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Disclosing Information in Line with TCFD Recommendations

February 14, 2024

 **MEC COMPANY LTD.**

Based on Vision for 2030, “Create new value with visionary technology and tackle the challenges of achieving a sustainable society in collaboration with customers,” the MEC Group has identified six material issues that management will address in order to contribute to the creation of a prosperous and enriching society and environment by creating interfacial value through business activities. As a manufacturing company, we regard climate change as an important management issue and have identified “environmental conservation” as one of our material issues. In February 2023, we expressed our support for the TCFD recommendations, and we are promoting activities by disclosing information on the risks and opportunities that climate change poses to our business, as well as the countermeasures we plan to take, in accordance with the recommendations.

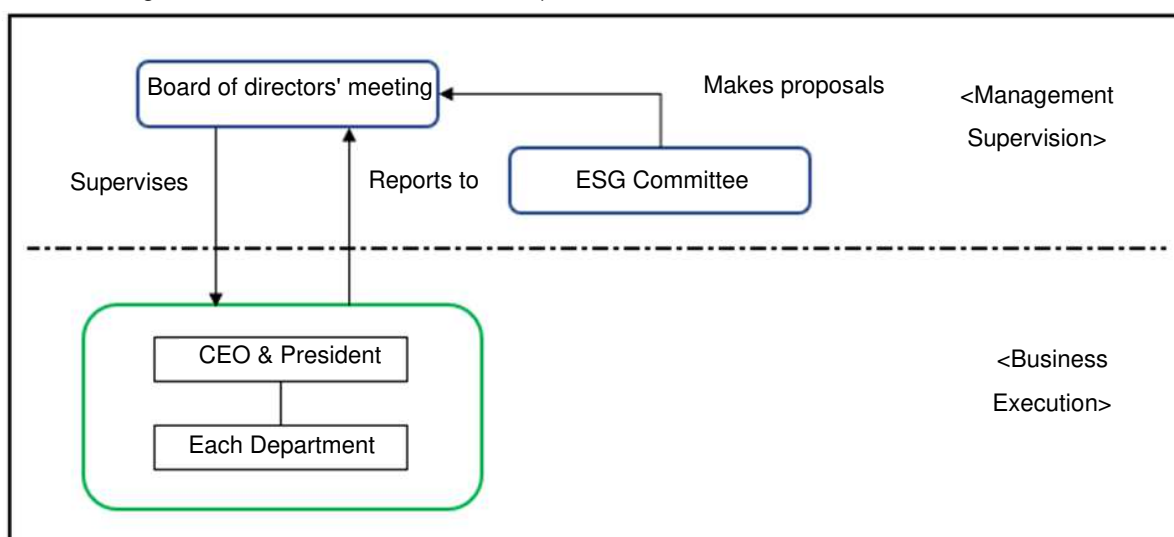
Governance

As an R&D-oriented company, we have positioned climate change as an important management issue and promote activities to curb its effects.

The ESG Committee(*), chaired by the CEO & President, deliberates and formulates the risks and opportunities of climate change surrounding the Company as well as related proposals, which are then submitted to the Board of Directors.

The Board of Directors supervises the effectiveness of the ESG Committee’s recommendations.

(Climate Change-Related Governance Structure)



*ESG Committee

The purpose of the committee is to formulate and propose management strategies (ESG management strategies) to promote corporate governance reform, fulfill social responsibilities, and encourage environmental conservation

