

Notice of 51st Ordinary General Meeting of Shareholders

Date and time

10 a.m. on Tuesday, March 24, 2020
*Reception starts at 9:30 a.m.

Venue

2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel
Amagasaki (former 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 Three Directors Who are Audit and Supervisory Committee Members
- Proposal No. 3** Appointment of One Substitute Director Who is an Audit and Supervisory Committee Member
- Proposal No. 4** Determination of Amount and Details of Fixed Stock Remuneration for Directors

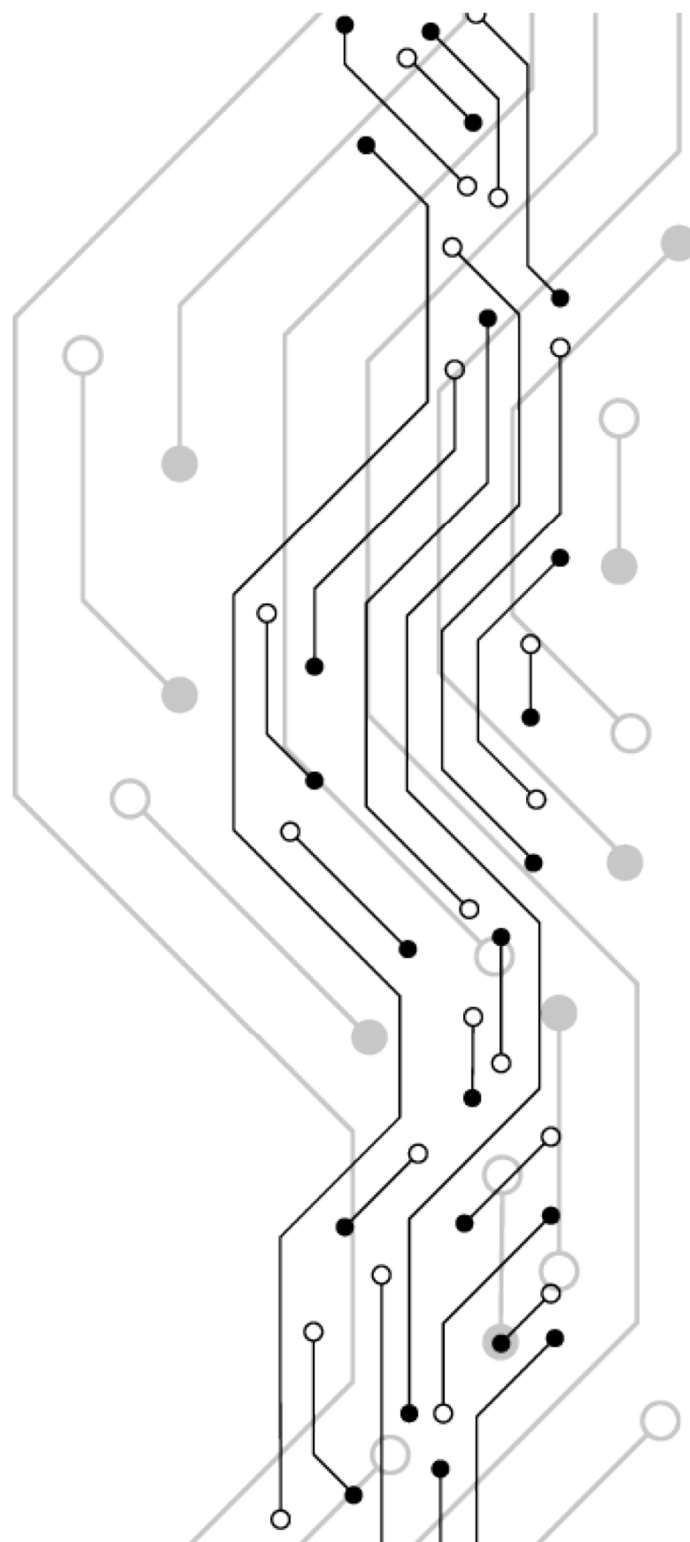
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MEC COMPANY LTD.



Securities Code: 4971



(Securities Code: 4971)
March 9, 2020

To Our Shareholders

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

MEC COMPANY LTD.

CEO & President Kazuo MAEDA

Notice of 51st Ordinary General Meeting of Shareholders

You are cordially invited to attend the 51st 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 5:20 p.m. on Monday, March 23, 2020 in accordance with the guidance provided below.

Details

- | | |
|---|---|
| 1. Date and time | 10 a.m. on Tuesday, March 24, 2020 (reception starts at 9:30 a.m.) |
| 2. Venue | 2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel Amagasaki (former 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: | <ol style="list-style-type: none">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 51st business period (January 1, 2019 to December 31, 2019)2. The non-consolidated financial statements for the 51st business period (January 1, 2019 to December 31, 2019) |

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 Three Directors Who are Audit and Supervisory Committee Members |
| Proposal No. 3 | Appointment of One Substitute Director Who is an Audit and Supervisory Committee Member |
| Proposal No. 4 | Determination of Amount and Details of Fixed Stock Remuneration for Directors |

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 5:20 p.m. on Monday, March 23, 2020.
- (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 5:20 p.m. on Monday, March 23, 2020.
- (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.

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- ◎ When you attend the meeting, please hand in the enclosed voting form at the reception desk.
 - ◎ Please note that if the need arises to revise the business report, consolidated financial statements, non-consolidated financial statements or reference documents for the general meeting of shareholders, we will post the revised matters on our website (<https://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 (<https://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.

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

**Tuesday, March 24, 2020
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

**Monday, March 23, 2020
For arrival by 5:20 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 ●.

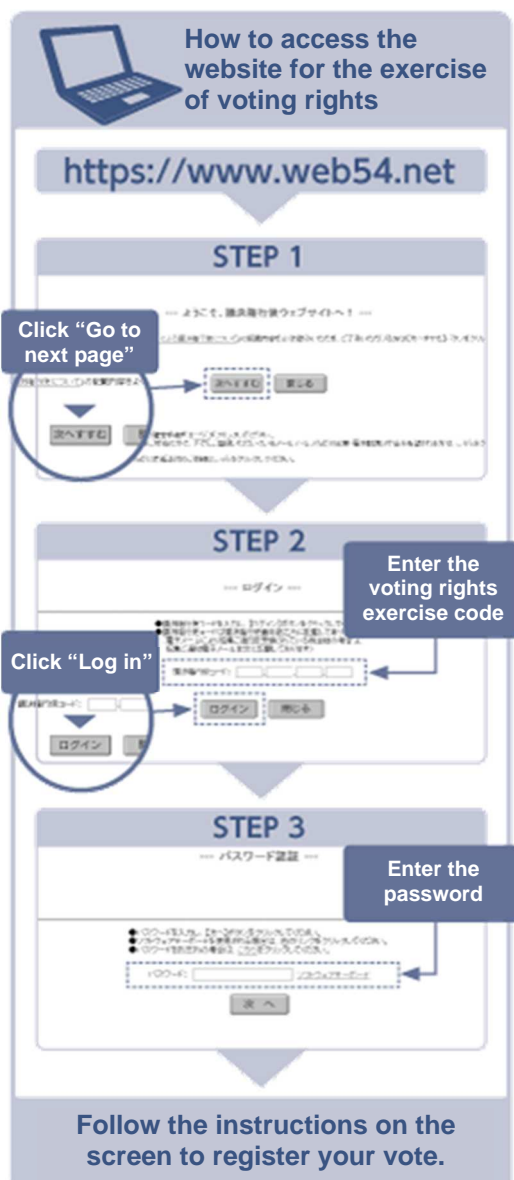
Deadline

**Monday, March 23, 2020
For entry by 5:20 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 cell 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 5:20 p.m., Japan Standard Time on Monday, March 23, 2020. 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.

