

Notice of 50th

Ordinary General Meeting of Shareholders

MEC COMPANY LTD.



Securities Code: 4971

Date and time
10 a.m. on Friday, March 22, 2019
*Reception starts at 9:30 a.m.

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

Matters to be resolved

Proposal No. 1	Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)
Proposal No. 2	Appointment of One Substitute Director who is an Audit and Supervisory Committee Member

Table of Contents

P. 1	Notice of 50th Ordinary General Meeting of Shareholders
P. 7	Reference Document for the Annual Meeting of Shareholders
P.13	Business Report
P.37	Financial Statements
P.41	Audit Report

(Securities Code: 4971)

February 28, 2019

To Our Shareholders

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

MEC COMPANY LTD.

CEO & President Kazuo MAEDA

Notice of 50th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 50th Ordinary General Meeting of Shareholders of MEC COMPANY LTD. The meeting will be held as detailed below.

[If you are unable to attend the meeting on the day, you can exercise your voting rights in writing or via the Internet. Please examine the Reference Documents for the General Meeting of Shareholders shown below, and exercise your voting rights by 5:15 p.m. of Wednesday, March 20, 2019 in accordance with the guidance provided below.](#)

Details

1. **Date and time** 10 a.m. on Friday, March 22, 2019 (reception starts at 9:30 a.m.)
2. **Venue** 2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel New Archaic
(Please refer to the map to the venue for the shareholders' meeting provided at the end of this document.)
3. **Purposes:**
 - Items to be reported:**
 1. The business report, the consolidated financial statements and the results of consolidated financial statement audits by the Accounting Auditor and the Audit and Supervisory Committee for the 50th business period (January 1, 2018 to December 31, 2018)
 2. The non-consolidated financial statements for the 50th business period (January 1, 2018 to December 31, 2018)

Matters to be resolved:

- Proposal No. 1** Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 2** Appointment of One Substitute Director who is an Audit and Supervisory Committee Member

4. Guidance for exercise of voting rights

- (1) Exercising voting rights in writing:
Please indicate whether you are “for” or “against” each proposal on the voting form enclosed herein, and return it to us so that it arrives by 5:15 p.m. on Wednesday, March 20, 2019.
- (2) Exercising voting rights via the Internet:
Please see the “Guidance for Exercise of Voting Rights via the Internet” on pages 4 and 5, and exercise your voting rights by 5:15 p.m. of Wednesday, March 20, 2019.
- (3) If you wish to exercise voting rights in a non-uniform manner, please notify us in writing of the reasons therefor by three days before the day of the shareholders’ meeting.

-
- When you attend the meeting, please hand in the enclosed voting form at the reception desk.
 - Please note that if the need arises to revise the business report, consolidated financial statements, non-consolidated financial statements or reference documents for the general meeting of shareholders, we will post the revised matters on our website (<http://www.mec-co.com/en/>).
 - Of the documents that we are required to provide in accordance with the provisions of laws and regulations and Article 15 of the Company’s Articles of Incorporation, we will post the following on our website (<http://www.mec-co.com/>). Therefore, they are not included in the attachments to this Notice of Ordinary General Meeting of Shareholders.
 - 1) “Matters concerning the Company’s shares,” “matters concerning new share subscription rights in the Company,” and “basic policy on control of the Company” of the Business Report
 - 2) “Consolidated statements of changes in net assets” and “notes to the consolidated financial statements” of the consolidated financial statements
 - 3) “Non-consolidated statements of changes in net assets” and “notes to the non- consolidated financial statements” of the non-consolidated financial statementsThe Audit and Supervisory Committee has audited (1), (2) and (3) above, in addition to the business report, consolidated financial statements, and non-consolidated financial statements stated in the attached documents of this Notice of the Ordinary General Meeting of Shareholders. Furthermore, the accounting auditor has audited (2) and (3) above, in addition to the consolidated financial statements and non-consolidated financial statements stated in the attached documents of this Notice.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

Guidance for exercise of voting rights

There are three ways to exercise your voting rights.

If you are able to attend the Meeting:



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

Date and time

**Friday, March 22, 2019
10 a.m.**

If you are unable to attend the Meeting:



Exercising voting rights by mailing the voting form:

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

Deadline

**Wednesday, March 20, 2019
Arrival by 5:15 p.m.**



Exercising voting rights via the Internet:

(by PC or smartphone/cell phone)

Enter whether you vote “for” or “against” each proposal. For how to exercise your voting rights, please read pages ● and ●.

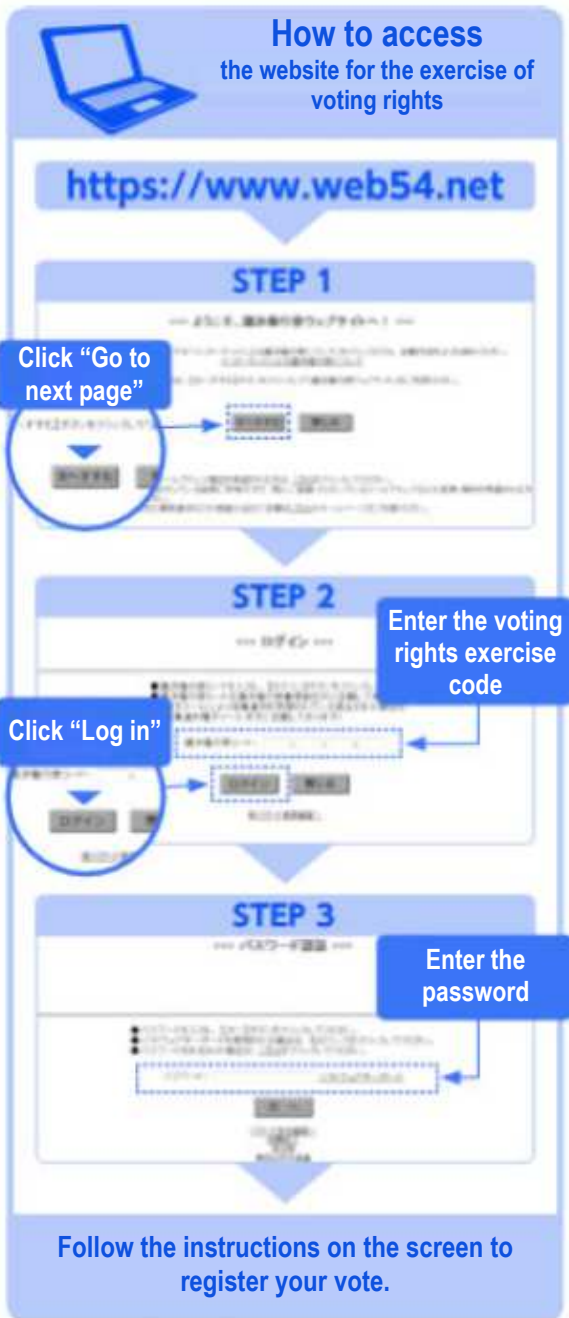
Deadline

**Wednesday, March 20, 2019
Entry by 5:15 p.m.**

Notes

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

<Guidance for Exercise of Voting Rights via the Internet>



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

1. Website for the exercise of voting rights

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

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

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

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



2. Handling of the exercise of voting rights

- (1) If you are exercising your voting rights via the Internet, please enter the code and password for the exercise of voting rights indicated on the voting form enclosed herein and follow the instructions on the screen to register whether you vote "for" or "against" each proposal.
- (2) Exercise of voting rights via the Internet is accepted until 5:15 p.m., Japan Standard Time, Wednesday, March 20, 2019. Please exercise your voting rights as soon as possible.
- (3) If you exercise your voting rights twice, once by mail and once via the Internet, we will treat your Internet vote as the valid exercise of your voting rights. If you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using a computer and mobile phone, we will treat the most recent vote as the valid exercise of your voting rights.
- (4) Connection fees payable to Internet 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.

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

3. Handling of password and voting rights exercise code

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

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

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

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Dedicated dial-in number Phone Number:
0120-652-031 (9:00–21:00, Japan time; accessible only in Japan)

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

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

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

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

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

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

To Our Shareholders On Shareholder Return

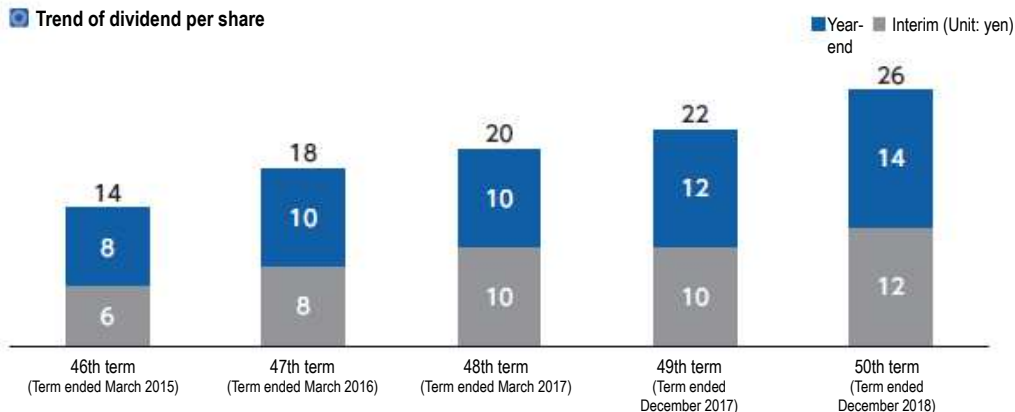
Shareholder return policy

The Company has a policy of actively returning profits to shareholders, with a medium-term target of 30% in consolidated payout ratio.