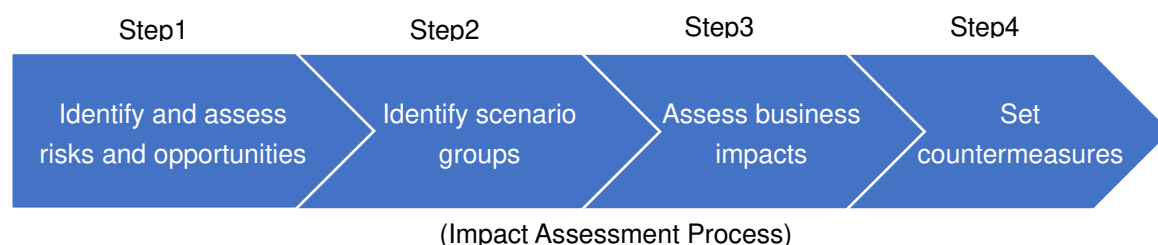
activities in a unified (co-progressive) manner. Based on the recommendations of the committee, the Company has realized a broadening and diversification of its management strategies, creating corporate value over the medium to long term through rich relationships with employees, customers, society, and the natural environment.

The committee is chaired by the CEO & President, and the majority of its members are Independent Outside Directors.

Committee meetings are held about four times a year, and the ESG Promotion Department is in charge of the secretariat.

Strategy

The TCFD requests that companies disclose how risks and opportunities related to climate change will affect their finances. In the TCFD recommendations, climate change-related risks are classified into the categories of “transition risks” and “physical risks.” Based on the recommendations, we set 2030 as our target year and examined risk items. In this process, we identified risk items that are closely related to our business and highlighted particularly serious risks. We strived to understand the environmental issues caused by climate change as well as changes in the business environment and the impact of such changes, and identified risks in the same manner.



(Scenario Analysis Based on Risks and Opportunities)

The Paris Agreement calls for efforts to keep the global average temperature increase well below 2°C above pre-industrial levels, and to limit the increase to 1.5°C.

Using references such as the Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report and the International Energy Agency's World Energy Outlook, we began examining physical and transitional risks associated with business management based on a “scenario based on current policies,” “below 2°C scenario,” and “1.5°C scenario” around 2030. In the “1.5/2°C scenarios,” where climate change measures are progressing, policy regulations are strengthened to achieve carbon neutrality, and society as a whole proactively takes measures to combat climate change. In these scenarios, demand for environmentally-friendly products is expected to increase, opportunities for new markets are created,

and production and raw material procurement costs are expected to rise due to the introduction of a carbon tax.

In the “4°C scenario,” decarbonization measures are not sufficiently promoted, increasing the possibility of being impacted by more frequent and severe natural disasters such as floods.

In assessing risks and opportunities related to climate change, we considered their relative importance to our company and stakeholders. The timing of occurrence is defined as either “medium term,” which is up to 2030, the final year of the medium-term management plan (Phase 3), or “long term,” which is from 2031 onward. The degree of impact is in terms of the frequency of occurrence and monetary impact, and is evaluated as “small,” having little to no impact, “medium,” having a partial impact on business, or “large,” being serious enough to stop or significantly shrink or expand business.

■ List of Assumed Risks Regarding Climate Change

Transition	Technology	<ul style="list-style-type: none"> • Increased production costs • Delayed development for environmentally friendly products • Increased investment costs for development of environmentally friendly products
	Policies/Regulations	<ul style="list-style-type: none"> • Increased operating costs due to the introduction/expansion of carbon tax • Difficulty in procuring raw materials and restrictions/prohibitions regarding production and sales of raw materials/products in accordance with laws and regulations in each country
	Market	<ul style="list-style-type: none"> • Decreased demand for commodities that use large amounts of water
	Reputation	<ul style="list-style-type: none"> • Deterioration of corporate brand and reputation due to stricter evaluation standards and delays in responding to the expansion of disclosure requirements
Physical	Acute	<ul style="list-style-type: none"> • Increased frequency/severity of abnormal weather/natural disasters
	Chronic	<ul style="list-style-type: none"> • Instability regarding supply of water, electricity, raw materials, and natural resources

Risks considered to be particularly important from the above table and risk list are shown in the following table.

