

August 9, 2018

To Whom It May Concern:

Company Name: MEC COMPANY LTD.
 Representative: President & CEO Kazuo MAEDA
 (Securities Code: 4971)
 Contact: Corporate Communication Office Head
 Yoshihiro SAKAMOTO
 (TEL +81-(0)6-6401-8160)

Disposal of Treasury Stock through Third-party Allotment due to Retention of Stock-based Compensation Plans

As announced in the August 9, 2018 notice, Additional Contributions to the Share Issuance Trust for Directors and Share Issuance Trust for Executive Officers, MEC COMPANY LTD. (hereinafter “the Company”) has decided to make additional contributions to both trusts (hereinafter collectively referred to as the “trusts”) and dispose of its treasury stock through a third-party allotment (hereinafter referred to as the “disposition of treasury stock”) as detailed below.

Details

1. Outline of the disposition

(1) Date of disposition	Friday, August 31, 2018
(2) Class and number of shares to be disposed of	68,500 shares of the Company’s common stock (including 33,400 shares for directors and 35,100 shares for executive officers)
(3) Selling price	2,161 yen per share
(4) Total value of shares to be disposed of	148,028,500 yen
(5) Allottee	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trustee: Japan Trustee Services Bank, Ltd. (trust account))
(6) Other	The disposition of treasury stock is contingent upon the filing pursuant to the Financial Instruments and Exchange Act becoming effective.

2. Purpose of and reason for the disposition

Ever since the Company decided to introduce the stock-based compensation plan for directors on May 10, 2016 and the stock-based compensation plan for executive officers on July 29, 2016, it has maintained these plans to date. (Refer to “Determination of Details of the Performance-linked Stock-based Compensation Plan for the Directors of the Company” and “Details of Introducing Share Issuance Trust for Executive Officers” dated July 29, 2016 for an outline of the plans.)

The disposition of treasury stock is aimed at maintaining the stock-based compensation plans for directors and executive officers. It involves allotting the Company’s shares to Sumitomo Mitsui Trust Bank, Limited (trust account) [re-trustee: Japan Trustee Services Bank, Ltd. (trust account)], which is the trustee of the trusts that have been set up for operating these plans, so that the shares will be transferred to the trusts.

Translation

The number of shares to be disposed of is the additional number of shares needed to supplement the total number of shares the Company's directors and executive officers will be entitled to during the trust period (scheduled to run from the day the trusts were set up, i.e. August 18, 2016, through August 31, 2021) in accordance with "the share issuance rules." As for the degree of dilution, the shares to be disposed of account for 0.34% of all shares issued, standing at 20,071,093 as of June 30, 2018 and 0.35% of voting rights totaling 193,020 as of June 30, 2018. (Both percentage figures have been rounded to two decimal places.) Since the compensation plans are designed to help enhance the Company's performance and corporate value over the medium to long term, the Company believes that the number of shares to be disposed of as well as the degree of dilution is reasonable and will have little effect on the secondary market.

(For Your Reference) Outline of the Trust Agreement concerning the Trusts (Share Issuance Trust for Directors)

Settlor	MEC COMPANY LTD. (The Company)
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Japan Trustee Services Bank, Ltd.)
Beneficiary	Directors who meet the beneficiary requirements
Trust manager	Third party who has no conflict of interest with the Company or its directors
Exercise of voting rights	Voting rights attached to the Company's shares that are held in the trust will not be exercised throughout the trust period.
Type of trust	Trust of money other than money trust (third-party benefit trust)
Purpose of trust	To issue the Company's shares to beneficiaries according to the share issuance rules
Trust period	August 18, 2016 through August 31, 2021 (scheduled)
Date of trust agreement	August 18, 2016
Date of additional trust	August 31, 2018 (scheduled)
Termination date	August 31, 2021 (scheduled)

(For Your Reference) Outline of the Trust Agreement concerning the Trusts (Share Issuance Trust for Executive Officers)

Settlor	MEC COMPANY LTD. (The Company)
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Japan Trustee Services Bank, Ltd.)
Beneficiary	Executive officers who meet the beneficiary requirements
Trust manager	Third party who has no conflict of interest with the Company or its directors
Exercise of voting rights	The trust manager will give instructions on the exercise of voting rights attached to the Company's shares that are held in the trust throughout the trust period.
Type of trust	Trust of money other than money trust (third-party benefit trust)
Purpose of trust	To issue the Company's shares to beneficiaries according to the share issuance rules
Trust period	August 18, 2016 through August 31, 2021 (scheduled)
Date of trust agreement	August 18, 2016
Date of additional trust	August 31, 2018 (scheduled)
Termination date	August 31, 2021 (scheduled)

3. Basis for calculating the amount to be paid and relevant details

The Company decided that the selling price of the stock would be 2,161 yen per share, which is the closing price of its shares on the Tokyo Stock Exchange on August 8, 2018 (the business day immediately before the date of the board of directors resolution), in order to make it nonarbitrary and in light of the recent share price trend.

Translation

This price is 1.95% below the average closing price of 2,204 yen (rounded to the nearest yen) for the month preceding the last business day before the date of the board of directors resolution (July 9, 2018 - August 8, 2018), 0.65% above the average closing price of 2,147 yen (rounded to the nearest yen) for the three months preceding the last business day before the date of the board of directors resolution (May 9, 2018 - August 8, 2018), and 9.42% above the average closing price of 1,975 yen (rounded to the nearest yen) for the six months preceding the last business day before the date of the board of directors resolution (February 9, 2018 - August 8, 2018), and is reasonable in light of the deviations in the recent average closing prices of the Company's stock (all percentage figures are rounded to two decimal places).

In consideration of the above, the Company believes that the selling price used in the disposition of treasury stock is not particularly advantageous to the allottee and is reasonable.

The Audit Committee (consisting of three outside directors) has also noted that it does not deem the above-mentioned selling price particularly advantageous to the allottee.

4. Matters concerning the procedures under the Corporate Code of Conduct

In regard to the disposition of treasury stock, the Company is not required to obtain advice from an independent third party or confirm the shareholders' wishes as specified in Rule 432 of the Securities Listing Regulations stipulated by Tokyo Stock Exchange, Inc. for the following reasons: (i) the dilution ratio is less than 25% and (ii) the disposal of treasury stock does not involve a change in controlling shareholders.