Situation of dividends

We have increased our dividend by 4 yen per share for the 50th business period from 22 yen per share for the 49th business period, bringing the annual dividend to 26 yen per share.

Trend of dividend per share



Introduction of our Shareholder Benefits Program

Once a year, a QUO Card will be given to shareholders who are listed or registered on the shareholder register as of December 31 according to the number of shares owned. The QUO Card will be sent around the end of March each year.

Number of shares owned	Benefit
100–999	1,000 yen QUO Card
1,000 or more	2,000 yen QUO Card

Reference Document for the Annual Meeting of Shareholders Proposals and Reference Matters

Proposal No. 1 Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)

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

Therefore, the Company proposes the appointment of four Directors.

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

The candidates for Directors are as follows.

Candidate number	Name	Position at the Company and responsibility
1	Re-appointment Kazuo MAEDA	Representative Director & President Chief Executive Officer
2	Re-appointment Makoto NAGAI	Director and Senior Executive Operating Officer, and Head of Business Department
3	Re-appointment Toshiko NAKAGAWA	Director and Executive Operating Officer, Head of Corporate Planning Division
4	New appointment Kaoru HASHIMOTO	—

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
1	<p>Re-appointment</p> <p>Kazuo MAEDA (April 15, 1962)</p>	<p>January 2000 Joined the Company</p> <p>April 2000 General Manager of President's Office</p> <p>June 2000 General Manager of Director and President's Office</p> <p>April 2001 Managing Director</p> <p>June 2002 President</p> <p>April 2011 President and Head of Research and Development Division</p> <p>June 2012 President (current)</p> <p>July 2015 CEO (current)</p> <p>[Important concurrent positions]</p> <p>Director, MEC TAIWAN COMPANY LTD.</p> <p>Representative Director, MEC (HONG KONG) LTD.</p> <p>Representative Director, MEC FINE CHEMICAL (ZHUHAI) LTD.</p> <p>Representative Director, MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.</p> <p>Director, MEC EUROPE NV.</p> <p>Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	726,900 shares
<p>[Reason for nomination]</p> <p>Since Mr. Kazuo Maeda assumed the position of the President of the Company in June 2002, he has committed himself to revitalizing the Board of Directors as Chairman thereof and strengthening corporate governance. In addition, he demonstrated strong leadership as CEO in driving the entire MEC Group and increasing corporate value, such as by implementing the medium-term management plan and the ESG-H strategy, leveraging his extensive experience and track record as a manager. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as Director.</p>			

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
2	<p>Re-appointment Makoto NAGAI (March 7, 1961)</p>	<p>April 2001 Joined the Company May 2003 Managing Director, MEC EUROPE NV. June 2006 Executive Officer of the Company April 2007 Executive Officer, Head of International Business Center January 2010 Executive Officer of the Company and General Manager of MEC TAIWAN COMPANY LTD. June 2010 Managing Executive Officer of the Company April 2013 Managing Executive Officer, Head of Business Headquarters June 2013 Director and Managing Executive Officer, Head of Business Headquarters June 2015 Director and Senior Managing Executive Officer, Head of Business Headquarters (current) [Important concurrent position] Representative Director, 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. Representative Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	63,100 shares
<p>[Reason for nomination] Leveraging his deep insight gained through his lengthy experience in corporate management abroad as a Director of the Company, Mr. Makoto Nagai has contributed to active discussions at meetings of the Board of Directors from an international point of view. In addition, he has played a central role in global business management, including overseas expansion, as head of the Business Headquarters and contributed significantly to the earnings expansion of the Company in recent years. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as a Director.</p>			

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
3	<p>Re-appointment</p> <p>Toshiko NAKAGAWA (August 3, 1961)</p>	<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 Headquarters</p> <p>July 2011 Managing Executive Officer, Head of Business Headquarters, Head of Business Support Office</p> <p>April 2012 Managing Executive Officer, Head of Business Headquarters, 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 and Managing Executive Officer, Head of Research and Development Division, Head of Planning Office</p> <p>July 2015 Director and Managing Executive Officer, Head of Planning Office, Head of Innovation Office</p> <p>October 2016 Director and Managing Executive Officer, Head of Corporate Planning Division (current)</p> <p>[Important concurrent position]</p> <p>Director, MEC TAIWAN COMPANY LTD.</p> <p>Director, MEC (HONG KONG) LTD.</p> <p>Director, MEC FINE CHEMICAL (ZHUHAI) LTD.</p> <p>Director, MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.</p> <p>Director, MEC EUROPE NV.</p> <p>Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	60,500 shares
<p>[Reason for nomination]</p> <p>Leveraging her deep knowledge of research and development, Ms. Toshiko Nakagawa as a Director has greatly contributed to enhancing corporate value through the development of medium-term management plans and to formulating policies for research and development in new business fields and for basic research and development. She has also implemented global strategies in the production field. In addition, she has endeavored to improve the Company's corporate value as the Head of Corporate Planning by enhancing the Company's management system and implementing ESG. Therefore, we have determined that she is a suitable candidate and have nominated her to be re-appointed as a Director.</p>			

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
4	<p>New appointment</p> <p>Kaoru HASHIMOTO (October 16, 1975)</p>	<p>October 1997 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>April 2001 Registered as certified public accountant</p> <p>December 2011 Registered as attorney-at-law</p> <p> Joined Osaka Semba Law Office</p> <p>June 2016 Outside Auditor, Oie Sangyo Co., Ltd.</p> <p>September 2016 Partner, Osaka Semba Law Office (current)</p> <p>[Important concurrent positions]</p> <p> Outside Auditor of Oie Sangyo Co., Ltd.</p> <p> Partner of Osaka Semba Law Office</p>	—
	<p>[Reason for nomination]</p> <p>Ms. Kaoru Hashimoto has abundant experience and a high level of expertise gained through his career as a lawyer and certified public accountant. We believe she will be able to play a broad role in appropriately supervising business execution, establishing internal control and enhancing the supervisory functions of the Board of Directors. She currently serves as an outside auditor of another company and carries out audits and supervision from legal and accounting perspectives. Thus, although she does not have past experience of being directly involved in company management other than by serving as an outside auditor, we have determined that he is a suitable candidate and have nominated her as an independent Outside Director, in view of her insight to laws and accounting as well as her experience as a certified public accountant and auditor.</p>		

- Notes: 1. There are no special interests between the candidates and the Company.
2. Ms. Kaoru Hashimoto is a candidate for an independent Outside Director, and is a candidate for registration as an independent officer with the Tokyo Stock Exchange.
3. The Company plans to enter into a limited liability agreement with Ms. Kaoru Hashimoto if she is appointed. In the event that she assumes liability for damages to the Company as a result of the acts stated in Article 423, paragraph 1 of the Companies Act, she shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

Opinion of the Audit and Supervisory Committee

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

Proposal No. 2 Appointment of One Substitute Director who is an Audit and Supervisory Committee Member

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

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

Also, we have obtained the consent of the Audit and Supervisory Committee with regard to this proposal. The candidate for Substitute Director who is an Audit and Supervisory Committee Member is as follows.

Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
Takao OKUDA (September 25, 1967)	April 1998 Registered with 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 Auditor of the Company	—
	June 2015 Resigned from position of Auditor of the Company	
	June 2017 Outside Director, FueTrek Co., Ltd. (current) [Important concurrent positions] Co-Representative Lawyer of Minami-morimachi Law Firm Outside Director of FueTrek Co., Ltd.	

- Note: 1. There are no special interests between the candidate and the Company.
- Mr. Takao Okuda is a candidate for a substitute independent Outside Director and meets the requirements for an independent officer stipulated by the Tokyo Stock Exchange.
 - The reason for proposing Mr. Takao Okuda as a candidate for substitute Outside Director is that in the eventuality the Company has an insufficient number of Directors who are Audit and Supervisory Committee Members as stipulated in laws and regulations, we have determined it is appropriate for him to serve as an Outside Director since he is familiar with corporate legal affairs.
 - The reason for Mr. Takao Okuda to be deemed able to appropriately perform the duties of an Outside Director is that, although he does not have past experience of being directly involved in company management other than by serving as an outside officer, he is familiar with corporate legal affairs and has sufficient insight to govern company management.
 - The outline of the limited liability agreement that is planned to be concluded if Mr. Takao Okuda is appointed as an Outside Director is as follows.
In the event that he assumes liability for damages to the Company as a result of the acts stated in Article 423, paragraph 1 of the Companies Act, he shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

(Attachment)

Business Report

From January 1, 2018
to December 31, 2018

1. Matters concerning the state of the corporate group

In order to ensure timely and appropriate disclosure of corporate information by aligning the business year with that of overseas consolidated subsidiaries, and to improve operational efficiency in such areas as budgeting and operating control of the Group, we have changed our account closing date from March 31 to December 31 effective the previous term. Therefore, we have set the nine-month period from April 1, 2017 to December 31, 2017 as the consolidated period for the previous consolidated fiscal year, which is the transitional period for the change in business year. Please note that for overseas subsidiaries that close their account in December, the consolidation period is the twelve-month period from January 1, 2017 to December 31, 2017.

