



July 29, 2016

To whom it may concern:

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### Notice of Disposition of Treasury Shares by Third-Party Allotment

MEC COMPANY LTD. (the “Company”) hereby announces that at its Board of Directors’ meeting held today, the Company resolved to dispose of treasury shares through a third-party allotment (the “Disposition of Treasury Shares”), as follows.

#### Details

##### 1. Overview of Disposition

(1)	Date of disposition	August 18, 2016 (planned)
(2)	Number of shares to be disposed of	136,175 shares of the Company's common stock
(3)	Disposition price	923 yen per share
(4)	Amount to be raised	125,689,525 yen
(5)	Method of disposition	Disposition through a third-party allotment
(6)	Allottee	Sumitomo Mitsui Trust Bank, Limited (Trust E Account) (Re-trustee: Japan Trustee Services Bank, Ltd (Trust Account))
(7)	Others	The Disposition of Treasury Shares shall be conditional upon the taking effect of the statement filed under the Financial Instruments and Exchange Act.

##### 2. Purpose and Reason for Disposition

At its Board of Directors’ meeting on May 10, 2016, the Company resolved to introduce a new performance-linked stock incentive plan using a trust (the “Plan for Directors”) for the purpose of providing remuneration to the Directors (excluding Outside Directors; the same applies hereinafter) and contributing to increasing the Company’s medium- to long-term performance and corporate value. The introduction of the Plan for the Directors was approved at the 47th annual meeting of shareholders held on June 21, 2016.

In addition, for the purpose of providing remuneration to the Executive Officers (excluding those who are concurrently serving as Directors; the same applies hereinafter; the Directors and the Executive Officers are collectively referred to as “Directors, etc.”) and contributing to increasing the Company’s medium- to long-term performance and corporate value, a resolution to introduce a new performance-linked stock incentive plan for Executive Officers (the “Plan for Executive

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Officers;" the Plan for Directors and the Plan for Executive Officers are collectively referred to as "Plans") was adopted at the meeting of the Board of Directors held on July 29, 2016.

For an overview of the Plan for Directors, please refer to the "Announcement of the Introduction of a Performance-linked Stock Incentive Plan for the Company's Directors," dated May 10, 2016. For an overview of the Plan for the Executive Officers, please see the "Announcement of the Introduction Details of the Share Issuance Trust for Executive Officers," dated July 29, 2016.

The Allottee is the trustee of the Share Issuance Trust for the Directors of the Plan for Directors and the Share Issuance Trust for Executive Officers of the Plan for Directors. The Company plans to enter into two trust agreements for share acquisition/administration/distribution, whose beneficiaries are the Directors or the Executive Officers of the Company (collectively, the "Trust Agreements"; and the trusts set up under the respective Trust Agreements are referred to as the "Trusts"), and Sumitomo Mitsui Trust Bank, Limited, the Allottee, will receive the allotment of the Disposition of Treasury Shares as the trustee of the Trusts.

### 3. Amount, Use, and Expected Timing of Payment of the Funds to be Raised

#### (1) Amount of Funds to be Raised

1)	Total amount to be paid	125,689,525 yen
2)	Estimated issuance costs	-
3)	Estimated net proceeds	125,689,525 yen

#### (2) Specific Use of Funds to be Raised

The estimated net proceeds of 125,689,525 yen will be appropriated as part of the cost of constructing a new business office in Amagasaki (4 billion yen) as equipment funds on and after August 18, 2016. The funds raised will be managed appropriately in a bank account until the actual payment.

### 4. Rationality of the Use of Funds

We believe that there is rationality in the use of funds to be raised by the Disposition of Treasury Shares, as it will contribute to the business operation of the Company.

### 5. Rationality of Disposition Conditions

#### (1) Basis for Calculation of Amount to be Paid and the Details

The disposition price is set at the closing price of the Company's shares on the Tokyo Stock Exchange on July 28, 2016 (the business day immediately preceding the date of Board of Directors' resolution), in order to eliminate arbitrariness in light of recent changes in stock prices.

