS Manual” and provide training concerning important business operations. Since the Company is engaging in chemicals, we also place emphasis on the risk assessment of safety and chemicals, which were reported to the Risk Management Committee held twice a year, together with the status of the risk management system, including Group companies, for the purpose of sharing information and detecting deficiencies.
- 5) Operational status regarding the system to ensure the appropriateness of Group companies’ business operations
 - (i) We organized and improved the group-wide common regulations, such as the Corporate Code of Conduct, Internal Control/Internal Audit/J-SOX Regulations, Whistle-blowing Regulations, and Risk Management Regulations.
 - (ii) Auditors and the Internal Control Office audited the whole of each Group company with the exception of MEC (HONGKONG) LTD., a small sized entity, and exchanged information with local accounting auditors.
- 6) Operational status regarding the audit by Auditors
 - (i) Corporate Auditors attended discussions held by important bodies, such as the Business Strategy Meeting, besides the Board of Directors meeting, and confirmed the status of the development and operation of the internal control system together with the results of onsite audits.
 - (ii) Corporate Auditors had information exchange meetings six times with Accounting Auditors and twelve times with the Internal Control Office. They also attended a meeting sponsored by the Accounting Division to talk with Accounting Auditors and the Internal Control Office.

(3) Basic policy on control of the Company

1) Concept and content of the basic policy

The Company believes that when a stock offer is made to purchase a large volume of the Company's shares with the purpose of controlling the determination of the financial and business policies of the Company, such offer should be basically accepted or refused based on the judgment of the individual shareholders. Therefore, even if a transfer of management control has the meaning or effect of activating the Company's business activities, it is not in a position to deny such offer in any way.

However, in cases where company acquisition could be carried out by share acquirers who have an illegal purpose such as selling shares at an exclusively high price, in order to protect the interests of all stakeholders, including shareholders, the Company believes that preventing damage to the corporate value is a responsibility of the Board of Directors of the Company. For this reason, we believe that when a party proposes to purchase or acquire a large number of the Company's shares, the Company should consider the contents of the business plan of the proposer and also its past investment behavior, etc., and also fully consider the impact that the purchase or acquisition proposal would have on the Company's corporate value and the common interests of its shareholders; and we also believe it is necessary for the Board of Directors to disclose the results of its judgment to shareholders.

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

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2) Specific contents of the initiatives

- (i) Effective use of Company assets, formation of an appropriate corporate group, and other special initiatives to contribute to the realization of the basic policy
The Company implements initiatives such as the following in order to contribute to the realization of the above-mentioned basic policy and serve the common interests of the shareholders.
 - A. Improvement of corporate value by promoting a medium-term management plan
 - a Strengthening of the sales force in the world's major markets
 - b Enhancement and strengthening of the product line-up from cutting-edge board to general-purpose board applications
 - c Expansion of business opportunities by reducing the environmental impact
 - d Development of new business areas by refining technology to join metal and resin, and others
 - e Achieve sustained improvement in consolidated ROE, based on a figure of 10%.
 - B. Actively return profits to shareholders, implement medium- and long-term investment for sustainable growth
 - a Actively return profits to shareholders, aiming for a consolidated dividend payout ratio of 30% as a medium-term goal
 - b Use about 10% or more of sales to make prior investment in research and development
 - c Adapt to changes in demand in each market in the world, make investments in production equipment to realize the same quality around the world, etc.
- (ii) Refer to the basic policies, and implement initiatives to prevent decisions on the Company's financial and business policies from being controlled by inappropriate persons
Against any person who contemplates a large-scale purchase of shares of our Company, we will require the acquirer to provide information necessary for the shareholders to appropriately decide whether or not to accept the relevant large-scale purchase of shares of the Company. In addition, we will also disclose the opinion of the Board of Directors of the Company to secure time for the consideration of shareholders of the Company, so that we will be able to take appropriate measures to the extent permissible under the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations.

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

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

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

(4) Policy related to determining the dividend of surplus

1) Policy on determining the dividend of surplus

Concerning the allocation of surplus, the Company has a 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 2,139,246,660 yen, we based our decision on the above-mentioned basic policy and set the dividend to thank our shareholders for their daily support. By a resolution of the Board of Directors meeting held on May 20, 2016, the year-end per share dividend was set at 10 yen. Adding this to the interim dividend of 8 yen that has been paid already, the annual dividend comes to 18 yen per share. The total amount of the year-end dividends paid will be 193,710,040 yen. In addition, we have added 800 million yen of funds to a separate reserve, and the balance of 1,145,536,620 yen will be retained earnings carried over to the next term.