Due to this, we compare the business results for the consolidated fiscal year under review with the business results for the same period of the previous year (reference figures), i.e., January 1, 2017 to December 31, 2017, in the following statements.

(1) Progress and results of business

With regard to the global economy during the consolidated fiscal year under review (January 1, 2018 – December 31, 2018), the United States' economy was robust in general on the back of improved employment and solid consumer spending, despite fluctuations in financial markets owing to concerns toward the US-China trade war in the fourth quarter. In Europe, although the economy showed a mild recovery in the first half, it slipped into a slowdown in the latter half, while the economy in China also slowed down as the growth rate weakened. The Japanese economy, despite experiencing some weakness due to the impact of natural disasters, saw improvement in employment and a recovery trend in consumer spending, as well as an increase in capital investment. However, concerns toward the outlook of the economy remain due to uncertainties in overseas economies.

In the electronics industry, the production volume of smartphones weakened due to sluggish sales of a new model of a high-function phone in the latter half of the year owing to high prices. Sales of PCs and tablet devices were also weak. On the other hand, demand for semiconductors was robust, such as for servers. In flat-panel TVs, the move toward larger screens and the spread of 4K TVs continued.

In the electronic components industry, a related industry of the Group, demand for semiconductors for virtual currencies declined significantly. There was also a production adjustment of storage in the latter half of the year. On the other hand, the electronic substrates on which electronic components are mounted are becoming higher density due to an increase in the number of components mounted owing to higher functionalities of smartphones and other electronic devices, and technological innovation for this is progressing. In addition, on the back of growing demand for semiconductors, the production volume of package boards on which they are mounted is also expanding. Electrification and the use of electronics in automobiles are also driving expansion of the industry.

The IoT (Internet of Things)-related market is expected to continue to see high growth. Initiatives toward commercialization of the mobile communication system, for which the switch from fourth generation (4G) to higher speed and greater capacity fifth generation (5G) is the center of attention, have become active. The technology of self-driving vehicles is also progressing steadily, resulting in a large increase in demand for the sensors used for the technology, such as millimeter wave radars and cameras.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. Sales of the CZ Series of super-roughening agents, which has a large market share for use in the production of package substrates, were steady for servers, although there was an impact from the slowdown in semiconductor demand for virtual currencies. Sales of the BO Series, which are used in the production of multi-layer electronic substrates for cars and middle-range smartphones, the SF Series for displays, and the EXE Series, which manufacturers use to achieve a high-density wiring pattern with the etching method, were robust. Sales of the UT Series of products, which can roughen a surface without manufacturers needing to choose a type of copper foil, the FlatBOND Series for high-frequency circuit boards, and AMALPHA, a technique for joining metal and resin directly, were weak.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 11,328 million yen (an increase of 578 million yen, or 5.4%, year on year). Operating income amounted to 2,222 million yen (a decrease of 116 million yen, or 5.0%, year on year), and the operating margin was 19.6%, a 2.2-point drop from 21.8% in the same period of the previous fiscal year. Ordinary income ended at 2,236 million yen (a decrease of 161 million yen, or 6.7%, year on year). Net income before income taxes amounted to 2,328 million yen (a decrease of 84 million yen, or 3.5%, year on year), and net income attributable to owners of parent was 1,778 million yen (a decrease of 25 million yen, or 1.4%, year on year).

Looking at the breakdown of sales, sales of chemicals were 11,131 million yen (an increase of 597 million yen, or 5.7%, year on year), sales of materials were 118 million yen (an increase of 4 million yen, or 3.5%, year on year), machinery sales were 53 million yen (a decrease of 29 million yen, or 35.1%, year on year), and other sales were 25 million yen (an increase of 6 million yen, or 37.2%, year on year).

The breakdown of chemical sales shows there were sales of 6,458 million yen for adhesion improvers (an increase of 427 million yen, or 7.1%, year on year), sales of 4,015 million yen for etching agents (an increase of 330 million yen, or 9.0%, year on year), and sales of 658 million yen for other chemicals (a decrease of 160 million yen, or 19.6%, year on year).

The overseas sales ratio was 54.4%.

By segment, in Taiwan, although sales were robust in general, some of the products for use in high-density electronic substrates and flexible substrates were weak. In China (Suzhou), sales of chemicals for displays were steady thanks to strong demand, while in Hong Kong (Hong Kong and Zhuhai) sales remained steady in the general-purpose electronic substrate market. Sales in Europe were robust due to the acquisition of new customers, despite a stagnant electronic board industry as a whole. Furthermore, in order to enhance our presence in the expanding Southeast Asian market in the future, on May 29, 2017, we established a subsidiary in Thailand as our sixth company, which is making preparations for launch. It is scheduled to start operation in July 2019.

Looking at cash flows, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 3,599 million yen, a decrease of 64 million yen from the end of the previous consolidated fiscal year. This was because net cash gained from operating activities came to 1,928 million yen, net cash used in investing activities was 706 million yen, and net cash used in financing activities was 1,228 million yen.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

Translations

As a result, ROE was 12.0%.

Further, with regard to the return of profits to shareholders, dividends were increased by 4 yen per share compared with the previous year to an annual dividend of 26 yen, bringing the dividend payout ratio to 28.0%.

The situation of sales by product category is as follows.

Category	49th term (previous fiscal year)		50th term (fiscal year under review)	
	Net sales (Millions of yen)	Composition ratio (%)	Net sales (Millions of yen)	Composition ratio (%)
Chemicals for use in electronic substrates Chemicals for use in electronic parts	9,480	98.3	11,131	98.3
Machinery for electronic substrates	56	0.6	53	0.5
Materials for electronic substrates	94	1.0	118	1.0
Other	9	0.1	25	0.2
Total	9,641	100.0	11,328	100.0

Year-on-year comparisons have been omitted since the consolidated fiscal year under review is the transitional period for the business year change.

(2) Situation with regard to capital investment

The total capital investment we implemented during the fiscal year under review came to 592 million yen, with the major areas being as follows.

1) Major facilities completed during the fiscal year under review

Amagasaki Headquarters	Experiment device for research and production facilities at Amagasaki Headquarters
Nagaoka Factory	Renewal of production facilities

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

Office and factory construction at MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.

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

N/A

(3) Financing

As for financing during the consolidated fiscal year under review, the Company procured a short-term loan of 0.2 billion yen from a domestic financial institution as working capital. However, repayment has been completed at the end of the consolidated fiscal year under review.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

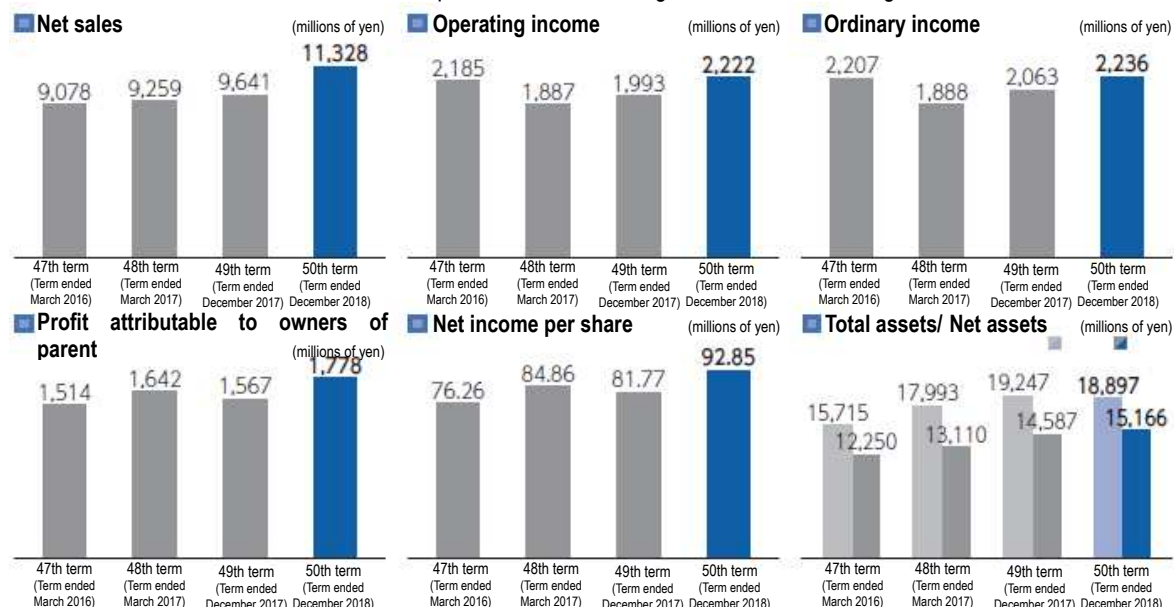
(4) Changes in assets and profit and loss

Category	47th term (Term ended March 2016)	48th term (Term ended March 2017)	49th term (Term ended December 2017)	50th term (Fiscal year under review) (Term ended December 2018)
Net sales (millions of yen)	9,078	9,259	9,641	11,328
Operating income (millions of yen)	2,185	1,887	1,993	2,222
Ordinary income (millions of yen)	2,207	1,888	2,063	2,236
Profit attributable to owners of parent (millions of yen)	1,514	1,642	1,567	1,778
Net income per share (yen)	76.26	84.86	81.77	92.85
Total assets (millions of yen)	15,715	17,993	19,247	18,897
Net assets (millions of yen)	12,250	13,110	14,587	15,166
Net assets per share (yen)	632.41	683.86	760.92	799.46
ROE (%)	12.5	13.0	11.3	12.0
Number of employees (persons)	301	321	333	351

Notes: 1. Per share indicators are calculated by deducting the number of treasury shares.