The disposition price of 923 yen represents a 2.10% premium over the average closing price of 904 yen (rounded down to the nearest yen) for the one month (from June 29, 2016 to July 28, 2016) before the resolution date, a 5.97% premium over the average closing price of 871 yen (rounded down to the nearest yen) for the three months (from May 2, 2016 to July 28, 2016) before the resolution date, and a 7.83% premium over the average closing price of 856 yen (rounded down to the nearest yen) for the six months (from January 29, 2016 to July 28, 2016) before the resolution date. Based on the above, we consider the disposition price for the Disposition of Treasury Shares to be reasonable, as it is in accordance with the Japan Securities Dealers Association's "Guidance Concerning Handling of Allotment of New Shares to Third Party" and is not particularly favorable to the Allottee. (The premiums are all rounded to the second decimal place.)

The Audit and Supervisory Committee (all three members of the Committee serve as Outside Directors) expressed an opinion to the effect that the disposition price does not constitute a particularly favorable amount to the Allottee.

#### (2) Basis for Determining that the Number of Shares to be Disposed and Scale of Dilution are Reasonable

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The number of shares to be disposed is equivalent to the number of shares expected to be distributed to Directors, etc. during the trust term, in accordance with the Stock Distribution Regulations the Company established when introducing these Plans. This accounts for 0.68% of the 20,071,093 shares of the Company issued as of March 31, 2016 (0.70% of 193,688 total voting rights, as of March 31, 2016; the ratios are rounded to the second decimal place), which represents the size of dilution.

The Company believes that these Plans will clarify the linkage between remuneration to its Directors, etc. and its share value, thereby leading to improved corporate value over the medium to long term. Therefore, we determined that the scale of dilution to be caused by the Disposition of Treasury Shares is at reasonable levels.

## 6. Reasons, etc. for Selecting the Allottee

### (1) Overview of Allottee

1) Name Sumitomo Mitsui Trust Bank, Limited (Trust E Account)

### 2) Overview of Trust Agreement

Trustor The Company

Trustee Sumitomo Mitsui Trust Bank, Limited

Sumitomo Mitsui Trust Bank, Limited will conclude a specified comprehensive trust agreement with Japan Trustee Services Bank, Ltd. on August 18, 2016 (planned), thereby Trustee Services Bank, Ltd., the re-trustee, will become the re-trustee.

Beneficiaries Company's Directors and Executive Officers who meet the beneficiary requirements

Type of trust Money held in trust other than cash (third-party-benefit trust)

Date of entering into trust contract August 18, 2016 (planned)

Trust term From August 18, 2016 to the end of August 2018 (planned)

Purpose of trust To distribute the Company's shares to beneficiaries under the Stock Distribution Regulations

### (Reference) Overview of Trustee (As of March 31, 2016)

(1)	Name	Sumitomo Mitsui Trust Bank, Limited
(2)	Location	1-4-1, Maruhouchi, Chiyoda-ku, Tokyo
(3)	Name and title of representative	President Hitoshi Tsunekage
(4)	Business description	Trust business, banking business
(5)	Capital	342,037,174,046 yen
(6)	Date of establishment	July 28, 1925
(7)	Number of outstanding shares	Common stock 1,674,537,008 shares
(8)	Financial year-end	March 31
(9)	Number of employees	(Consolidated) 20,639
(10)	Main business partners	The Bank has a number of business partners as its business expands to various fields.
(11)	Main financing banks	—
(12)	Major shareholders and percentages of ownership	Sumitomo Mitsui Trust Holdings, Inc. 100%
(13)	Relationships between the parties	
	Capital relationship	N/A
	Personnel relationship	N/A
	Transactional relationship	Trust bank transactions
	Status of relationships with related parties	N/A