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

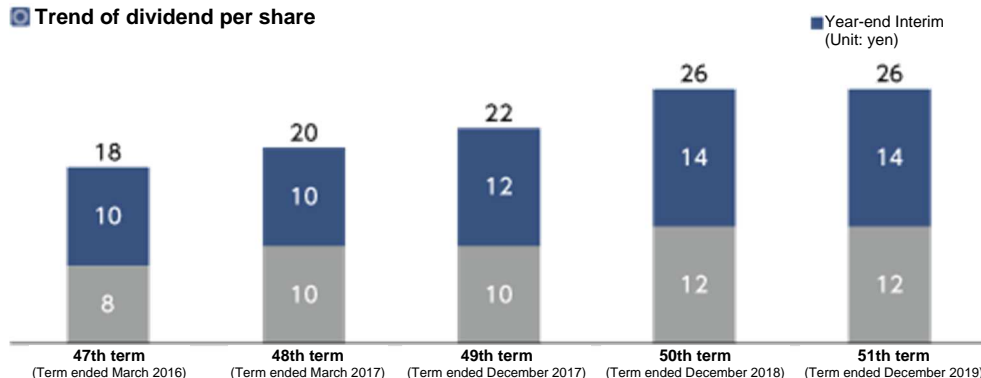
■ Shareholder return policy

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

The annual dividend for the 51st business period will be 26 yen per share, the same amount of 26 yen per share as the 50th business period.

■ 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 Managing Executive Officer, Head of Business Headquarters
3	Re-appointment	Toshiko NAKAGAWA	Director and Managing Executive Officer, Head of Corporate Planning Division
4	New appointment	Toshihiko HOJO	-

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
1	<div>Re-appointment</div> <div>Kazuo MAEDA (April 15, 1962)</div>	<div>January 2000 Joined the Company</div> <div>April 2000 General Manager of President's Office</div> <div>June 2000 Director and General Manager of President's Office</div> <div>April 2001 Managing Director</div> <div>June 2002 President</div> <div>April 2011 President and Head of Research and Development Division</div> <div>June 2012 President (current)</div> <div>July 2015 CEO (current)</div> <div>[Important concurrent positions]</div> <div>Director, MEC TAIWAN COMPANY LTD.</div> <div>Representative Director, MEC FINE CHEMICAL (ZHUHAI) LTD.</div> <div>Director, MEC EUROPE NV.</div> <div>Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</div>	726,900 shares
<div>[Reason for nomination]</div> <div>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, as CEO, he appropriately performed important management decision-making and demonstrated strong leadership in driving the entire MEC Group, promoting sustainable growth and enhancing 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 a Director.</div>			

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Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
2	<div>Re-appointment</div> <p>Makoto NAGAI (March 7, 1961)</p>	<p>April 2001 Joined the Company</p> <p>May 2003 Managing Director, MEC EUROPE NV.</p> <p>June 2006 Executive Officer of the Company</p> <p>April 2007 Executive Officer, Head of International Business Center</p> <p>January 2010 Executive Officer of the Company and General Manager of MEC TAIWAN COMPANY LTD.</p> <p>June 2010 Managing Executive Officer of the Company</p> <p>April 2013 Managing Executive Officer, Head of Business Headquarters</p> <p>June 2013 Director and Managing Executive Officer, Head of Business Headquarters</p> <p>June 2015 Director and Senior Managing Executive Officer, Head of Business Headquarters (current)</p> <p>[Important concurrent positions]</p> <p>Representative Director, MEC TAIWAN COMPANY LTD.</p> <p>Representative Director, MEC (HONG KONG) LTD.</p> <p>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>Representative Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	64,600 shares
<p>[Reason for nomination]</p> <p>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, as head of the Business Headquarters, he has supervised the sales division, played a central role in global business management including overseas expansion, and contributed significantly to the earnings expansion of the Company in recent years by enhancing synergy effects among the sales division and research and development division. 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	<div>Re-appointment</div> <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 positions]</p> <p>Director, MEC TAIWAN COMPANY LTD. Director, MEC (HONG KONG) LTD. Director, MEC FINE CHEMICAL (ZHUHAI) LTD. Director, MEC SPECIALTY CHEMICAL (SUZHOU) CO., LTD.</p> <p>Director, MEC EUROPE NV. Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	61,000 shares
<p>[Reason for nomination]</p> <p>Leveraging her deep knowledge of research and development, Ms. Toshiko Nakagawa has greatly contributed to enhancing corporate value through the development and promotion of medium-term management plans as a Director of the Company. In addition, she has endeavored to improve the Company's corporate structure and to enhance corporate value as the Head of Corporate Planning by enhancing the Company's management system and implementing ESG. She has also implemented global strategies in the production field. Therefore, we have determined that she is a suitable candidate and have nominated her to be re-appointed as a Director.</p>			

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Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
4	<div>New appointment</div> <p>Toshihiko HOJO (December 18, 1956)</p>	<p>April 1981 Joined Sumitomo Electric Industries, Ltd.</p> <p>January 1999 President, SEI Brake Systems (Thailand), Ltd.</p> <p>July 2005 General Manager of Sales Department, Electrical Equipment Department 1, Toyota Branch, Sumitomo Electric Industries, Ltd.</p> <p>July 2007 General Manager of Western Sales Department, Sumitomo Electric Industries, Ltd.</p> <p>May 2008 President, SEWS-Asia Technical Center Ltd. (Thailand)</p> <p>February 2012 President, SEWS-STC Co., Ltd. (Shanghai)</p> <p>June 2017 CEO, Precious Solution Company "SUBARU" Co., Ltd. (current)</p> <p>[Important concurrent positions] CEO, Precious Solution Company "SUBARU" Co., Ltd.</p>	-
<p>[Reason for nomination]</p> <p>Mr. Toshihiko Hojo has held management positions at other companies for many years, and has extensive experience and deep insight as a corporate manager. In addition, he has broad knowledge on overseas business management by being involved in corporate management to expand business globally as a president of foreign corporations. Therefore, we have determined that he is a suitable candidate and have nominated him as an independent Outside Director.</p>			

- Notes: 1. There are no special interests between the candidates and the Company.
2. Mr. Toshihiko Hojo 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 Mr. Toshihiko Hojo if he is appointed. 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.

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 remuneration plan and the performance-linked stock remuneration plan.

**Proposal
No. 2****Appointment of Three Directors Who are Audit and Supervisory
Committee Members**

The term of office of all three Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders.

Therefore, the Company proposes the appointment of three Directors who are Audit and Supervisory Committee Members.

We have obtained the consent of the Audit and Supervisory Committee with regard to this proposal.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows.

Candidate number		Name	Position at the Company and responsibility
1	Re- appointment	Mitsutoshi TAKAO	Independent Outside Director Audit and Supervisory Committee Member
2	New appointment	Kaoru HASHIMOTO	Independent Outside Director
3	New appointment	Mitsuo HAYASHI	-

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
1	<div>Re-appointment</div> Mitsutoshi TAKAO (April 1, 1950)	April 1972 Joined Kawasaki Heavy Industries, Ltd. (KHI) June 2008 Representative Director, Senior Vice President and Head of Finance & Accounting Division, KHI April 2012 Representative Director, Senior Executive Vice President, KHI Assistant to President in charge of Corporate Planning, Finance & Accounting, CSR Promoting, Personnel & Labor Administration, and General Administration Divisions, KHI April 2014 Outside Auditor of TechnoPro Holdings, Inc. (current) March 2018 Director (Audit and Supervisory Committee Member) of the Company (current) [Important concurrent positions] Outside Auditor of TechnoPro Holdings, Inc.	3,000 shares
[Reason for nomination] Mr. Mitsutoshi Takao has carried out audit and supervision from an objective perspective on the execution of duties of the Company based on his extensive experience as a corporate manager and rich expertise including finance and accounting as an independent Outside Director who is an Audit and Supervisory Committee Member. In addition, with his broad knowledge of corporate governance, he has been giving appropriate advice for sustainable improvement of the governance of the Company. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as an independent Outside Director who is an Audit and Supervisory Committee Member.			

Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
2	<div>New appointment</div> Kaoru HASHIMOTO (October 16, 1975)	October 1997 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) April 2001 Registered as certified public accountant December 2011 Registered as attorney-at-law June 2016 Joined Osaka Semba Law Office September 2016 Outside Auditor, Oie Sangyo Co., Ltd. (current) March 2019 Partner, Osaka Semba Law Office (current) Director of the Company (current) [Important concurrent positions] Outside Auditor of Oie Sangyo Co., Ltd. Partner of Osaka Semba Law Office	100 shares
[Reason for nomination] Leveraging her abundant experience and a high level of specialized knowledge cultivated as a lawyer and a certified public accountant, as an independent Outside Director of the Company, Ms. Kaoru Hashimoto has appropriately carried out supervision and provided recommendations from legal and accounting perspectives on the execution of duties. Therefore, although she does not have past experience of being involved in company management other than by serving as an Outside Director, we have determined that she is a suitable candidate who can provide advice on overall management of the Company, and have nominated her as an independent Outside Director who is an Audit and Supervisory Committee Member.			

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Candidate number	Name (Date of birth)	Career history, position, responsibility and important concurrent positions	Number of shares of the Company owned
3	<div>New appointment</div> Mitsuo HAYASHI (July 18, 1952)	April 1975 Joined Kobe Steel, Ltd. April 1998 Head of Iron & Steel, Automobile, Electronics Department, Kobe Steel, Ltd. April 2004 Commissioner, Head of Nagoya Branch, Kobe Steel, Ltd. June 2009 Representative Director & President, Sanwa Tekko Co., Ltd. June 2012 Representative Director & President, Kobelco Engineered Construction Materials Co., Ltd. May 2016 Chairman, Amagasaki Employers' Association (current) June 2016 Adviser, Kobelco Engineered Construction Materials Co., Ltd. (current) [Important concurrent positions] Chairman of Amagasaki Employers' Association	-
[Reason for nomination] Mr. Mitsuo Hayashi has held representative president positions at several companies, and has extensive experience and deep insight as a corporate manager. In addition, he has knowledge and deep insight on establishing stable business management and prosperity of the economy with his experience as a Chairman of Amagasaki Employers' Association. Therefore, we have determined that he is a suitable candidate and have nominated him as an independent Outside Director who is an Audit and Supervisory Committee Member.			

- Notes:
1. There are no special interests between the candidates and the Company.
 2. Mr. Mitsutoshi Takao, Ms. Kaoru Hashimoto and Mr. Mitsuo Hayashi are candidates for independent Outside Directors, and are candidates for registration as independent officers with the Tokyo Stock Exchange.
 3. Mr. Mitsutoshi Takao is currently an independent Outside Director of the Company, and his term of office as such will be two years at the conclusion of this General Meeting of Shareholders. Ms. Kaoru Hashimoto is currently an independent Outside Director of the Company, and her term of office as such will be one year at the conclusion of this General Meeting of Shareholders.
 4. The Company has entered into a limited liability agreement with Mr. Mitsutoshi Takao and Ms. Kaoru Hashimoto, with the following content. If their appointments are approved, the Company plans to continue the limited liability agreement. Furthermore, if Mr. Mitsuo Hayashi is appointed, the Company plans to enter into the same limited liability agreement with Mr. Hayashi. In the event that they assume liability for damages to the Company as a result of the acts stated in Article 423, paragraph 1 of the Companies Act, they shall assume responsibility up to the higher of 10 million yen or the amount prescribed by laws and regulations.

**Proposal
No. 3**

Appointment of One Substitute Director Who is an Audit and Supervisory Committee Member

In order to be prepared for cases in which there is a shortfall in the number of Directors who are Audit and Supervisory Committee Members provided for by laws and regulations, we propose the appointment of one substitute Director who is an Audit and Supervisory Committee Member. In addition, we will be able to cancel the appointment of the substitute Director who is an Audit and Supervisory Committee Member by resolution of the Board of Directors and with the consent of the Audit and Supervisory Committee, but only before such Director takes office. Also, we have obtained the consent of the Audit and Supervisory Committee with 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 and important concurrent positions	Number of shares of the Company owned
Takao OKUDA (September 25, 1967)	<p>April 1996 Registered with Osaka Bar Association Joined Kitahama Partners</p> <p>October 2002 Founded Okuda Kinoshita Law Firm, Co-Representative Lawyer</p> <p>October 2005 Renamed to Minami-morimachi Law Firm, Co-Representative Lawyer (current)</p> <p>May 2015 Auditor of the Company</p> <p>June 2015 Resigned from position of Auditor of the Company</p> <p>June 2017 Outside Director, FueTrek Co., Ltd. (current)</p> <p>[Important concurrent positions] Co-Representative Lawyer of Minami-morimachi Law Firm Outside Director of FueTrek Co., Ltd.</p>	-

- Notes: 1. There are no special interests between the candidate and the Company.
2. 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.
3. 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.
4. The reason why Mr. Takao Okuda is 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.
5. An 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.

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

At present, the remuneration of Directors consists of “fixed cash remuneration,” “consolidated ordinary income-linked cash remuneration” and “performance-linked stock remuneration.” Under this Proposal, the Company proposes to introduce a new fixed stock remuneration plan (hereinafter referred to as the “Plan”) to its Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Director as follows).

The Plan intends to more clearly define the link between the Directors’ remuneration and the share value of the Company. By sharing the profit and risks associated with the fluctuation in the share price with our shareholders, Directors will be able to raise awareness about contributing to improve the Company’s medium- to long-term performance and to increase its corporate value. We ask for your approval of this Proposal regarding the remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; the same applies hereinafter) different from the maximum amount of cash remuneration (annual amount of 170 million yen (of which the annual amount of 20 million yen is for Outside Directors; does not include employee salaries)) for Directors (excluding Directors who are Audit and Supervisory Committee Members) as approved at the 47th Ordinary General Meeting for Shareholders held on June 21, 2016, as well as maximum amount of performance-linked stock remuneration (annual amount of 55 million yen; does not include employee salaries) for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) as approved at the 47th Ordinary General Meeting for Shareholders held on June 21, 2016. It is proposed that the details of the Plan should be left to the discretion of the Board of Directors within the framework specified in 2. below.

If Proposal No. 1 “Appointment of Four Directors (excluding Directors who are Audit and Supervisory Committee Members)” is approved as proposed, the number of Directors subject to the Plan will become three (3).

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

(1) Outline of the Plan

The Plan is a stock remuneration plan whereby a trust will be created with money the Company contributes as necessary funds for acquiring shares of the Company that will be distributed to the Directors under the Plan, and such trust will acquire shares of the Company to distribute the shares to each Director through such trust based on the stock distribution points granted to each Director according to the Stock Distribution Regulations prescribed at the Board of Directors for the Plan. The basic scheme is the same as the performance-linked stock remuneration plan as approved at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016 and introduced thereafter. However, under the Plan, the Company will grant fixed points according to their positions, etc., not performance-linked points.