2. The number of employees is the number of regular employees, and does not include part-time and fixed-term employees.

3. The 49th term is a nine-month period due to the change in the account closing date to December 31.



Note: The 49th term is a nine-month period due to the change in the account closing date to December 31.

(5) Issues to be addressed

The environment surrounding the Group is as described in “(1) Progress and results of business” in “1. Matters concerning the current state of the corporate group,” and the economic outlook remains uncertain.

Amid this business environment, the Group has operated its business under the corporate motto of “Enjoy your Work,” which is the source of our corporate value, and based on the principles of “Visionary Technology,” “Reliable Quality” and “Meticulous Service.” In order to realize the above principles and contribute to the common interests of shareholders, we have developed a medium-term management plan “e-frontier next plus” covering three business years ending December 31, 2020 and are striving to increase our corporate value by pushing forward the plan. In addition to the above principles, “e-frontier next plus” sets forth the “enhancement of technology marketing” and “promotion of open innovation” as new qualitative targets that serve as essential elements of management strategies, as well as “promotion of ESG-H strategy” to strengthen the management base.

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

1) Enhancement of technology marketing

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

2) Promoting open innovation

In recent years, the progress and innovation in technology using IoT, artificial intelligence (AI) and big data in the world has been dramatic. In order to quickly capture these trends and seize opportunities for business expansion, the Group will tap its latent strengths and identify new values in order to conduct commercialization by actively utilizing external ideas and development capabilities, in addition to its principle of “Visionary Technology.” We also believe that making active use of not only internal sources but also external ones will enable us to expedite our development activities.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

3) Promotion of the ESG-H strategy

The strategy for ESG-H, which stands for environment, social, governance and human resources, is a cornerstone of businesses. For example, in the area of the environment, the Company, which is engaged in the chemicals business, will strive to manage chemical substances properly and protect nature and biodiversity. In the area of social efforts, the Company helps its employees to achieve a work-life balance and actively promotes activities and contributions to fulfill corporate social responsibilities to our stakeholders, such as shareholders, customers and the community. Furthermore, the greatest source of a company's competitiveness in achieving its medium- to long-term goals is human resources. We will make efforts in developing human resources that can maximize our corporate value.

The Company has an ESG Committee chaired by the CEO & President. The Committee meets quarterly to promote the ESG strategy. For example, the Amagasaki Headquarters also serves as an evacuation site for local residents due in part to its location within a residential area.

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

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

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

(6) Parent company and principal subsidiaries

1) Parent company

N/A

2) Principal subsidiaries

Company name	Capital	Investment ratio	Main businesses
MEC TAIWAN COMPANY LTD.	NT\$ 200 million (*1)	100%	Electronic boards and parts materials business
MEC (HONG KONG) LTD.	HK\$ 4.5 million	100%	Electronic boards and parts materials business
MEC FINE CHEMICAL (ZHUHAI) LTD.	HK\$ 8 million	100% (100) (*2)	Electronic boards and parts materials business
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO.,LTD.	US\$ 4 million	100%	Electronic boards and parts materials business
MEC EUROPE NV.	EUR 1 million	100% (*3)	Electronic boards and parts materials business
MEC SPECIALTY CHEMICAL (THAILAND) CO.,LTD.	THB 215 million	100% (*4)	Electronic boards and parts materials business

(*1) MEC TAIWAN COMPANY LTD. increased its capital in the fiscal year under review, resulting in capital of NT\$ 200 million.

(*2) This is the portion owned by MEC (HONG KONG) LTD.

(*3) MEC TAIWAN COMPANY LTD. invests 0.05%.

(*4) A related party to the Company invests 0.01%.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

(7) Main businesses (as of December 31, 2018)

The Group positions the electronic substrate and parts materials business as its main business, with product and merchandise classification and major products and merchandise as below.

Product and merchandise classification		Main manufactured products
Product	Chemicals for use with electronic substrates	Adhesion improvers
	Chemicals for use with electronic parts	Etching agents Other surface processing agents
	Machinery for electronic substrates	Machinery for chemical treatment Various types of machinery for use before and after chemical treatment
Merchandise	Materials for electronic substrates	Copper foil Dry film
Other		Machinery repair

(8) Major offices and factories (as of December 31, 2018)

Name	Location
MEC COMPANY LTD.: Head Office, R&D center, Amagasaki Factory	Amagasaki, Hyogo
MEC COMPANY LTD.: Nishinomiya Factory	Nishinomiya, Hyogo
MEC COMPANY LTD.: Nagaoka Factory	Nagaoka, Niigata
MEC COMPANY LTD.: Tokyo Sales Office	Tachikawa, Tokyo
MEC TAIWAN COMPANY LTD.: Head Office and factory	Taoyuan, Taiwan
MEC (HONG KONG) LTD.: Head Office	Kowloon, Hong Kong
MEC FINE CHEMICAL (ZHUHAI) LTD.: Head Office and factory	Zhuhai, China
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO.,LTD.: Head Office and factory	Suzhou, China
MEC EUROPE NV.: Head Office and factory	Ghent, Belgium
MEC SPECIALTY CHEMICAL (THAILAND) CO.,LTD.: Head Office	Ayutthaya, Thailand

Notice of Ordinary
General Meeting of
ShareholdersReference Document for
the Annual Meeting of
Shareholders

Business Report

(9) Employees (as of December 31, 2018)

1) Employees of the corporate group

Number of employees	Increase or decrease compared with the end of the previous fiscal year
351	Increase of 18

Note: The number of employees is the number of regular employees, and does not include part-time and fixed-term employees.

2) Employees of the Company

Number of employees	Increase or decrease compared with the end of the previous fiscal year	Average age	Average years of service
198 (146 male) (52 female)	Increase of 14	40.4	12.3

Note: The number of employees is the number of regular employees, and does not include part-time and fixed-term employees.

Financial
Statements

Audit Reports

(10) Major borrowings (as of December 31, 2018)

Creditors	Balance of borrowings
MUFG Bank, Ltd.	375 million yen
Sumitomo Mitsui Banking Corporation	375

2. Matters related to Officers**(1) Directors (as of December 31, 2018)**

Position	Name	Responsibility and important concurrent positions
CEO & President	Kazuo MAEDA	Chief Executive Officer Director, 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. Director, MEC EUROPE NV. Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Makoto NAGAI	Senior Managing Executive Officer, Head of Business Department Representative Director, 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. Representative Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Toshiko NAKAGAWA	Managing Executive Officer, Head of Corporate Planning Division Director, 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, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University
Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University Outside Director, Shinko Wire Company, Ltd.
Director (Audit and Supervisory Committee Member)	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation Representative Director, COCORO DESIGN Co., Ltd.
Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Auditor, TechnoPro Holdings, Inc.

- Notes: 1. Director Yutaka Nishiyama and Directors (Audit and Supervisory Committee Members) Takayuki Satake, Akiko Tanaka, and Mitsutoshi Takao are independent Outside Directors, and have been registered as independent officers with the Tokyo Stock Exchange.
2. As Director (Audit and Supervisory Committee Member) Akiko Tanaka is a certified tax accountant and Director (Audit and Supervisory Committee Member) Mitsutoshi Takao has lengthy experience in the finance/accounting department of another company, they have considerable knowledge of finance and accounting.
3. In line with the intent of the audit and supervisory committee system, the Company has a closely connected structure by placing the Internal Control Office directly under the Audit and Supervisory Committee, systematically conducting audits by leveraging the internal control system, and establishing a secretariat of employees who assist the Audit and Supervisory Committee. Also, the Audit and Supervisory Committee sets forth the division of roles for each year utilizing the framework for appointing Audit and Supervisory Committee members for specific roles. It maintains the quality of audits by, for example, conducting field audits of all business offices together with the Internal Control Office. In addition, the Audit and Supervisory Committee Members as independent Outside Directors serve as members of the Nomination and Compensation Advisory Committee and the ESG Committee, as well as other organs including the Board of Directors, in an effort to fulfill the relegated supervisory function. Furthermore, the Company intends to select one of the Audit and Supervisory Committee Members to appropriately handle duties as the occasion demands. The monthly Audit and Supervisory Committee meetings are also attended by Outside Directors who are not Audit and Supervisory Committee Members and the Internal Control Office as observers to share information and exchange opinions. Therefore, the Company does not appoint full-time Audit and Supervisory Committee Members.
4. Director (Audit and Supervisory Committee Member) Katsuhiko Maeda has retired at the conclusion of the 49th General Meeting of Shareholders held on March 23, 2018 due to the expiry of his term of office.
5. In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company and each of Messrs. Yutaka Nishiyama and Takayuki Satake, and Ms. Akiko Tanaka and Mr. Mitsutoshi Takao have entered into an agreement to limit their liability for damages as specified in Article 423, paragraph 1 of the Act. The maximum amount of liability for damages for each of the four persons under this agreement is 10 million yen or the amount stipulated in laws and regulations, whichever is higher.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