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(14) Operating results and financial position for the last three years (in million yen; except otherwise specifically noted)			
Financial year-end	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Consolidated net assets	2,278,489	2,568,141	2,542,469
Consolidated total assets	40,178,429	44,070,299	51,613,282
Consolidated net assets per share (yen)	1,181.15	1,419.86	1,404.45
Consolidated ordinary income	1,176,118	1,184,096	1,163,628
Consolidated ordinary profit	244,759	275,040	242,481
Profit attributable to owners of parent	134,427	153,203	140,749
Consolidated net income per share (yen)	77.52	90.11	84.05
Dividends per share (yen) (common stock)	16.88	34.14	32.52

With respect to whether the Allottee is an individual, corporate entity, or other organization that intends to gain economic benefits through the use of violence or force, or by committing fraud or other criminal conduct (“Specified Organizations, etc.”), and whether the Allottee has any relationship with any Specified Organizations, etc., we conducted an investigation based on published information on the website and disclosure documents of the Allottee, Sumitomo Mitsui Trust Bank, Limited, and confirmed that the Bank’s code of conduct included “responding firmly to anti-social forces” and there were no concerns about its efforts. In addition we plan to have the Allottee’s representation that it is not an individual, corporate entity, or any other organization that intends to gain economic benefits by engaging in acts such as making violent or unjustifiable demands beyond its legal responsibility, and assurance that it will not be such in the future, included in the Trust Agreements. Based on these, we determined that the Allottee is not Specified Organizations, etc. and does not have any relationships with Specified Organizations, etc. The Company has submitted a written confirmation of that effect to the Tokyo Stock Exchange.

### (2) Reason for Selecting the Allottee

As a result of a comparison with other trust banks in such aspects as the history of consulting on the Plans and examining other factors in a comprehensive manner, the Company has decided that having Sumitomo Mitsui Trust Bank, Limited as the trustee is most desirable for the Company, and has selected the Trust E Account set at Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Japan Trustee Services Bank, Ltd) for the allotment.

### (3) Allottee’s Policy on Holding Shares

Sumitomo Mitsui Trust Bank, Limited (Trust E Account) (Japan Trustee Services Bank, Ltd. (Trust Account)), the Allottee, will hold shares under respective trust agreements to distribute trust properties such as the Company’s shares to beneficiaries during the trust term in accordance with respective Stock Distribution Regulations applicable to the Directors and the Executive Officers.

The Company expects to obtain written assurance from the Allottee, Sumitomo Mitsui Trust Bank, Limited (Trust E Account) (Japan Trustee Services Bank, Ltd. (Trust Account)), to the effect that the Allottee agrees to the following: if the Allottee assigns all or part of the shares disposed within two years of the disposition date (August 18, 2016), the Allottee shall immediately report to the Company the name and address of the assignee, number of shares assigned, assigned date, assigned price, reason and methods of the assignment, and other details in writing; the Company shall

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report the reported details to the Tokyo Stock Exchange; and the reported details shall be provided for public inspection.

### (4) Confirmation of the Existence of Allottee's Assets Required for Making the Payment

It is confirmed in the Trust Agreements to the effect that money equivalent to the funds required for the Allottee's payment will be held in the trust assets on the date of allotment by way of the initial trust money paid by the Company to the Share Issuance Trust for Directors and the Share Issuance Trust for Executive Officers.

## 7. Major Shareholders and Percentages of Ownership After Disposition

Before disposition (as of March 31, 2016)		After disposition	
Japan Trustee Services Bank, Ltd. (Trust Account)	6.57%	Japan Trustee Services Bank, Ltd. (Trust Account)	7.22%
Maeda Holdings Ltd.	6.19%	Maeda Holdings Ltd.	6.15%
Kosaku MAEDA	5.19%	Kosaku MAEDA	5.15%
J.P.MORGAN BANK LUXEMBOURG S.A. 380578	4.43%	J.P.MORGAN BANK LUXEMBOURG S.A. 380578	4.40%
Kazuo MAEDA	3.72%	Kazuo MAEDA	3.69%
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	3.31%	The Nomura Trust and Banking Co., Ltd. (Investment Trust)	3.28%
MEC Customers' Shareholding Association	2.54%	MEC Customers' Shareholding Association	2.52%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2.30%	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.28%
MEC Employees' Stock Ownership Plan	1.76%	MEC Employees' Stock Ownership Plan	1.75%
Osamu Koshidaka	1.63%	Osamu Koshidaka	1.62%

Notes: 1 Figures in the above table do not include treasury shares held by the Company. The Company's 700,089 treasury shares (as of March 31, 2016) will become 563,914 shares after disposition.