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Consolidated balance sheet

(As of March 31, 2016)

(Unit: thousand yen)

ASSETS		LIABILITIES	
Current assets:	8,113,455	Current liabilities:	2,764,261
Cash and deposits	4,700,530	Notes and accounts payable-trade	821,729
Notes and accounts receivable-trade	2,570,287	Accounts payable-other	267,821
Merchandise and finished goods	330,732	Accrued expenses	68,367
Work in process	39,329	Income taxes payable	273,936
Raw materials and supplies	214,345	Provision for bonuses	211,463
Deferred tax assets	198,798	Reserve for directors' bonuses	25,800
Other	70,935	Accounts payable - facilities	938,966
Allowance for doubtful accounts	(11,504)	Other	156,177
Noncurrent assets:	7,602,182	Noncurrent liabilities:	700,924
Property, plant and equipment	6,511,912	Deferred tax liabilities	628,681
Buildings and structures	1,250,055	Net defined benefit liability	47,624
Machinery, equipment and vehicles	336,985	Other	24,618
Tools, furniture and fixtures	233,398	Total liabilities	3,465,185
Land	2,853,550	NET ASSETS	
Construction in progress	1,837,922	Shareholders' equity:	11,442,416
Intangible assets	161,525	Capital stock	594,142
Investments and other assets	928,743	Capital surplus	446,358
Investment securities	416,453	Retained earnings	10,993,841
Net defined benefit asset	405,065	Treasury stock	(591,925)
Deferred tax assets	12,466	Valuation and translation adjustment:	808,035
Other	127,097	Valuation difference on available-for-sale securities	70,698
Allowance for doubtful accounts	(32,338)	Foreign currency translation adjustment	621,182
		Remeasurements of defined benefit plans	116,154
		Total net assets	12,250,452
Total assets	15,715,637	Total liabilities and net assets	15,715,637

Consolidated statement of income

From April 1, 2015
to March 31, 2016

(Unit: thousands yen)

Item	Monetary amount	
Net sales		9,078,197
Costs of sales		3,042,595
Gross profit		6,035,601
Selling, general and administrative expenses		3,850,078
Operating income		2,185,523
Nonoperating income		
Interest and dividends income	48,938	
Revenue income from trial products	20,206	
Other	14,960	84,104
Nonoperating expenses		
Share allocation	4,996	
Foreign exchange losses	54,042	
Other	2,650	61,689
Ordinary income		2,207,938
Extraordinary income		
Gain on sales of noncurrent assets	6,142	6,142
Extraordinary loss		
Loss on sales of noncurrent assets	1,347	
Loss on retirement of noncurrent assets	58,317	59,664
Net income attributable to the parent company's shareholders before income taxes		2,154,416
Income taxes-current	587,544	
Income taxes-deferred	52,162	639,707
Net income		1,514,709
Net income attributable to the parent company's shareholders		1,514,709

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Consolidated statement of changes in shareholders' equity

(From April 1, 2015
to March 31, 2016)

(Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	594,142	446,358	9,800,268	(12)	10,840,756
Changes in monetary amount during period					
Dividend of surplus			(321,136)		(321,136)
Net income attributable to the parent company's shareholders			1,514,709		1,514,709
Acquisition of treasury stock				(591,912)	(591,912)
Net change in amount of items other than shareholders' equity (net)					
Total changes in monetary amount during period	-	-	1,193,572	(591,912)	601,660
Balance at end of current period	594,142	446,358	10,993,841	(591,925)	11,442,416

	Valuation and translation adjustment				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustment	
Balance at beginning of current period	144,206	864,092	190,613	1,198,912	12,039,669
Changes in monetary amount during period					
Dividend of surplus					(321,136)
Net income attributable to the parent company's shareholders					1,514,709
Acquisition of treasury stock					(591,912)
Net change in amount of items other than shareholders' equity (net)	(73,508)	(242,910)	(74,459)	(390,877)	(390,877)
Total changes in monetary amount during period	(73,508)	(242,910)	(74,459)	(390,877)	210,782
Balance at end of current period	70,698	621,182	116,154	808,035	12,250,452

Balance sheet
(As of March 31, 2016)

(Unit: thousand yen)