(2) Total amount of compensation, etc. of Directors

Category	Number of persons	Total amount of compensation, etc.
Director (excluding Audit and Supervisory Committee Members) (Of whom, independent Outside Directors)	4 (1)	123 million yen (4)
Director (Audit and Supervisory Committee Members) (Of whom, independent Outside Directors)	4 (4)	26 (26)
Total	8	149

- Note: 1. The above includes one Outside Director who was an Audit and Supervisory Committee Member and who retired at the conclusion of the 49th General Meeting of Shareholders held on March 23, 2018.
2. The compensation limit for Directors (excluding Audit and Supervisory Committee Members) was resolved to be an annual amount of no more than 170 million yen (of which no more than 20 million yen for Outside Directors; does not include employee salaries for employees who are Directors) at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016.
3. The compensation limit for Directors who are Audit and Supervisory Committee Members was resolved to be an annual amount of no more than 50 million yen at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016.
4. The compensation for independent Outside Directors is a fixed monthly compensation.
5. The compensation for Directors (excluding independent Outside Directors) is a fixed monthly compensation and performance-linked compensation. Performance-linked compensation consists of performance-based monetary compensation linked to consolidated ordinary income and performance-linked share-based compensation as medium- to long-term compensation, the weightings of which are decided depending on the position of the relevant person.
6. The total amount of compensation, etc. for Directors (excluding Audit and Supervisory Committee Members) includes 8 million yen as performance-linked share-based compensation.

(3) Matters related to outside officers

1) Establishment of criteria when outside officers are not independent

We have established the following strict criteria for use if outside officers are not independent from the Company.

By referring to the criteria, we ensure that all outside officers are independent.

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

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

As a general rule for concurrent directorates of all officers, we have limited the number of companies to four including the Company for non-executive officers, and two including the Company for executive officers. Officers with concurrent positions are as follows.

Category	Name	Important concurrent positions	Relationship with the Company
Independent Outside Director	Yutaka NISHIYAMA	Professor at Faculty of Chemistry, Materials and Bioengineering, Kansai University	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	Professor, Institute of Business and Accounting, Professional Graduate School, Kwansai Gakuin University	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation Representative Director, COCORO DESIGN Co., Ltd.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Auditor, TechnoPro Holdings, Inc.	No special relationship

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

3) Major activities during the fiscal year under review

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

Category	Name	Major activities
Independent Outside Director	Yutaka NISHIYAMA	<p>He has attended all 17 Board of Directors meetings and attended as an observer 14 of 17 Audit and Supervisory Committee meetings held during the fiscal year under review.</p> <p>In addition to making many recommendations for managerial issues, he has greatly contributed to the development and promotion of the R&D division by providing useful recommendations and advice based on his professional knowledge and experience gained as a Professor in the Faculty of Chemistry, Materials and Bioengineering. Also, as a member of the ESG Committee, he actively presented his objective opinions on ESG promotion especially from environmental aspects.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	<p>He attended all 17 Board of Directors meetings and 17 Audit and Supervisory Committee meetings held during the fiscal year under review, and utilized the specialized knowledge and experience he has cultivated as Professor at the Graduate School of Business Studies in his audit and supervision activities.</p> <p>In particular, he contributed to the establishment of strategies to improve corporate value as a company that can achieve management based on the creation of customer value and contribute to local communities as a public organ of society. In addition, he contributed to establishing an in-house system that aims for the improvement of ES, the improvement of CS, and further practice of CSR. As the lead Outside Director, he played a central role in opinion exchange meetings between the CEO & President, senior management and Outside Directors, as well as contributing significantly to the establishment of the medium-term management plan with his appropriate supervision and advice. Furthermore, as a member of the Nomination and Compensation Advisory Committee and the ESG Committee, he contributed greatly, especially in the promotion of ESG, and actively expressed his objective opinions.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	<p>She attended all 17 Board of Directors meetings and 17 Audit and Supervisory Committee meetings held during the fiscal year under review. In addition to performing the duties of an Audit and Supervisory Committee Member, she is engaged in activities as a member of the Nomination and Compensation Advisory Committee.</p> <p>Utilizing her knowledge and experience as a tax accountant, she provided information on such areas as developments in international taxation, in addition to deepening recognition on general managerial issues through coordination with the Internal Control Office, and expressing opinions on the issues.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	<p>He attended all 13 Board of Directors meetings and 12 Audit and Supervisory Committee meetings held during the fiscal year under review after he assumed the post on March 23, 2018.</p> <p>He has actively pointed out issues and made recommendations on business management overall based on his knowledge of management operations, such as professional knowledge of accounting and finance, as well as his wealth of insight gained as a manager of another company. In addition, he provided opinions on issues concerning the promotion of ESG and on workstyle reforms from an objective standpoint as an ESG Committee Member.</p>

3. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of compensation, etc. for the Accounting Auditor

Category	Amount of compensation, etc.
Amount of compensation, etc. to be paid by the Company	25 million yen
Total amount of the money to be paid by the Company and its subsidiaries, and other economic benefits	29 million yen

- Notes: 1. In the audit contract entered into between the Company and the Accounting Auditor, the amounts of audit fee for an audit based on the Companies Act and an audit based on the Financial Instruments and Exchange Law are not clearly distinguished and cannot be distinguished in practice. Therefore, the amount of compensation, etc. stated above that is to be paid by the Company is indicated as the total amount of these.
2. The Audit and Supervisory Committee has given consent to the amount of compensation, etc. for the Accounting Auditor based on a review of the appropriateness and validity of the details of the audit plan performed by the Accounting Auditor, the execution of duties conducted by the Accounting Auditor and the basis for the calculation of compensation estimates by obtaining the necessary documents and reports from the Directors, the relevant departments of the Company and the Accounting Auditor.
3. Of the Company's subsidiaries, the audit of the financial statements of MEC EUROPE NV. was carried out by an audit firm that is outside the network of the Company's Accounting Auditor. As audit fees for audits on other subsidiaries, the total amount to be paid to the Accounting Auditor in the same network as the Company's Accounting Auditor, Deloitte Touche Tohmatsu, is 14 million yen.

(3) Contents of non-audit services

Non-audit services for which the Company pays compensation to certified public accountants for audits include overseas subsidiary IT control establishment assistance service.

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

The Audit and Supervisory Committee has established appointment criteria and evaluation standards for an Accounting Auditor, and confirms the independence and expertise of such Auditor each term. If a change in the Accounting Auditor is deemed desirable, the Committee determines 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 a report from the Review Committee.

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

(5) Overview of the contents of liability limitation agreements

N/A

Notice of Ordinary General Meeting of Shareholders

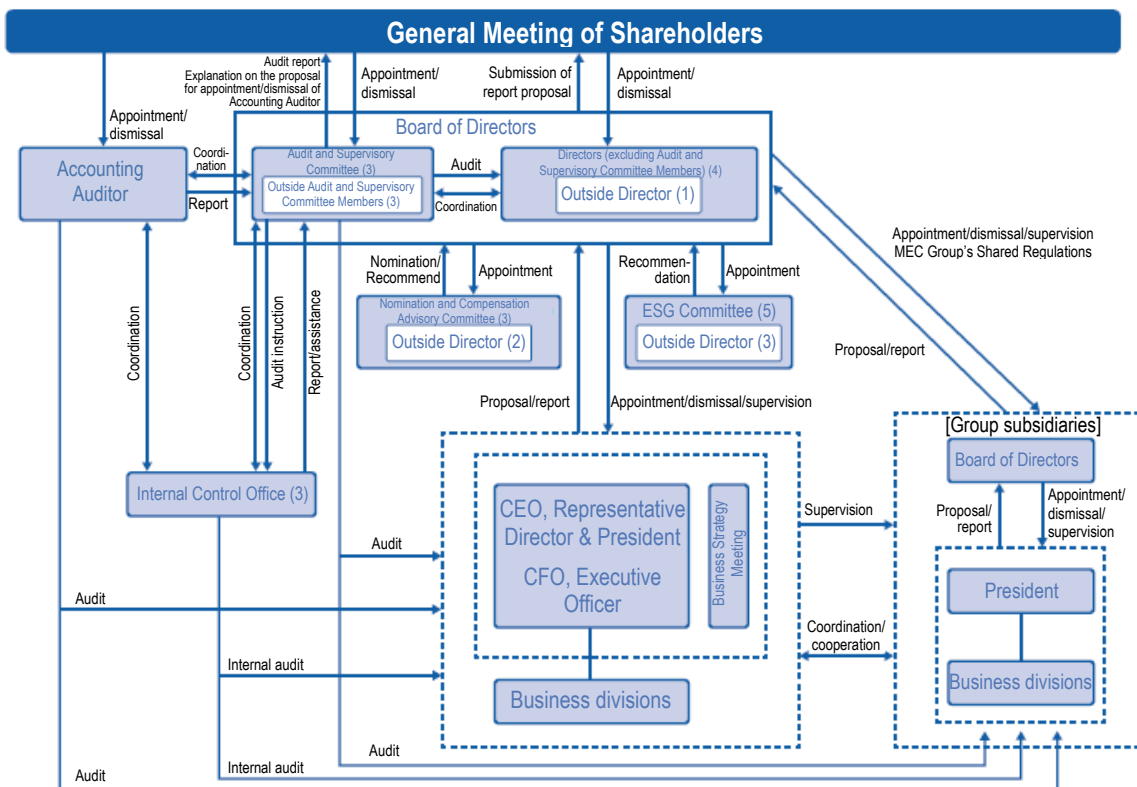
Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

