

May 10, 2016

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)6-6414-3451)

Announcement of the Introduction of a Performance-linked Stock Incentive Plan for the Company's Directors

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

Details

1. Purpose of the Introduction of the Plan

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

2. Outline of the Plan

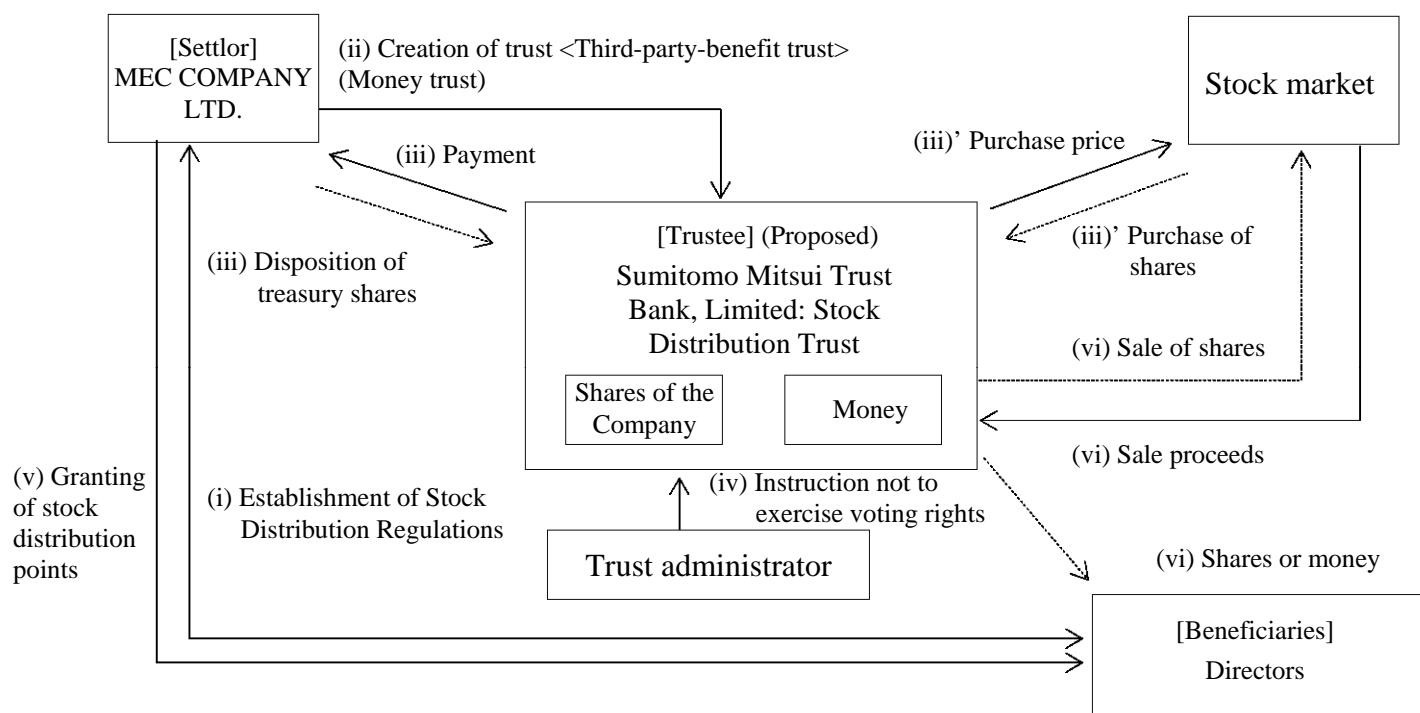
(1) Outline of the Plan

This Plan is a medium- to long-term performance-linked stock incentive Plan whereby a trust will be created with money the Company contributes (hereinafter referred to as "the Trust") and acquire shares of the Company (defined as shares of common stock of the Company, and the same hereinafter) to distribute the shares of the Company to the Company's Directors based on the stock distribution points granted to the Directors according to their positions and the performance-linked factor set in advance, following the Stock Distribution Regulations prescribed by the Company's Board of Directors (provided, however, that part or all of the stock distribution may be made in money equivalent to the market value of the stock of the Company pursuant to the Stock Distribution Regulations. Thus hereinafter referred to as "the Shares, etc. of the Company").