ASSETS		LIABILITIES	
Current assets:	4,515,689	Current liabilities:	2,273,985
Cash and deposits	2,387,033	Notes payable-trade	492,311
Notes receivable-trade	271,783	Accounts payable-trade	152,636
Accounts receivable-trade	1,193,197	Accounts payable-other	154,329
Merchandise and finished goods	110,318	Accrued expenses	56,843
Raw materials and supplies	107,492	Income taxes payable	178,894
Prepaid expenses	18,379	Deposits received	12,200
Deferred tax assets	107,826	Provision for bonuses	211,463
Accounts receivable-other	312,746	Reserve for directors' bonuses	25,800
Other	6,911	Asset retirement obligations	4,225
Noncurrent assets:	6,714,184	Notes payable-facilities	48,833
Property, plant and equipment	5,166,804	Accounts payable-facilities	935,910
Buildings	707,932	Other	536
Structures	38,530	Noncurrent liabilities:	133,808
Machinery and equipment	170,416	Reserve for retirement benefits	33,010
Vehicles	11,921	Deferred tax liabilities	76,806
Tools, furniture and fixtures	130,094	Asset retirement obligations	587
Land	2,274,036	Other	23,405
Construction in progress	1,833,872	Total liabilities	2,407,794
Intangible assets	148,034	NET ASSETS	
Leasehold rights	29,380	Shareholders' equity:	8751,380
Software	116,735	Capital stock	594,142
Other	1,918	Capital surplus	446,358
Investments and other assets	1,399,345	Legal capital surplus	446,358
Investment securities	416,453	Retained earnings	8,302,804
Stocks of subsidiaries and affiliates	687,935	Legal retained earnings	63,557
Investments in capital	5	Other retained earnings	8,239,246
Long-term prepaid expenses	244	General reserve	6,100,000
Prepaid pension cost	237,744	Retained earnings brought forward	2,139,246
Other	56,962	Treasury stock	(591,925)
Total assets	11,229,873	Valuation and translation adjustment:	70,698
		Valuation difference on available-for-sale securities	70,698
		Total net assets	8,822,078
		Total liabilities and net assets	11,229,873

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Statement of income

From April 1, 2015
to March 31, 2016

(Unit: thousand yen)

Item	Monetary amount	
Net sales		6,309,981
Costs of sales		2,073,459
Gross profit		4,236,521
Selling, general and administrative expenses		2,784,586
Operating income		1,451,935
Nonoperating income		
Interest and dividends income	309,704	
Other	24,411	334,115
Nonoperating expenses		
Foreign exchange losses	54,575	
Other	970	55,546
Ordinary income		1,730,504
Extraordinary income		
Gain on sales of noncurrent assets	466	466
Extraordinary loss		
Loss on retirement of noncurrent assets	55,645	55,645
Net income attributable to the parent company's shareholders before income taxes		1,675,326
Income taxes-current	361,000	
Income taxes-deferred	38,169	399,169
Net income		1,276,156

Statement of changes in shareholders' equity

(From April 1, 2015
to March 31, 2016)

(Unit: thousand yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Total capital surplus		Other retained earnings				
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	594,142	446,358	446,358	63,557	5,300,000	1,984,226	7,347,784	(12)	8,388,272
Changes in monetary amount during period									
Provision of general reserve					800,000	(800,000)	-		-
Dividend of surplus						(321,136)	(321,136)		(321,136)
Net income						1,276,156	1,276,156		1,276,156
Acquisition of treasury stock								(591,912)	(591,912)
Net change in amount of items other than shareholders' equity (net)									
Total changes in monetary amount during period	-	-	-	-	800,000	155,019	955,019	(591,912)	363,107
Balance at end of current period	594,142	446,358	446,358	63,557	6,100,000	2139,246	8,302,804	(591,925)	8,751,380

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustment	
Balance at beginning of current period	144,206	144,206	8,532,4799
Changes in monetary amount during period			
Provision of general reserve			
Dividend of surplus			(321,136)
Net income			1,276,156
Acquisition of treasury stock			(591,912)
Net change in amount of items other than shareholders' equity (net)	(73,508)	(73,508)	(73,508)
Total changes in monetary amount during period	(73,508)	(73,508)	289,599
Balance at end of current period	70,698	70,698	8,822,078

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

Report of Independent Auditors

May 13, 2016

MEC COMPANY LTD.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited
Liability Partners
Managing Partner

Certified Public
Accountant

Tomoyoshi WADA (Seal)

Designated Limited
Liability Partners
Managing Partner

Certified Public
Accountant

Kenichiro OKAMOTO (Seal)

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, and the consolidated statement of changes in shareholders' equity and notes to consolidated financial statements of MEC COMPANY LTD. for the year from April 1, 2015 to March 31, 2016 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 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 an 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 of 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 the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Interest

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

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

Report of Independent Auditors

May 13, 2016

MEC COMPANY LTD.