■ Risks Related to Climate Change (Below 1.5/2°C Scenarios) Risks Related to the “Transition” to a Low-Carbon Economy

Assumed Risks			Company Response	Degree of Impact			Timing of Occurrence	
				Small	Medium	Large	Medium Term	Long Term
Transition	Technology/Market	Decreased sales due to customers changing their production processes to make them more environmentally friendly and our Company being unable to follow suit	<ul style="list-style-type: none"> • Early collection of market needs • Preemptive development of environmentally friendly products • Enhance SCM 		○	○	○	○
	Policies/Regulations	<ul style="list-style-type: none"> • Decreased sales due to difficulty in procuring raw materials and restrictions/prohibitions regarding production and sales of raw materials/products in accordance with laws and regulations in each country 		○			○	○
		Increased operating costs due to the introduction/expansion of carbon tax		○			○	○

■ Risks Related to Climate Change (Below 4°C Scenario) Risks Related to “Physical” Changes

Assumed Risks			Company Response	Degree of Impact			Timing of Occurrence	
				Small	Medium	Large	Medium Term	Long Term
Physical	Acute	Decreased sales due to suspension of operations at business sites and factories as a result of increasingly severe and frequent abnormal weather and natural disasters, and suspension of purchases and shipments due to transportation network interruptions	<ul style="list-style-type: none"> • Maintain and strengthen alternative production systems • Enhance SCM • Develop/strengthen BCPs (Flexible work systems, etc.) 		○	○	○	○

Opportunities arising from the environmental issues and changes in the business environment caused by climate change, as well as the impact of such changes, are shown in the table below.

■ Opportunities Related to Climate Change

Assumed Opportunities			Company Response	Degree of Impact			Timing of Occurrence	
				Small	Medium	Large	Medium Term	Long Term
Transition	Resource	Increased sales of environmentally friendly products due to progress in DX/GX	<ul style="list-style-type: none"> • Early collection of market needs • Preemptive development of environmentally friendly products 		○	○	○	○
	Applications/Products/Services	Increased sales due to growth and development of the semiconductor and digital industries along with progress in DX/GX, and due to expansion of demand for electronic components related to the Company resulting from an expansion of areas applying AI technology			○	○	○	○

Risk Management

The Company's TCFD Study Team is identifying "risks and opportunities" related to climate change, working to recognize them in cooperation with related departments. The ESG Committee and other organizations discuss and decide upon measures to deal with key risks identified through the assessment process.

Metrics and Targets

Our Group has set the following two qualitative objectives for 2030 as a response to climate change issues related to environmental conservation.

- Earnestly address global environmental issues for the sustainable growth of society
- Reduce energy use and work toward net zero emissions

More specifically, we set the following CO₂ reduction target.

- Reduce actual total Scope 1 and 2 emissions in Japan by 50% by FY2030 (base year: FY2017)

Trends in Our Group's CO₂ Emissions

■ Scope 1 and 2 CO₂ Emissions (t-CO₂)

	Year Ended December 31, 2017	Year Ended December 31, 2021	Year Ended December 31, 2022
- Japan			
Scope1·2	1,364	1,345	1,422
Total (Japan)	1,364	1,345	1,422
Compared to the year ended December 31, 2017		-1.3%	+4.4%
- Overseas			
Scope1·2	-	-	949
Total (Overseas)	-	-	949
Annual	1,364	1,345	2,371

(Note) CO₂ emissions related to Scope 1 (fuels) and Scope 2 (electricity and heat) have been calculated for the entire Group since FY2022. We plan to disclose the reduction targets for the entire Group once they have been established.

■ Scope 3 CO₂ Emissions (t-CO₂)

Category	Item	Year Ended December 31, 2022
Category 5	Waste generated in operations	176
Category 6	Business travel	39
Category 7	Employee commuting	117
Annual		332

(Note 1) Regarding CO₂ emissions related to Scope 3, the Company's Category 5, 6, and 7 emissions in Japan were calculated based on FY2022 results.

(Note 2) The calculation covers only our Company.

(Note 3) Calculations were carried out using the "Database of Greenhouse Gas Emissions Intensity for Organizations Throughout the Supply Chain (Ver. 3.3)" published by the Ministry of the Environment.