2. The major shareholders and percentages of ownership after disposition only consider changes in the number of shares from the Disposition of Treasury Shares, based on the shareholders' register as of March 31, 2016.
3. The percentages of ownership represent the ratios of shares held to the total number of outstanding shares.
4. The percentages of ownership are rounded to the second decimal place.

## 8. Future Outlook

There will be no impact on the financial results forecasts for the current fiscal year.

## 9. Matters Concerning Procedures under the Company's Code of Conduct

This third-party allotment does not require the acquisition of an opinion from an independent third party or procedures confirming the intent of shareholders, as prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange, based on the following: (i) the dilution rate is less than 25%; and (ii) the disposition does not involve a change in controlling shareholders.

## 10. Business Performance and Equity Finance in the Last Three Years

### (1) Business Performance in the Last Three Years (Consolidated)

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Consolidated net sales	8,003 million yen	9,057 million yen	9,078 million yen
Consolidated operating income	1,421 million yen	2,008 million yen	2,185 million yen

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Consolidated ordinary profit	1,551 million yen	2,129 million yen	2,207 million yen
Net income	925 million yen	1,344 million yen	1,514 million yen

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Consolidated net income per share	46.09 yen	66.98 yen	76.26 yen
Dividend per share	10.00 yen	14.00 yen	18.00 yen
Consolidated net assets per share	511.44 yen	599.85 yen	632.41 yen

### (2) Current number of shares and number of potential shares (as of March 31, 2016)

	Number of shares	Ratio to the number of shares issued
Number of outstanding shares	20,071,093 shares	100%
Number of potential shares at the current conversion price (exercise price)	- shares	-%
Number of potential shares at the minimum conversion price (exercise price)	- shares	-%
Number of potential shares at the maximum conversion price (exercise price)	- shares	-%

### (3) Recent share prices

#### 1) Last three years

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Opening price	510 yen	820 yen	824 yen
High price	1,087 yen	1,376 yen	1,023 yen
Low price	366 yen	647 yen	612 yen
Closing price	802 yen	826 yen	867 yen

#### 2) Last six months

	January	February	March	April	May	June
Opening price	870 yen	848 yen	867 yen	857 yen	759 yen	833 yen
High price	888 yen	888 yen	950 yen	858 yen	885 yen	994 yen
Low price	661 yen	722 yen	845 yen	766 yen	735 yen	800 yen
Closing price	759 yen	877 yen	867 yen	779 yen	832 yen	916 yen

#### 3) Share prices on the business day immediately preceding the date of resolution on the disposition

	July 28, 2016
Opening price	918 yen
High price	925 yen
Low price	916 yen
Closing price	923 yen

#### (4) Equity finance in the last three years

N/A

## 11. Summary of Disposition

- (1) Date of disposition August 18, 2016 (planned)
- (2) Subscription date August 18, 2016 (planned)
- (3) Number of shares to be disposed 136,175 shares
- (4) Disposition price 923 yen per share

Translations

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|---------------------------------------|---|
| (5) Total amount of disposition       | 125,689,525 yen   |
| (6) Method of disposition             | Disposition by allotment to Sumitomo Mitsui Trust Bank, Limited (Trust E Account) (Re-trustee: Japan Trustee Services Bank, Ltd. (Trust Account)) |
| (7) Treasury shares after disposition | 563,914 shares  |

However, changes due to purchasing of shares of less than one unit on and after April 1, 2016, are not included.

End