In managing the Plan, the Company will use the trust which it created for a performance-linked stock remuneration plan on August 18, 2016 (hereinafter referred to as the "Trust"). The Company will additionally contribute cash into the Trust, and the Trust will distribute the shares of the Company to the Directors. Therefore, the Trust will be used in managing both the performance-linked stock remuneration plan and the Plan.

Under the plan, the Directors will receive a distribution of the shares of the Company at the time when they retire from their office in principle, similar to the performance-linked stock remuneration plan.

1) Target persons of the Plan	Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)
2) Target period	Fiscal year ending December 31, 2020
3) Maximum amount of cash that the Company contributes as necessary funds for acquiring shares of the Company that will be distributed to the target persons in 1) during the target period of 2)	Total of 13 million yen
4) How to acquire the shares of the Company	By deposition of treasury shares or acquisition from the stock market (including off-hours trading)
5) Maximum of total points to be granted to target persons in 1)	14,000 points per fiscal year
6) Grant criteria of points	Grant points according to positions, etc.
7) Grant period of the shares of the Company for target persons in 1)	[In general] at retirement

(2) Maximum amount of cash to be contributed to the Trust

During the target period, the Company will additionally contribute cash of a maximum of 13 million yen as necessary funds for acquiring shares of the Company that will be distributed to its incumbent Directors during the period of (1) 2) above as their remuneration under the Plan. The Trust will acquire shares of the Company by applying the funds contributed by the Company as a source of its funds with deposition of treasury shares or acquisition from the stock market (including off-hours trading).

Note: The amount of cash which the Company actually contributes to the Trust will be the total of the estimated amount of necessary costs including trust fees and trust administrator fees in addition to funds to acquire the shares of the Company above. In addition, in accordance with the performance-linked stock remuneration plan, the Company may additionally contribute to the Trust the necessary funds to acquire the shares of the Company to be distributed to the Directors.

This includes, as determined by the Board of Directors of the Company, extending the target period for up to three fiscal years as stipulated each time, and accordingly, extending the trust period of the Trust (including extending the trust period practically by transferring the trust asset of the Trust to a trust created by the Company for the same purpose with the Trust; the same applies hereinafter) and continue the Plan. In this case, during the extended target period, the Company will additionally contribute cash to the Trust of up to an amount obtained by multiplying the number of fiscal years of the extended target period by 13 million yen as necessary funds for acquiring additional shares of the Company, and will continue to grant stock distribution points and the distribution of shares of the Company as in (3) below. Even in the case where the Plan is not continued as stated above, if the Directors to whom stock distribution points are granted remain in office at the expiration of the trust period, the period of the Trust may be extended until the Directors retire and the distribution of the shares of the Company to them is completed.

* As stated in (1) above, the Trust is used for managing both the performance-linked stock remuneration plan and the Plan. Therefore, there may be cases where a portion of the shares already acquired and held in the Trust for distribution under the performance-linked stock remuneration plan may be used to distribute to the Directors from the Trust under the Plan, not the shares to be newly acquired by the Trust under the Plan.

(3) Calculation method and the maximum number of shares of the Company to be granted to Directors

1) Grant method and the maximum of stock distribution points to Directors

The Company, pursuant to the Stock Distribution Regulations prescribed by the Company's Board of Directors (to be separately prescribed with the Stock Distribution Regulations for the performance-linked stock remuneration), grants stock distribution points to the Directors according to each Director's position on the granting date of the points during the trust period, as defined in the Stock Distribution Regulations.

However, the maximum aggregate number of stock distribution points to be granted by the Company to its Directors under the Plan shall be 14,000 points per fiscal year.

2) Distribution of shares of the Company

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

Shares of the Company will be distributed by the Trust to each Director, subject to the completion of a certain procedure for the identification of a beneficiary at the time of retirement. In the case where any shares of the Company kept in the Trust are converted into cash as a result of a tender offer transaction of the shares of the Company, the Company may grant cash instead of shares of the Company.

(Attachment)

Business Report

(From January 1, 2019
to December 31, 2019)

1. Matters concerning the state of the corporate group

(1) Progress and results of business

With regard to the global economy during the consolidated fiscal year under review (January 1, 2019 – December 31, 2019), uncertainties increased due to factors such as the U.S.–China trade policy, the slowing of economic growth in China, and the UK's withdrawal from the EU. Despite experiencing weak foreign demand on the back of a gradual slowdown in the global economy as well as weakness due to the impact of natural disasters, the Japanese economy gradually recovered mainly on the back of domestic demand with an improved employment and income environment. However, it is still necessary to watch the uncertainties in overseas economies and geopolitical tension.

In the electronics industry, sales of smartphones were sluggish due to the maturing demand and trade disputes between the U.S. and China. Sales of automobiles, which are becoming increasingly electronic, were stagnant globally. In addition, although the shipment volume of PCs was robust, in the first half of 2019, demand for semiconductors was weak for use in memory for smartphones and servers.

In the first half of fiscal year under review, the electronic circuit board and component industry, which is a related market for the Group, saw weak demand due to market conditions for smartphones and automobiles, their major applications. Although the electronic circuit board industry is facing a difficult situation, the move to high-density components and technological innovation are progressing. Further, the IoT-related market is expected to continue to see high growth. With regard to mobile communication systems, people's attention is focused on the switch from the fourth generation (4G) to the high-speed, large-capacity fifth generation (5G), and there are intensifying efforts for commercialization in this area. In particular, manufacturers are making capital investments to strengthen their production systems for high-performance package substrates. Also, technological development for self-driving vehicles is steadily progressing.

In this environment, the Group has focused on developing and selling products for high-density electronic substrates. Manufacturers use the EXE Series to achieve a high-density wiring pattern with the etching method, and we have acquired a high market share for their use in displays, mainly flat-screen TVs. Their use in smartphones has also increased, and they have shown a solid performance. Sales of the super-roughening agent CZ Series, which has a high market share for use in package substrates, remained almost flat. On the other hand, sales of the BO Series for multilayer electronic substrates and the SF Series for displays were sluggish.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 10,865 million yen (a decrease of 462 million yen, or 4.1% year on year). Operating income amounted to 1,637 million yen (a decrease of 585 million yen, or 26.4%, year on year), and the operating margin was 15.1%, a 4.5-point drop from 19.6% in the same period of the previous fiscal year. Ordinary income ended at 1,722 million yen (a decrease 514 million yen, or 23.0%, year on year). Net income before income taxes amounted to 1,710 million yen (a decrease of 617 million yen, or 26.5%, year on year), and net income attributable to owners of parent was 1,236 million yen (a decrease of 541 million yen, or 30.5%, year on year).

Although the market was in a recovery trend in the second half of the fiscal year, it was unable to cover the weakness of the first half of the fiscal year. As a result, although the figures reached the forecast of consolidated results for the fiscal year under review, they were lower than the results of the previous year.

Looking at a breakdown of sales, sales of chemicals were 10,657 million yen (a decrease of 473 million yen, or 4.3%, year on year), sales of materials were 105 million yen (a decrease of 12 million yen, or 10.3%, year on year), machinery sales were 83 million yen (an increase of 29 million yen, or 55.7%, year on year), and other sales were 18 million yen (a decrease of 6 million yen, or 26.4%, year on year). Shipments of chemicals fell 2.3% compared with the same period last year.

The overseas sales ratio was 55.2%, up 0.8 points compared with the same period last year.