According to the Stock Distribution Regulations, the Company's Board of Directors will, based on the definition of the evaluation period for calculating stock distribution points as the consecutive fiscal years of the period for the medium-term management plan (three consecutive fiscal years) that are targeted by the Plan (hereinafter referred to as "the Target Period" provided, however, that for the first calculation of stock distribution points the Target

Period shall be two fiscal years from the fiscal year ending on March 31, 2017 to the fiscal year ending March 31, 2018 as the first fiscal year of the Target Period for the medium-term management plan has already passed), calculate the stock distribution points for each Director, taking account of the medium- to long-term performance-linked factor. In principle, the Directors will receive a distribution of the Shares, etc. of the Company according to the cumulative number of such stock distribution points when they retire from their office. The structure of the Plan is outlined as follows:

<Outline of Structure of the Plan>



(Note) Dotted lines denote the movements of shares.

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

(2) Creation of the Trust

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

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

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

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

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

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

In principle, the Company will continue the Plan by extending the period of the Trust at the time when the initial period of the Trust expires. (This includes the case where the Company extends the period of the Trust practically by transferring the asset in the Trust to a trust the Company creates for the same purpose as the Trust, and the same hereinafter.) In this case, the Company will additionally contribute money of up to a limit of the amount obtained by multiplying the number of fiscal years of the extended Trust period (on a fiscal year basis) by fifty-five million yen (ninety million yen in total with the amount of Trust Money contributed to the Trust for Executive Officers) to the Trust as funds for acquiring additional shares of the Company that would need to be distributed to Directors under the Plan, and will continue to grant stock distribution points to its Directors within the extended period of the Trust. However, in the case of such an additional contribution, if there are residual shares or cash (hereinafter referred to as “the Residual Shares, etc.”) in the Trust Asset on the last day of the Trust period before the extension, the total amount of the Trust Money to be contributed additionally shall be within the amount obtained by deducting the amount of the Residual Shares, etc. (as for the shares of the Company, the number of shares obtained by deducting the number of shares equivalent to the stock distribution points granted to the Directors that haven’t been distributed yet shall be appraised at the book value on the last day of the Trust period before the extension.) from the upper limit of the Trust Money to which the Company can contribute additionally under each Plan. Even in the case of not continuing to grant stock distribution points as stated above, if the Directors to whom stock distribution points are granted remain in office, the period of the Trust may be extended until the Directors retire and the distribution of the Shares, etc. of the Company to them is completed.

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

The Company, pursuant to the Stock Distribution Regulations prescribed by the Company’s Board of Directors, defines stock points granted to the Directors as the number calculated by dividing by the book value per share of the Company kept in the Trust the standard amount of distribution set according to the each Director’s position multiplied by the performance-linked factor (Note 2) specified according to the Company’s mid-term management plan. The aggregate number of stock distribution points to be granted by the Company to its Directors for each

fiscal year shall be up to a limit of ninety thousand points in total (of which up to fifty-five thousand points come under the Plan) with the aggregate number of stock distribution points granted under the Plan for Executive Officers.

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

The performance indicators, appraisal weights and stock distribution points granted to Directors will be described in the business reports.

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

For the initial Target Period (two fiscal years), the Trust will acquire shares of the Company by the method of the Company's disposition of treasury shares or through the stock market within the upper limit of the funds for acquiring shares of the Company as stated in 2 (3) above.

If, during the period of the Trust, due to an increase in the number of Directors or any other cause, the possibility that the number of shares of the Company kept within the Trust becomes short of that corresponding to the number of stock distribution points to be granted to the Directors during the period of the Trust arises, the Company may have the Trust acquire additional shares by contributing additional money to the trust within the upper limit of the Trust Money as stated in 2 (3) above.

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

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

(8) Exercise of the Voting Rights

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

(9) Handling of Dividends

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

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

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

(Reference: Outline of Stock Distribution Trust for Officers)

- [1] Name: Stock Distribution Trust for Directors
- [2] Settlor: MEC COMPANY LTD.
- [3] Trustee: Sumitomo Mitsui Trust Bank, Limited
- [4] Beneficiaries: Directors meeting beneficiary requirements
- [5] Trust administrator: A third party with no interest in MEC COMPANY LTD. is scheduled.
- [6] Type of trust: Trust of money other than cash trust (third-party-benefit trust)
- [7] Conclusion date for the trust agreement: August, 2016 (prospective)
- [8] Date of money entrustment: August, 2016 (prospective)
- [9] Period of the Trust: From August, 2016 (prospective) to August 2018 (prospective)