4. Systems and policies of the company
[Group corporate governance]



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

An overview of the system to ensure Directors' performance of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems to ensure the appropriateness of the company's 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 internal control and compliance systems of the MEC Group, the Company stipulates MEC Group's Charter of Corporate Behavior and Corporate Code of Conduct, as well as MEC Group's Internal Control, Internal Audit and J- SOX Regulations, and Compliance Regulations. The Company shall establish the Internal Control Committee and the Compliance Committee, which are chaired by the President, and while promoting the building, maintenance and improvement of the internal control system, the Company shall also develop the relevant regulations and guidelines, and implement employee education as necessary.

- (ii) If the Directors discover a material fact on serious legal violations or other compliance issues in the MEC Group, they shall report immediately to the Audit and Supervisory Committee Members and other Directors.
 - (iii) The Company shall establish the Internal Control Office, which is an internal audit department, as an organization that is under the direct control of the Audit and Supervisory Committee with the aim of carrying out appropriate and efficient operations as well as auditing the development and operation of the internal control system so that it prevents fraud before it occurs. Decisions concerning personnel affairs (e.g., transfers, compensation) of employees who belong to the Internal Control Office shall be made upon obtaining consent of the Audit and Supervisory Committee.
The Internal Control Office shall conduct internal audits according to the annual plan and report on the audit results to the Audit and Supervisory Committee, Directors, the Internal Control Committee and other relevant organs.
 - (iv) As the MEC Group's whistle-blowing system for reporting facts relating to acts in violation of laws and regulations, acts in violation of internal rules such as work rules, and inhumane acts such as sexual harassment, the Company shall establish a whistle-blowing system. With it, one person from among the Outside Directors and external lawyers and the head of the Internal Control Office shall be the direct recipients of information. The Company ensures that it prevents disadvantageous treatment of any whistleblower or other persons due to their reporting or cooperating with investigations.
 - (v) If the Audit and Supervisory Committee finds that there is a problem with the operation of the Company's legal compliance system and internal reporting system, they shall give their opinion to the CEO & President and at the same time request the development of improvement measures.
 - (vi) The Audit and Supervisory Committee shall hold meetings by requesting Outside Directors who are not Audit and Supervisory Committee Members and the Internal Control Office to attend as observers at the Audit and Supervisory Committee meetings once a month, in principle, to report on audit results and other matters and exchange opinions.
- 2) System to ensure that the duties of MEC Group's Directors are performed efficiently
- (i) In order to ensure that the duties of MEC Group's Directors are performed efficiently in accordance with basic management policies, the Board of Directors shall meet monthly and on an ad hoc basis as the occasion demands. With regard to important matters relating to the business strategy of the Company, discussions shall be held and results shall be thoroughly made known to all at the business strategy meeting held once a month and composed of Directors and Executive Officers, etc., and at the company-wide policy meeting held twice a year and consisting of managers.
 - (ii) In order to enhance the supervisory function over the performance of duties by the Directors, Outside Directors shall be appointed so that they will account for a majority or half of the Board of Directors. At the same time, the Company shall enhance the Executive Officer System with the aim of separating supervision and execution.
 - (iii) The Company shall establish the Nomination and Compensation Advisory Committee and the ESG Committee, the majority of whose members are Outside Directors reporting directly to the Board of Directors. These Committees shall nominate candidates and provide various recommendations to the

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

Board of Directors based on multifaceted discussions.

- (iv) In principle, the Outside Directors shall hold a meeting with the President and other Directors and the CFO once every three months to exchange opinions and information.

This meeting shall be operated by the lead Outside Director.

- (v) In order to ensure the decisions made by the Board of Directors are carried out efficiently, the Company shall establish organization rules, regulations on the division of duties, administrative authority regulations, and regulations on ringi (method of reaching a decision by using a circular letter), and stipulate the details of the responsible persons, 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 shall establish matters concerning creating, storing and managing minutes of important meetings such as the Board of Directors meetings and ringi documents in the board of directors' regulations, ringi regulations and document retention regulations, based on which business processes shall be carried out.

4) Regulations and other systems for management of risk of loss in the MEC Group

- (i) The Company shall recognize the following risks as the main risks that arise in the Company's business activities: A. risk of violation of laws, regulations or the Articles of Incorporation; B. quality risk; C. environment risk; D. personal information protection and risk of lack of protection of specific personal information; E. information leakage and security risk; F. disaster risk; G. supply-chain risk; and other risks. Based on this recognition, it shall develop an internal system in order to capture and manage the risks.
- (ii) As the basic framework of risk management, the Company shall establish the Risk Management Committee chaired by the President, as well as MEC Group Risk Management Regulations and related regulations, and establish a system where management responsibilities are set out for each individual risk.
- (iii) The Company shall formulate a business continuity plan (BCP), and, if unforeseen circumstances arise, shall act quickly by setting up a task force headed by the President and obtaining support of external experts where necessary, to prevent or minimize any damage.

5) System to ensure the appropriateness of business in each Group company

- (i) In order to ensure the proper operation of business in each Group company, regulations shall be shared throughout the Group such as the group-wide management philosophy, the mission statement, the Group Charter of Corporate Behavior, the Corporate Code of Conduct, Regulations on Affiliate Management, Internal Control/Internal Audit/J-SOX Regulations, Whistle-blowing Regulations, Risk Management Regulations and other documents. In addition, each company in the MEC Group shall formulate relevant rules and guidelines, and implement employee training.
- (ii) In order to manage the business of each Group company, the Company shall establish the Regulations on Affiliate Management, based on which each Group company makes decisions and reporting. For important matters, group companies are managed by requiring resolution of the Company's Board of Directors for such matters.

In addition, domestic business divisions including the Business Headquarters shall oversee, and coordinate/cooperate with, business divisions of the Group companies in their respective business areas.

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

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

Supervisory Committee Regulations.

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

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

- 1) Operational status regarding the system to ensure compliance with laws and regulations and the Articles of Incorporation
- (i) The Company held meetings of the Internal Control Committee and the Compliance Committee twice semiannually during the fiscal year under review, in which all Directors attended. In either meeting, there was no identification of significant deficiencies that required disclosure.
The Internal Control Office has reported the annual audit plan approved by the Audit and Supervisory Committee to the Board of Directors, as well as the results of internal audits to the Audit and Supervisory Committee, the Board of Directors and other organs on a case by case basis.
 - (ii) In order to further enhance the whistle-blowing system, the Company has developed a global whistle-blowing system for the MEC Group. The operational status of the whistle-blowing system was reported in the Compliance Committee.
 - (iii) Outside Directors who are not Audit and Supervisory Committee Members and the head of Internal Control Office attend meetings of the Audit and Supervisory Committee held monthly, in principle, as observers and exchange opinions effectively with Directors who are Audit and Supervisory Committee Members.
 - (iv) To ensure 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, the Company provides thorough compliance education to all newly joined employees (including contract and temporary workers) with "Labor and Ethics Guidelines."
 - (v) To encourage Directors, Operating Officers and employees of Group companies to understand and act on the MEC Group's management philosophy and the medium-term management plan with shared values, we provided dissemination and training programs for penetration.
 - (vi) The Company conducts monitoring surveys on a regular basis for the purpose of understanding the compliance status of the entire company, and report to the Compliance Committee.
- 2) Operational status regarding the system to ensure efficient execution of duties by Directors
- (i) The Company held 17 Board of Directors meetings during the fiscal year under review, and actively deliberated and discussed the follow-up on the medium-term management plan, the budget, enhancement of corporate governance, establishment of overseas subsidiaries and other matters.
 - (ii) The Nomination and Compensation Advisory Committee and the ESG Committee held three meetings, respectively, to provide useful recommendations to the Board of Directors. The meetings focused on the deliberation of the proposal for electing Directors, the successor development plan, assessment of the

Board of Directors, responding to Japan's revised Corporate Governance Code, workstyle reforms, and other matters.

(iii) Opinion exchange meetings are held once every three months or more between Outside Directors, the CEO & President and senior executives where active discussions take place mainly on themes relating to the basics of management.