By segment, in Japan, there was a slowdown in sales of smartphones and in-vehicle substrates and also in the cryptocurrency market, and this meant there were lower sales of related products. In Taiwan, sales of chemicals for displays were strong, but sales of smartphones slowed down. In Hong Kong (Hong Kong, Zhuhai), the smartphone and in-vehicle substrate markets were relatively firm compared to other regions. In China (Suzhou), there was a slowdown in sales of smartphones and this meant there were lower sales of related products. In Europe, there was a slowdown in sales of substrates for general industry and in-vehicle substrates and so sales of related products were sluggish. In Thailand, in order to enhance our presence in the expanding Southeast Asian market in the future, on May 29, 2017 we established a subsidiary as our sixth company. It was completed in July 2019, and trial production began in September.

Looking at cash flows, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 3,952 million yen, an increase of 352 million yen from the end of the previous consolidated fiscal year. This was because net cash gained from operating activities came to 2,162 million yen, net cash used in investing activities was 1,190 million yen, and net cash used in financing activities was 632 million yen.

As a result, ROE was 7.9%.

Further, with regard to the return of profits to shareholders, the annual dividend is 26 yen, bringing the dividend payout ratio to 39.9%.

The situation of sales by product category is as follows.

Category	50th term (previous fiscal year)		51st term (fiscal year under review)		
	Net sales (Millions of yen)	Composition ratio (%)	Net sales (millions of yen)	Composition ratio (%)	Year-on-year comparisons (%)
Chemicals for use in electronic substrates Chemicals for use in electronic parts	11,131	98.3	10,657	98.1	95.7
Machinery for electronic substrates	53	0.5	83	0.8	155.7
Materials for electronic substrates	118	1.0	105	1.0	89.7
Other	25	0.2	18	0.1	73.6
Total	11,329	100.0	10,865	100.0	95.9

(2) Situation with regard to capital investment

The total capital investment we implemented during the fiscal year under review came to 1,362 million yen, with the major areas being as follows.

- 1) Major facilities completed during the fiscal year under review
Office and factory construction at MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Amagasaki Headquarters Facilities and experiment devices for research, and production facilities at Amagasaki Factory
Nagaoka Factory Renewal of production facilities
- 2) Ongoing new construction and expansion of major facilities during the fiscal year under review
Renewal construction at Higashi-hatsushima R&D center
Amagasaki Headquarters Hazardous production building at Amagasaki Factory
- 3) Sale, removal and destruction of significant fixed assets carried out during the fiscal year under review
N/A

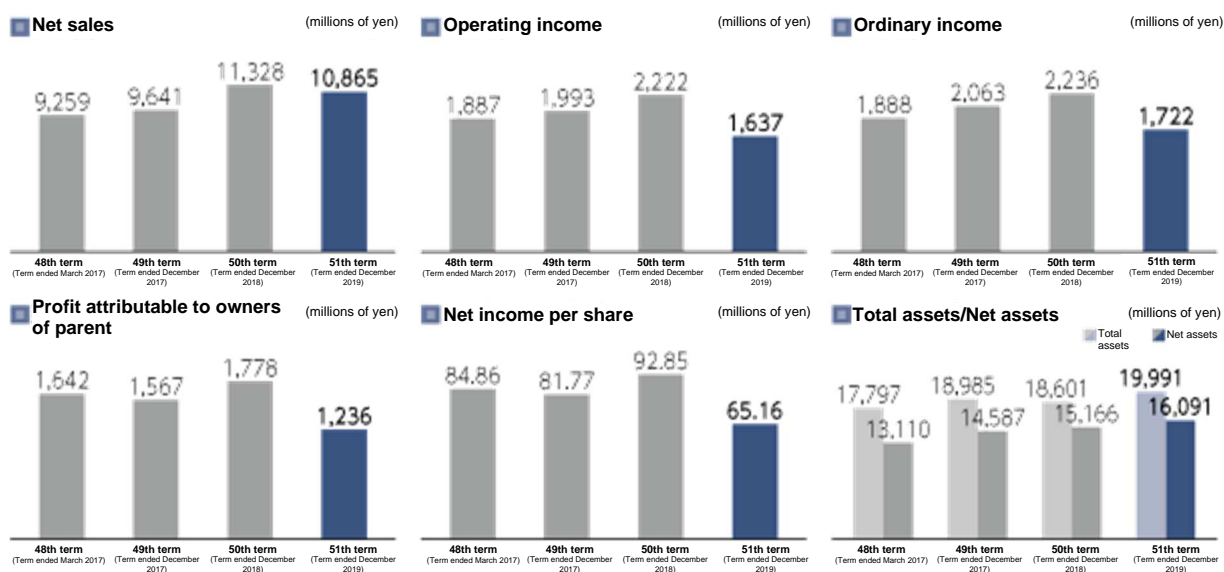
(3) Financing

As for financing during the consolidated fiscal year under review, the Company procured a short-term loan of 0.4 billion yen from a domestic financial institution as working capital.

(4) Changes in assets and profit and loss

Category		48th term (Term ended March 2017)	49th term (Term ended December 2017)	50th term (Term ended December 2018)	51st term (Fiscal year under review) (Term ended December 2019)
Net sales	(millions of yen)	9,259	9,641	11,328	10,865
Operating income	(millions of yen)	1,887	1,993	2,222	1,637
Ordinary income	(millions of yen)	1,888	2,063	2,236	1,722
Profit attributable to owners of parent	(millions of yen)	1,642	1,567	1,778	1,236
Net income per share	(yen)	84.86	81.77	92.85	65.16
Total assets	(millions of yen)	17,797	18,985	18,601	19,991
Net assets	(millions of yen)	13,110	14,587	15,166	16,091
Net assets per share	(yen)	683.86	760.92	799.46	847.94
ROE	(%)	13.0	11.3	12.0	7.9
Number of employees	(persons)	321	333	351	365

- 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.
4. "Partial Amendment to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018. Division amendment. ") Is applied from the beginning of the current consolidated fiscal year. This accounting standard has been applied to total assets retroactively from the fiscal year ended March 2017 to the fiscal year ended December 2018.



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.

In the electronics industry, a related industry of the Group, the global PC market which drove the market in the short-term has matured, and demand in major markets for smartphones and tablet devices has also settled down and come to a pause. On the other hand, in order to achieve Society 5.0 that our government proposes, the industry is playing an important role in making progress with regard to the IoT, big data, and AI.

Amid this environment, at the Group we have operated 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 the IoT, 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.

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.

The Company has an ESG Committee chaired by the CEO & President. The Committee meets quarterly to promote the ESG strategy.

For example, in the area of “environment,” the Company, which is engaged in the chemicals business, will focus on managing chemical substances properly and protecting nature and biodiversity. The Company will push forward with product development with a mind to contribute to higher efficiency, such as by improving the production site environment and improving the yield of electronic substrates/parts manufacturers. In the area of “social” efforts, at the Company we will engage in developing industry and society, by making progress in 5G and the technology of self-driving vehicles through our products. At the Company, we help our employees to achieve a good work-life balance (WLB) and actively promote activities and contributions to fulfill corporate social responsibilities to our stakeholders, such as shareholders, customers and the community. For example, under WLB, the percentage of employees that return to their workplaces after taking childcare leave is 100%, with track records of male employees who took childcare leave. As a contribution to the community, the Amagasaki Headquarters also serves as an evacuation site for local residents. 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.

Furthermore, the greatest source of a company’s competitiveness in achieving its medium-to long-term goals is human resources. We are working on establishing an environment that can leverage individual differences such as nationality, gender, sexual minority (LGBT), age and disabilities to respect diversity and to fully demonstrate various abilities. We will make efforts in developing human resources so that each employee can fully demonstrate their abilities and maximize our corporate value.