To: The Board of Directors

Deloitte Touche Tohmatsu LLC

Designated Limited
Liability Partners
Managing Partner

Certified Public
Accountant

Tomoyoshi WADA (Seal)

Designated Limited
Liability Partners
Managing Partner

Certified Public
Accountant

Kenichiro OKAMOTO (Seal)

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in shareholders' equity and notes to non-consolidated financial statements and supplementary schedules of MEC COMPANY LTD. for the 47th term from April 1, 2015 to March 31, 2016 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and their supplementary schedules based on our audit as an 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 the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and their supplementary schedules.

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

Opinion

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

Interest

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

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Copy of the Report of Board of Auditors

Audit Report

The Board of Auditors, having received a report from each Auditor and Board of Auditors member on the method and results of his or her audit on the performance of duties of Directors during the 47th fiscal period from April 1, 2015 to March 31, 2016, and, as a result of discussion, does hereby report the results of the audit as follows:

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

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

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

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

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

2. Results of the audit

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

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

(2) Results of the audit on consolidated financial statements

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

(3) Results of the 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 19, 2016

MEC COMPANY LTD. Board of Auditors

Full-time Outside Auditor

Full-time Auditor

Outside Auditor

Katsuhiro MAEDA (Seal)

Taro MATSUSHITA (Seal)

Akiko TANAKA (Seal)

Notice of Ordinary General Meeting of Shareholders

Reference Documents for the General Meeting of Shareholders

Business Report

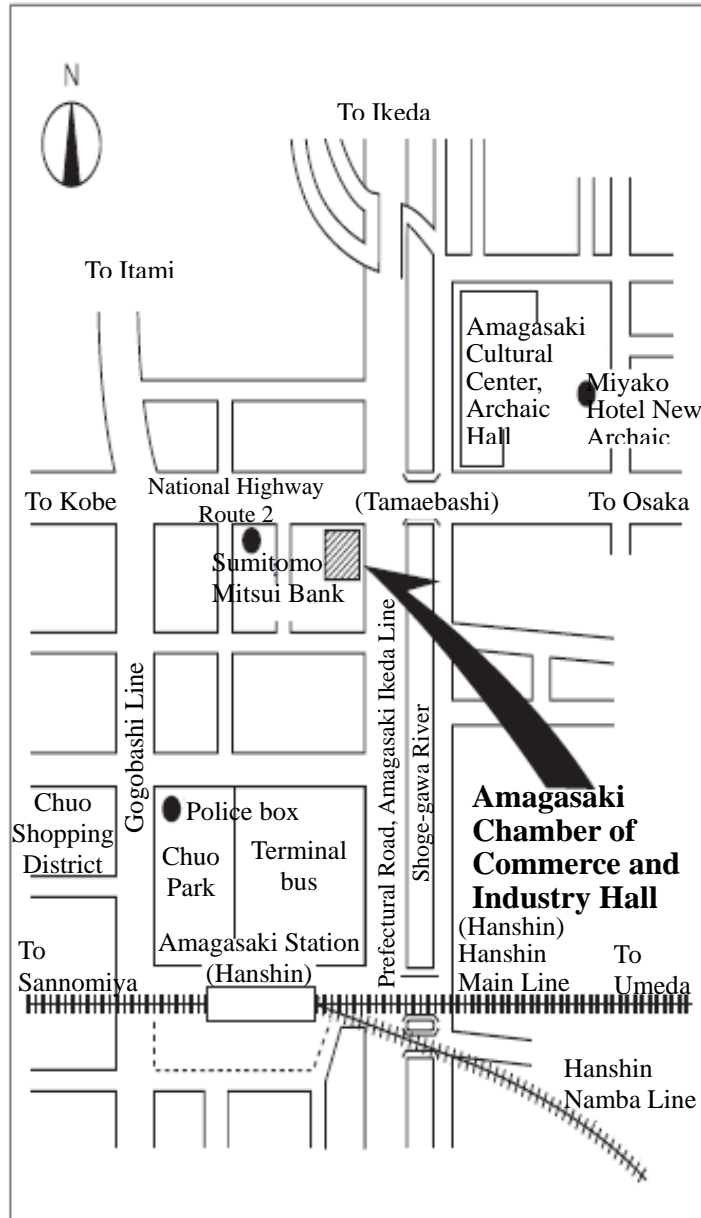
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Access Map for the Venue of the 47th Ordinary General Meeting of Shareholders

Venue: Meeting Room 701, 7th floor, Amagasaki Chamber of Commerce and Industry Hall
3-96, Showa-dori, Amagasaki City, Hyogo Prefecture

Map to the Venue



<Transportation>: Please get off at Amagasaki Station (Hanshin), and walk to north for around 3 minutes.



We use reader friendly fonts to avoid reading errors.