(iv) The Company has delegated decisions on the execution of important operations to the CEO & President, and delegated authority properly to execute duties to contribute to prompt execution of duties.

3) Operational status regarding the storage and management of information

The Company has established record-keeping periods for the minutes of the General Meeting of Shareholders, meeting minutes of the Board of Directors, financial statements, and the like, in accordance with laws and regulations, and keeps them appropriately.

4) Operational status of risk management

Being engaged in an industry where chemicals are handled, the Company focuses on safety and the risk assessment of chemicals. During the fiscal year under review, the Company conducted inspections on the management system for poisonous materials at all business offices and confirmed that they were appropriate. Information sharing and identification of deficiencies are conducted and checked at the Risk Management Committee held twice a year.

5) Operational status regarding the system to ensure the appropriateness of Group companies' business operations

The appointed Audit and Supervisory Committee Member and the Internal Control Office examined Group companies and exchanged opinions with local accounting auditors.

6) Operational status regarding audits by the Audit and Supervisory Committee

(i) Audit and Supervisory Committee Members attended discussions held by important bodies, such as the Business Strategy Meeting and company-wide policy meetings, and confirmed the status of design and operation of the internal control system together with the results of on-site audits.

(ii) The Audit and Supervisory Committee held opinion and information exchange meetings five times with the Accounting Auditor and 17 times with the Internal Control Office, as well as attending meetings with the Accounting Division. The Audit and Supervisory Committee reports to the Board of Directors the details of the discussions with the Accounting Auditor each time the meeting occurs.

<Reference>

Major initiatives regarding Japan's Corporate Governance Code

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

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

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

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

2) Introduction of performance-linked share-based compensation

The Company introduced the performance-linked share-based compensation plan for Directors and Executive Officers in order to strengthen the aligning of interests with shareholders, as well as to contribute to enhancing medium- to long-term performance and the increase corporate value of the Company.

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

The Company has assessed the Board of Directors and the Audit and Supervisory Committee to ensure the effectiveness of these organs.

With regard to the assessment of the Board of Directors, the Company ensures the effectiveness of the Board of Directors by conducting self-assessment of all Directors, the results of which are used to improve subsequent operation and contents of the Board of Directors.

With regard to the assessment of the Audit and Supervisory Committee, self-assessment by Audit and Supervisory Committee Members as well as outside assessment by independent Outside Directors (excluding Audit and Supervisory Committee Members) and the head of the Internal Control Office are conducted on selected items concerning auditing and supervision.

(3) Policy related to determining dividend of surplus

1) Policy on determining dividend of surplus

Concerning the allocation of surplus, the Company's policy is to allocate the surplus after taking into account the business performance for the corresponding term and the future, based on a balance between re-investing profits in business activities for long-term corporate value expansion and returning profits to stakeholders such as shareholders. As examples of re-investment of profits in business activities, the Company will strive to build up internal reserves to establish a stable financial structure that can support our ongoing business activities, with a focus on investment in R&D to maintain and strengthen competitiveness, investment in production facilities, and international strategic investment. With regard to dividends, the Company intends to reflect the profits of the period in dividends while maintaining the concept of paying stable dividends.

2) Appropriation of surplus for the term under review

With regard to the appropriation of retained earnings brought forward of 2,216,506,488 yen, we based our decision on the above-mentioned basic policy and set the dividend to thank our shareholders for their daily support. By resolution of the Board of Directors meeting held on February 13, 2019, the year-end per share dividend was set at 14 yen. Adding this to the interim dividend of 12 yen that has been paid already, the annual dividend comes to 26 yen per share. The total amount of the year-end dividends paid will be 268,457,504 yen. In addition, we have added 1,000,000,000 yen of funds to a separate reserve, and the balance of 948,048,984 yen will be retained earnings carried over to the next term.

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

Consolidated balance sheet

(As of December 31, 2018)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	9,460,825	Current liabilities:	2,947,545
Cash and deposits	4,388,263	Notes and accounts payable – trade	1,067,221
Notes and accounts receivable - trade	3,576,786	Current portion of long-term loans payable	500,000
Merchandise and finished goods	404,729	Accounts payable – other	389,569
Work in process	234,523	Accrued expenses	134,669
Raw materials and supplies	473,357	Income taxes payable	226,390
Deferred tax assets	312,563	Allowance for bonuses	324,452
Other	83,390	Provision for directors' bonuses	36,453
Allowance for doubtful accounts	-12,790	Accounts payable – facilities	119,473
		Other	149,315
Noncurrent assets:	9,436,850	Noncurrent liabilities:	783,760
Property, plant and equipment	8,278,111	Long-term loans payable	250,000
Buildings and structures	3,972,804	Deferred tax liabilities	375,246
Machinery, equipment and vehicles	780,759	Net defined benefit liability	53,751
Tools, furniture and fixtures	440,656	Provision for share-based compensation	78,912
Land	2,924,091	Other	25,850
Construction in progress	159,800	Total liabilities	3,731,306
Intangible assets	154,002	NET ASSETS	
Investments and other assets	1,004,736	Shareholders' equity:	14,698,491
Investment securities	393,309	Capital	594,142
Net defined benefit assets	538,059	Capital surplus	541,273
Deferred tax assets	10,356	Retained earnings	14,748,508
Other	63,090	Treasury stock	-1,185,432
Allowance for doubtful accounts	(79)	Total of other comprehensive income:	467,878
		Valuation difference on available-for-sale securities	62,077
		Foreign currency translation adjustment	328,101
		Remeasurements of defined benefit plans	77,699
Total assets	18,897,675	Total net assets	15,166,369
		Total liabilities and net assets	18,897,675

Consolidated statement of income

(From January 1, 2018
to December 31, 2018)

(Thousands of yen)

Item		
Net sales		11,328,766
Cost of sales		4,086,656
Gross profit		7,242,109
Selling, general and administrative expenses		5,019,133
Operating income		2,222,976
Non-operating income		
Interest income	18,303	
Dividend income	12,220	
Trial products income	28,463	
Other	33,070	92,057
Non-operating expenses		
Interest expenses	1,717	
Sales discounts	4,776	
Foreign exchange losses	65,940	
Other	5,855	78,289
Ordinary income		2,236,743
Extraordinary income		
Gain on sales of noncurrent assets	4,958	6,142
Subsidy income	95,212	100,171
Extraordinary loss		
Loss on sales of noncurrent assets	15	
Loss on retirement of noncurrent assets	8,402	8,417
Income before income taxes		2,328,497
Income taxes - current	619,979	
Income taxes - deferred	(69,697)	550,282
Net income		1,778,214
Profit attributable to owners of parent		1,778,214

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

Non-consolidated balance sheet

(As of December 31, 2018)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	5,041,911	Current liabilities:	2,470,427
Cash and deposits	2,131,499	Notes payable – trade	621,018
Notes receivable – trade	178,058	Accounts payable – trade	204,300
Accounts receivable – trade	1,945,904	Current portion of long-term loans payable	500,000
Merchandise and finished goods	121,121	Accounts payable – other	331,666
Raw materials and supplies	304,578	Accrued expenses	119,892
Prepaid expenses	17,298	Income taxes payable	140,748
Deferred tax assets	172,800	Deposits received	61,772
Accounts receivable – other	153,426	Allowance for bonuses	322,104
Other	17,224	Provision for directors' bonuses	36,453
Noncurrent assets:	9,093,764	Notes payable – facilities	15,793
Property, plant and equipment	6,722,444	Accounts payable – facilities	116,676
Buildings	3,385,437	Noncurrent liabilities:	473,124
Structures	133,466	Long-term loans payable	250,000
Machinery and equipment	593,501	Deferred tax liabilities	74,608
Vehicles	26,610	Asset retirement obligations	587
Tools, furniture and fixtures	303,206	Provision for retirement benefits	46,080
Land	2,274,036	Provision for share-based compensation	78,912
Construction in progress	6,186	Other	22,936
Intangible assets	135,108	Total liabilities	2,943,552
Leasehold right	29,380	NET ASSETS	
Software	103,674	Shareholders' equity:	11,130,046
Other	2,053	Capital	594,142
Investments and other assets	2,236,211	Capital surplus	541,273
Investment securities	393,309	Legal capital surplus	446,358
Shares of subsidiaries and affiliates	1,401,636	Other capital surplus	94,914
Investments in capital	5	Retained earnings	11,180,064
Claims provable in bankruptcy, claims provable in rehabilitation, and other	79	Legal retained earnings	63,557
Long-term prepaid expenses	312	Other retained earnings	11,116,506
Prepaid pension cost	426,132	General reserve	8,900,000
Other	14,815	Retained earnings brought forward	2,216,506
Allowance for doubtful accounts	-79	Treasury stock	-1,185,432
Total assets	14,135,676	Valuation and translation adjustments:	62,077
		Valuation difference on available-for-sale securities	62,077
		Total net assets	11,192,124
		Total liabilities and net assets	14,135,676

Non-consolidated statement of income

From January 1, 2018
to December 31, 2018

(Thousands of yen)

Item		
Net sales		7,960,408
Cost of sales		2,908,090
Gross profit		5,052,317
Selling, general and administrative expenses		3,561,218
Operating income		1,491,099
Non-operating income		
Interest and dividend income	233,351	
Trial products income	28,463	
Other	17,767	279,582
Non-operating expenses		
Interest expenses	1,717	
Foreign exchange losses	65,517	
Miscellaneous loss	4,399	
Other	796	72,431
Ordinary income		1,698,250
Extraordinary income		
Gain on sales of noncurrent assets	945	
Subsidy income	95,212	96,158
Extraordinary loss		
Loss on sales of noncurrent assets	15	
Loss on retirement of noncurrent assets	7,465	7,481
Income before income taxes		1,786,927
Income taxes – current	439,220	
Income taxes – deferred	-29,311	409,909
Net income		1,377,018

Notice of Ordinary
General Meeting of
Shareholders

Reference Document for
the Annual Meeting of
Shareholders

Business Report

Financial
Statements

Audit Reports

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

Independent Auditor’s Report

February 8, 2019

The Board of Directors
MEC COMPANY LTD.