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	100%	Electronic boards and parts materials business
MEC (HONG KONG) LTD.	HK\$ 4.5 million	100%	Electronic boards and parts materials business
MEC FINE CHEMICAL (ZHUHAI) LTD.	HK\$ 8 million	100% (100) (*1)	Electronic boards and parts materials business
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO.,LTD.	US\$ 4 million	100%	Electronic boards and parts materials business
MEC EUROPE NV.	EUR 1 million	100%	Electronic boards and parts materials business
MEC SPECIALTY CHEMICAL (THAILAND) CO.,LTD.	THB 215 million	100% (*2)	Electronic boards and parts materials business

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

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

(7) Main businesses (as of December 31, 2019)

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 in electronic substrates Chemicals for use in electronic parts	Adhesion improvers 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, 2019)

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

(9) Employees (as of December 31, 2019)

1) Employees of the corporate group

Number of employees	Increase or decrease compared with the end of the previous fiscal year
365	Increase of 14

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
199 (144 male) (55 female)	Increase of 1	40.9	12.6

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

(10) Major borrowings (as of December 31, 2019)

Creditors	Balance of borrowings
MUFG Bank, Ltd.	525 million yen
Sumitomo Mitsui Banking Corporation	125

2. Matters related to Officers

(1) Directors (as of December 31, 2019)

Position	Name	Responsibility and important concurrent positions
CEO & President	Kazuo MAEDA	Chief Executive Officer Director, MEC TAIWAN COMPANY LTD. Representative Director, MEC FINE CHEMICAL (ZHUHAI) LTD. Director, MEC EUROPE NV. Director, MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Makoto NAGAI	Senior Managing Executive Officer, Head of Business Headquarters Representative Director, MEC TAIWAN COMPANY LTD. Representative Director, MEC (HONG KONG) LTD. Director, MEC FINE CHEMICAL (ZHUHAI) LTD. Representative 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	Kaoru HASHIMOTO	Outside Auditor of Oie Sangyo Co., Ltd. Partner of Osaka Semba Law Office
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 of TechnoPro Holdings, Inc.

- Notes: 1. Director Kaoru Hashimoto 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 Kaoru Hashimoto is a certified public accountant, she has considerable knowledge of finance and accounting. In addition, 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. The Company places the Audit and Supervisory Committee Office directly under 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 Audit 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 Audit Office as observers to share information and exchange opinions. Therefore, the Company does not appoint full-time Audit and Supervisory Committee Members.
4. Director who is not an Audit and Supervisory Committee Member Yutaka Nishiyama has retired at the conclusion of the 50th General Meeting of Shareholders held on March 22, 2019 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 Ms. Kaoru Hashimoto, Mr. Takayuki Satake, 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.

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

Category	Number of persons	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee Members) (Of whom, independent Outside Directors)	5 (2)	111 million yen (4)
Directors (Audit and Supervisory Committee Members) (Of whom, independent Outside Directors)	3 (3)	27 (27)
Total	8	138

- Notes: 1. The above includes one Outside Director who was not an Audit and Supervisory Committee Member and who retired at the conclusion of the 50th General Meeting of Shareholders held on March 22, 2019.
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, and the weightings of these are decided depending on the position of the relevant person.
6. The total amount of remuneration for Directors (excluding Independent Outside Directors) includes performance-linked stock remuneration, but no payment was made in the 51st term.

(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	Kaoru HASHIMOTO	Outside Auditor of Oie Sangyo Co., Ltd. Partner of Osaka Semba Law Office	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University Outside Director, Shinko Wire Company, Ltd.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	Partner/Representative, Shinwa Tax Corporation Representative Director, COCORO DESIGN Co., Ltd.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Auditor of TechnoPro Holdings, Inc.	No special relationship

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	Kaoru HASHIMOTO	<p>She attended 12 of 13 Board of Directors meetings and attended as an observer 10 of 14 Audit and Supervisory Committee meetings held during the fiscal year under review after she assumed the post on March 22, 2019.</p> <p>She actively provided recommendations from legal and accounting perspectives by utilizing her specialized knowledge cultivated as a lawyer and a certified public accountant.</p> <p>Also, as a member of the ESG Committee, she provided objective recommendations on the corporate governance of the Company.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Takayuki SATAKE	<p>He attended all 17 Board of Directors meetings and 19 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. 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 provided his objective recommendations.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Akiko TANAKA	<p>She attended all 17 Board of Directors meetings and 19 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 ESG 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 Audit Office, and expressing opinions on the issues.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	<p>He attended all 17 Board of Directors meetings and 19 Audit and Supervisory Committee meetings held during the fiscal year under review.</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 actively provided recommendations on issues concerning the evaluation of the Board of Directors, executive compensation system, and promotion of corporate governance as a member of the Nomination and Compensation Advisory Committee and 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	28 million yen
Total amount of the money to be paid by the Company and its subsidiaries, and other economic benefits	28 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 12 million yen.

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

N/A

(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.

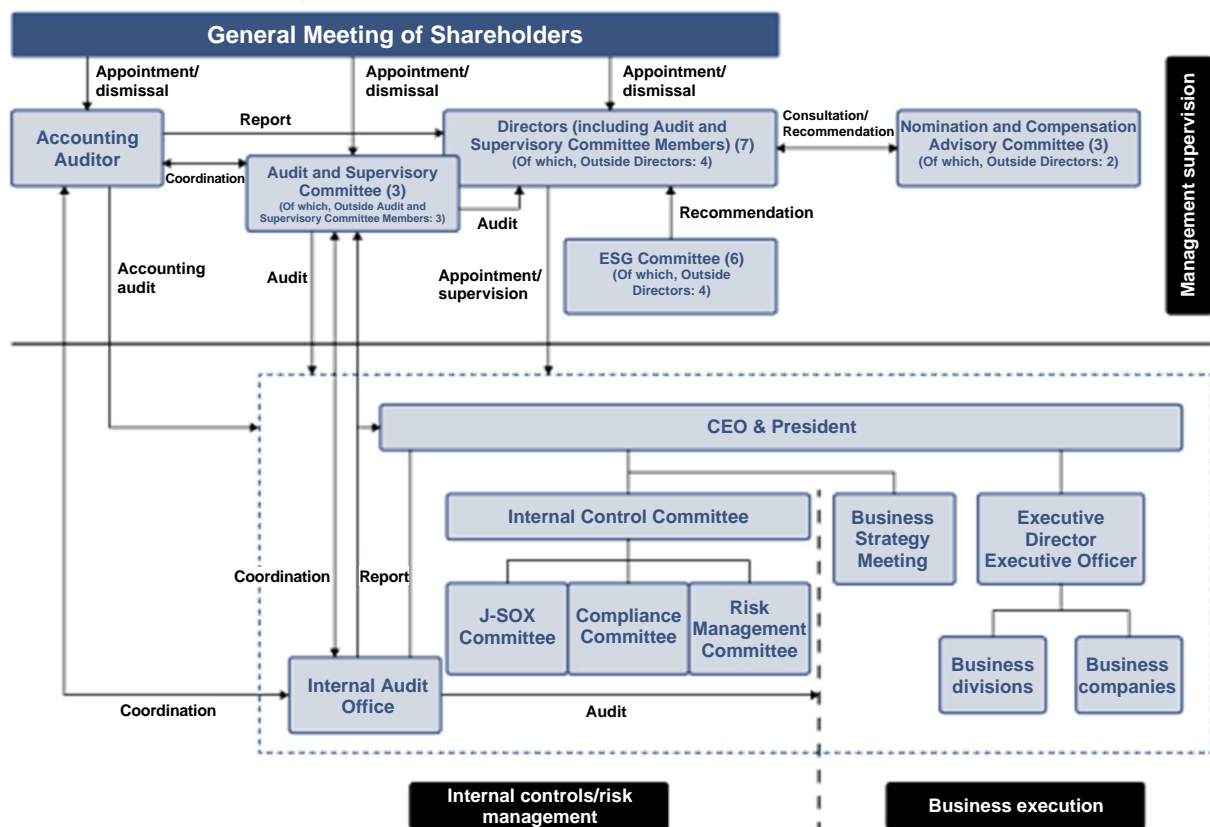
In addition, if the Audit and Supervisory Committee deems that the Accounting Auditor falls under any of the items listed in Article 340, paragraph 1 of the Companies Act, it will dismiss the Accounting Auditor based on the consent of all Audit and Supervisory Committee Members. In this case, an Audit 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

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 as its subordinate organization, 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 Audit Office, which is an internal audit department, 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.
The Internal Audit Office shall conduct internal audits according to the annual plan and report on the audit results to the Audit and Supervisory Committee, Directors 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, the head of the Internal Audit Office and external lawyers 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 Audit 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.
 - (vii) The Company shall never engage in transactions with anti-social forces and organizations that threaten the social order and safety, and shall coordinate with police-related administrative organs and our legal counsels, etc. where necessary, and take appropriate measures.
- 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. These Committees shall nominate candidates and provide various recommendations to the 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.
 - (v) In order to ensure the decisions made by the Board of Directors are carried out efficiently, the Company shall establish relevant internal regulations, 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
- (i) 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 relevant internal regulations, based on which business processes shall be carried out.
 - (ii) In accordance with relevant internal regulations such as Information Security Management Regulations, the MEC Group shall protect information assets including personal information, and hold training on information security for all officers and employees on a regular basis.
- 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, which is a subordinate organization of the Internal Control Committee, 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, relevant internal regulations shall be shared throughout the Group such as the group-wide management philosophy, the mission statement and the Group Charter of Corporate Behavior. In addition, each company in the MEC Group shall formulate relevant regulations, 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 Audit Office, which shall give their opinion to the CEO & President or 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 Audit 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 Audit Office, in principle, shall hold four 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 in accordance with the provisions on assistance of the Audit and Supervisory Committee Regulations.

- 9) Matters concerning independence of auxiliary employees from Directors (excluding Directors who are Audit and Supervisory Committee Members)

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.

(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 three times and the Compliance Committee twice semiannually during the fiscal year under review, and all Directors attended them. In either meeting, there was no identification of significant deficiencies that required disclosure.

The Internal Audit 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 Audit 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 to have them penetrate.
 - (vi) The Company conducts monitoring surveys on a regular basis for the purpose of understanding the compliance status of the entire company, and reports 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 held five meetings and the ESG Committee held four meetings, 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 Corporate Governance Code, health management, 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 Audit 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 four times with the Accounting Auditor and 19 times with the Internal Audit Office, as well as attending meetings with the Accounting Division. The Audit and Supervisory Committee reports to the Board of Directors on the details of 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.

- 2) Introduction of performance-linked share-based compensation
The Company introduced the performance-linked stock remuneration 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 increasing 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 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 Audit 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, at the Company we 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 1,750,644,077 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, 2020, 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 268,456,314 yen. In addition, we have added 700,000,000 yen of funds to a separate reserve, and the balance of 782,187,763 yen will be retained earnings carried over to the next term.

Consolidated balance sheet

(As of December 31, 2019)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	9,438,532	Current liabilities:	3,511,180
Cash and deposits	4,957,484	Notes and accounts payable – trade	1,166,724
Notes and accounts receivable – trade	3,128,711	Short-term loans payable	400,000
Electronically Recorded Monetary Claims	262,127	Current portion of long-term loans payable	250,000
Merchandise and finished goods	420,647	Accounts payable – other	372,262
Work in process	132,689	Accrued expenses	135,894
Raw materials and supplies	391,591	Income taxes payable	122,431
Other	149,125	Allowance for bonuses	313,740
Allowance for doubtful accounts	-3,845	Provision for directors' bonuses	30,470
Noncurrent assets:	10,553,306	Accounts payable – facilities	62,075
Property, plant and equipment	8,997,342	Other	657,582
Buildings and structures	4,368,683	Noncurrent liabilities:	388,659
Machinery, equipment and vehicles	886,732	Deferred tax liabilities	236,967
Tools, furniture and fixtures	382,711	Net defined benefit liability	43,271
Land	2,933,082	Provision for share-based compensation	71,972
Right-of-use asset	44,710	Other	36,447
Construction in progress	381,422	Total liabilities	3,899,840
Intangible assets	139,574	NET ASSETS	
Investments and other assets	1,416,389	Shareholders' equity:	15,445,974
Investment securities	580,704	Capital	594,142
Net defined benefit assets	690,913	Capital surplus	541,273
Deferred tax assets	47,426	Retained earnings	15,486,355
Other	97,344	Treasury stock	-1,175,796
		Total of other comprehensive income:	646,024
		Valuation difference on available-for-sale securities	185,948
		Foreign currency translation adjustment	304,802
		Remeasurements of defined benefit plans	155,273
		Total net assets	16,091,998
Total assets	19,991,839	Total liabilities and net assets	19,991,839

Consolidated statement of income

(From January 1, 2019
to December 31, 2019)

(Thousands of yen)

Item	Amount	
Net sales		10,865,978
Cost of sales		4,247,377
Gross profit		6,618,600
Selling, general and administrative expenses		4,981,500
Operating income		1,637,100
Non-operating income		
Interest income	18,430	
Dividend income	11,599	
Trial products income	32,465	
Insurance income	31,827	
Other	23,301	117,625
Non-operating expenses		
Interest expenses	2,807	
Sales discounts	4,353	
Foreign exchange losses	24,418	
Other	796	32,375
Ordinary income		1,722,350
Extraordinary income		
Gain on sales of noncurrent assets	1,770	
Subsidy income	8,804	10,574
Extraordinary loss		
Loss on sales of noncurrent assets	32	
Loss on retirement of noncurrent assets	22,111	22,143
Income before income taxes		1,710,781
Income taxes – current	424,744	
Income taxes – deferred	49,626	474,370
Net income		1,236,410
Profit attributable to owners of parent		1,236,410

Notice of Ordinary
General Meeting of
Shareholders

Reference Document
for the Annual Meeting
of Shareholders

Business Report

Financial Statements

Audit Report

Non-consolidated balance sheet

(As of December 31, 2019)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	4,950,035	Current liabilities:	2,901,206
Cash and deposits	2,227,625	Notes payable – trade	563,455
Notes receivable – trade	67,533	Accounts payable – trade	328,147
Electronically Recorded Monetary Claims	262,127	Short-term loans payable	400,000
Accounts receivable – trade	1,810,869	Current portion of long-term loans payable	250,000
Merchandise and finished goods	217,385	Accounts payable – other	233,424
Raw materials and supplies	251,217	Accrued expenses	116,939
Prepaid expenses	16,584	Income taxes payable	41,540
Accounts receivable – other	73,567	Deposits received	58,371
Other	23,125	Allowance for bonuses	311,555
Noncurrent assets:	9,948,844	Provision for directors' bonuses	30,470
Property, plant and equipment	6,973,942	Notes payable – facilities	495,381
Buildings	3,299,504	Accounts payable – facilities	61,778
Structures	123,943	Other	10,142
Machinery and equipment	648,793	Noncurrent liabilities:	137,903
Vehicles	23,567	Asset retirement obligations	587
Tools, furniture and fixtures	254,942	Provision for retirement benefits	41,510
Land	2,274,036	Provision for share-based compensation	71,972
Construction in progress	349,155	Other	23,833
Intangible assets	124,995	Total liabilities	3,039,110
Leasehold right	29,380	NET ASSETS	
Software	74,876	Shareholders' equity:	11,673,820
Software in progress	18,700	Capital	594,142
Other	2,038	Capital surplus	541,273
Investments and other assets	2,849,906	Legal capital surplus	446,358
Investment securities	580,704	Other capital surplus	94,914
Shares of subsidiaries and affiliates	1,401,891	Retained earnings	11,714,201
Investments in capital	54,775	Legal retained earnings	63,557
Long-term loans receivable from subsidiaries and associates	327,600	Other retained earnings	11,650,644
Deferred tax assets	3,086	General reserve	9,900,000
Long-term prepaid expenses	112	Retained earnings brought forward	1,750,644
Prepaid pension cost	467,240	Treasury stock	-1,175,796
Other	14,495	Valuation and translation adjustments:	185,948
		Valuation difference on available-for-sale securities	185,948
		Total net assets	11,859,769
Total assets	14,898,879	Total liabilities and net assets	14,898,879