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tomoyoshi WADA (Seal)
---	--------------------------------	-----------------------

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yukihiko YAGURA (Seal)
---	--------------------------------	------------------------

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and notes to consolidated financial statements of MEC Co., Ltd. for the year from January 1, 2018 to December 31, 2018 in accordance with Article 444, paragraph 4 of the Companies Act.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures, at our judgment, are selected and applied based on the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal control, but in order to design audit procedures that are appropriate in the circumstances when conducting risk assessment, we examine the effectiveness of the entity’s internal control that is relevant to the preparation and fair presentation of the consolidated financial statements. An audit also includes evaluating the appropriateness of 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 Co., Ltd. and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared.

Interest

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

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

<u>Independent Auditor's Report</u>		
		<u>February 8, 2019</u>
<u>The Board of Directors</u>		
MEC COMPANY LTD.		
<u>Deloitte Touche Tohmatsu LLC</u>		
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tomoyoshi WADA (Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yukihiro YAGURA (Seal)
<p>We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and notes to non-consolidated financial statements and supplementary schedules of MEC Co., Ltd. for the 50th term from January 1, 2018 to December 31, 2018 in accordance with Article 436, paragraph 2, Item 1 of the Companies Act.</p> <p>Management's Responsibility for the Non-consolidated Financial Statements</p> <p>Management is responsible for the general preparation and fair presentation of non-consolidated financial statements and their supplementary schedules in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan. This includes putting in place and managing internal control that the management deems to be necessary in order to properly prepare and present non-consolidated financial statements and their supplementary schedules that are free from material misstatements, whether due to fraud or error.</p> <p>Auditor's Responsibility</p> <p>Our responsibility is to express an opinion on the non-consolidated financial statements and their supplementary schedules based on our audit as independent Auditor. Our audit was conducted in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and their supplementary schedules are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements and their supplementary schedules.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</p> <p>Opinion</p> <p>In our opinion, the non-consolidated 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 non-consolidated financial statements and their supplementary schedules for the period for which the non-consolidated financial statements and their supplementary schedules were prepared.</p> <p>Interest</p> <p>Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.</p>		

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

Copy of the Audit and Supervisory Committee's audit report

Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors during the 50th business year from January 1, 2018 to December 31, 2018. We report on the methods and results of the audits as follows.

1. Method and details of the audit

With regard to the details of the resolution by the Board of Directors on matters listed in Article 399-13, paragraph 1, Item 1, (b) and (c) of the Companies Act and the system established based on said resolution (internal control system), the Audit and Supervisory Committee received regular reports from Directors, the Internal Control Office and other employees on the development and operation of the system, sought explanations where necessary, and expressed opinions. In addition, we conducted an audit according to the following method.

In accordance with the audit and supervisory standards set forth by the Audit and Supervisory Committee as well as audit policies, audit plans and division of duties, we gathered information and worked to improve the environment for conducting audits in coordination with the Internal Audit Office. We also attended the business strategy meetings and other important meetings, received reports on the execution of duties from the Directors and employees, etc., sought explanations as necessary, inspected important decision documents, and examined the status of the business and assets at the head office and all business offices. Outside Directors including the Audit and Supervisory Committee Members had four quarterly meetings with the CEO & President and senior executives, and 17 monthly meetings with the Internal Control Office, to exchange opinions. In addition, with respect to subsidiaries, we communicated and exchanged information with the directors and employees of the subsidiaries, and received business reports from the subsidiaries where necessary. Furthermore, we visited subsidiaries excluding MEC (HONG KONG) LTD. which is small in scale, inspected important documents, and investigated the status of their business and assets.

With respect to the basic policy presented in the Business Report stipulated in Article 118, Item 3, (A) of the Enforcement Regulations of the Companies Act, and each measure stipulated in Article 118, Item 3, (B) of said act, we examined the content thereof in light of the status of discussions by the Board of Directors and other organs. We examined whether the Accounting Auditor had maintained an independent position and had implemented an appropriate audit backed by expertise. At the same time, we received an explanation on the audit plan in advance from the Accounting Auditor, as well as a report on the performance of its duties, and sought explanations where necessary. Furthermore, we received a notice from the Accounting Auditor that the "System for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Company Accounting Regulations) is established in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005) and other standards, and sought explanations where necessary. We had five meetings with the Accounting Auditor. In addition, we held meetings and exchanged opinions and information with the accounting auditors of all subsidiaries at which we conducted on-site audits.

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

2. Results of the audit

(1) Results of audit of the business report, etc.

(i) We acknowledge that the business report and supplementary schedules thereof fairly present the Company's conditions in accordance with laws, regulations and the Articles of Incorporation.

(ii) With regard to the performance of duties of Directors, no unfair conduct, nor any material breach of laws, regulations or the Company's Articles of Incorporation has been found.

(iii) The details of resolutions approved by the Board of Directors concerning the internal control system are proper and fair. In addition, no matters that necessitate comment have been found regarding the details defined in the Company's Business Report and performance of duties of Directors both with respect to the internal control system.

(iv) No matters that necessitate comment have been found regarding the basic policy related to the individuals responsible for determining the financial and business policies presented in the Company's Business Report. As described in the Business Report, we recognize that the measures stated in Article 118, Item 3, (B) of the Enforcement Regulations of the Companies Act are in line with the basic policy and do not detract from the common interests of shareholders; in addition, we recognize that they are not intended for the Directors of the Company to maintain their positions.

(2) Results of audit of the consolidated financial statements
The method and results of audit by the Accounting Auditor Deloitte Touche Tohmatsu LLC are fair and reasonable.

(3) Results of audit of the non-consolidated financial statements and supplementary schedules
The method and results of audit by the Accounting Auditor Deloitte Touche Tohmatsu LLC are fair and reasonable.

February 18, 2019

Audit and Supervisory Committee MEC COMPANY LTD
 Audit and Supervisory Committee Member Takayuki SATAKE (Seal)
 Audit and Supervisory Committee Member Akiko TANAKA (Seal)
 Audit and Supervisory Committee Member Mitsutoshi Takao (Seal)

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

Notice of Ordinary General Meeting of Shareholders

Reference Document for the Annual Meeting of Shareholders

Business Report

Financial Statements

Audit Reports

Map to the venue for the general meeting of shareholders

Venue

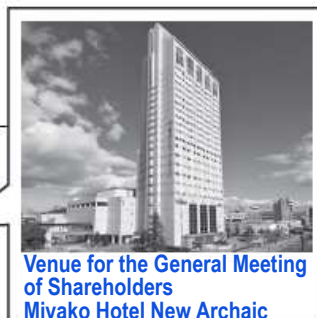
2-7-1, Showa-dori, Amagasaki, Hyogo

3rd floor, HO-OH, Miyako Hotel New Archaic

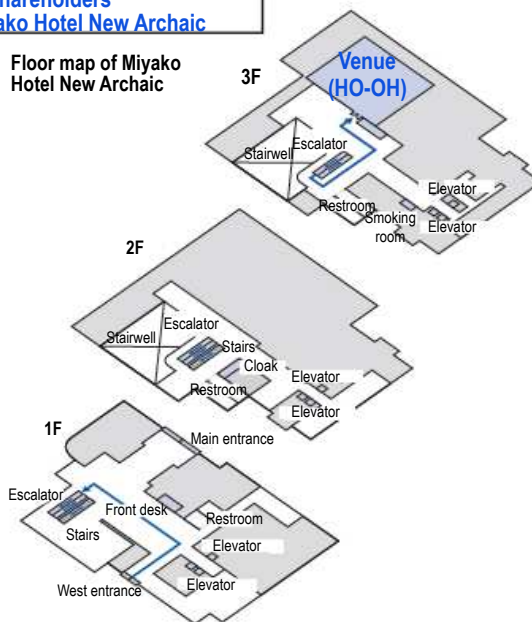
*Please use public transport to the venue since there is no parking lot dedicated to the Meeting.

Access

Approx. six minutes on foot from Amagasaki Station (of the Hanshin Line) via a pedestrian overpass



Floor map of Miyako Hotel New Archaic



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