Non-consolidated statement of income

(From January 1, 2019
to December 31, 2019)

(Thousands of yen)

Item	Amount	
Net sales		7,256,732
Cost of sales		2,769,380
Gross profit		4,487,352
Selling, general and administrative expenses		3,425,951
Operating income		1,061,400
Non-operating income		
Interest and dividend income	208,308	
Trial products income	32,465	
Insurance income	31,827	
Other	13,642	286,244
Non-operating expenses		
Interest expenses	1,111	
Foreign exchange losses	15,540	
Other	417	17,069
Ordinary income		1,330,575
Extraordinary income		
Gain on sales of noncurrent assets	486	
Subsidy income	8,804	9,290
Extraordinary loss		
Loss on sales of noncurrent assets	32	
Loss on retirement of noncurrent assets	21,315	21,348
Income before income taxes		1,318,517
Income taxes – current	245,277	
Income taxes – deferred	40,538	285,816
Net income		1,032,701

Notice of Ordinary
General Meeting of
Shareholders

Reference Document
for the Annual Meeting
of Shareholders

Business Report

Financial Statements

Audit Report

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

Independent Auditor's Report

February 17, 2020

The Board of Directors
MEC COMPANY LTD.

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shoichi ITO	(Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yukihiro YAGURA	(Seal)

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and notes to consolidated financial statements of MEC Co., Ltd. for the year from January 1, 2019 to December 31, 2019 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, in 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 to design audit procedures that are appropriate in the circumstances when conducting risk assessment, and 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 that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditor's Report

February 17, 2020

The Board of Directors
MEC COMPANY LTD.

Deloitte Touche Tohmatsu LLC

Designated Limited
 Liability Partner
 Engagement Partner

Certified Public
 Accountant

Shoichi ITO (Seal)

Designated Limited
 Liability Partner
 Engagement Partner

Certified Public
 Accountant

Yukihiro YAGURA (Seal)

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 51st term from January 1, 2019 to December 31, 2019 in accordance with Article 436, paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for the Non-consolidated Financial Statements

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.

Auditor's Responsibility

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.

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, in 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 to design audit procedures that are appropriate in the circumstances when conducting risk assessment, and 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.

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 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.

Interest

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

Copy of the Audit and Supervisory Committee's audit report

Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors during the 51st business year from January 1, 2019 to December 31, 2019. 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 Audit 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 19 meetings in total with the Internal Audit 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, 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 saying 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 four 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, 2020

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.

[illegible]

Map to the venue for the general meeting of shareholders

Venue

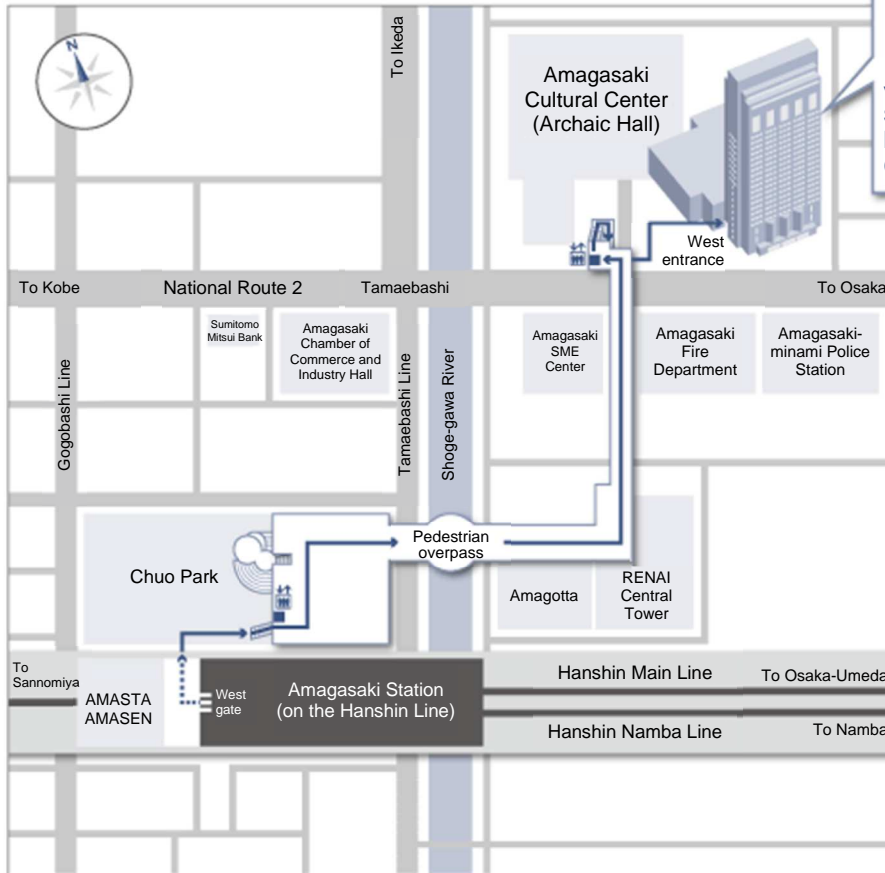
2-7-1, Showa-dori, Amagasaki, Hyogo

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

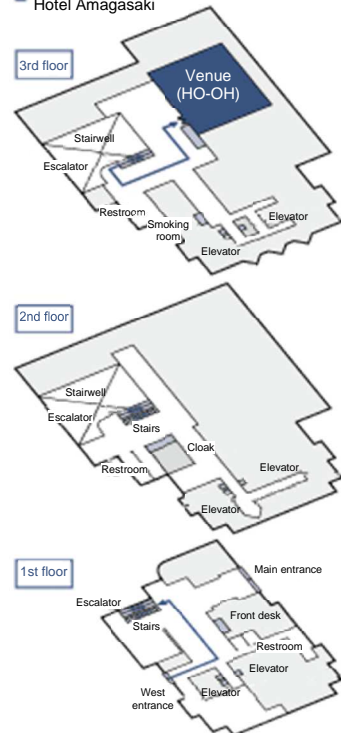
* Please use public transport to get to the venue since there is no parking lot dedicated for the Meeting.



Venue for the General Meeting of Shareholders
Miyako Hotel Amagasaki
(Former Miyako Hotel New Archaic)



Floor map of Miyako Hotel Amagasaki



Access

Amagasaki Station (on the Hanshin Line)

Exit the West gate and proceed north. Approx. six minutes on foot via a pedestrian overpass from the Chuo Park

MEC COMPANY LTD.

<https://www.mec-co.com/>



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

