

Responding to Climate Change Issues and Disclosing Information in Line with TCFD Recommendations

MEC COMPANY LTD. has conducted climate scenario analyses to better understand the potential physical and transitional impacts of climate change.

In our analyses, we considered a variety of future scenarios, including the under 2°C scenario, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

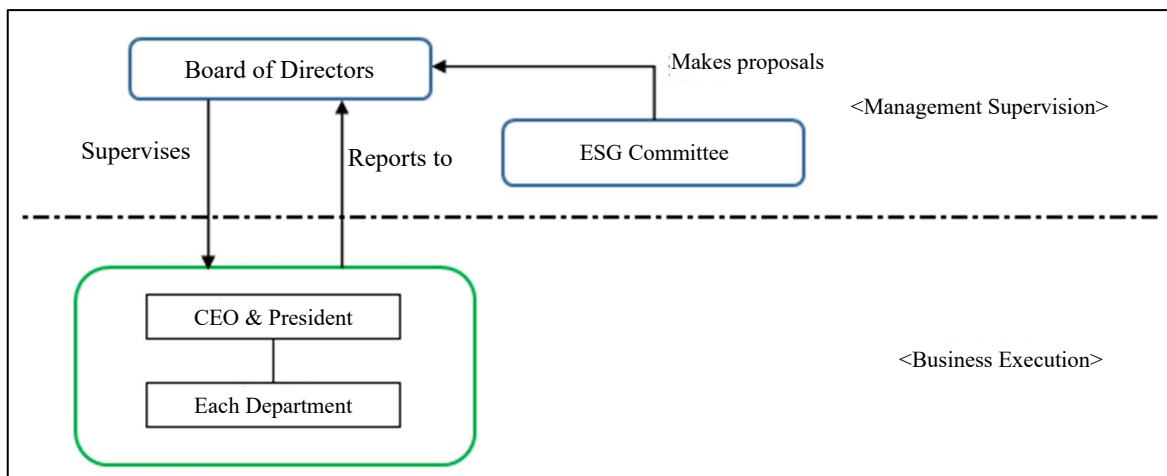
Governance

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.

(Governance Structure)



*ESG Committee

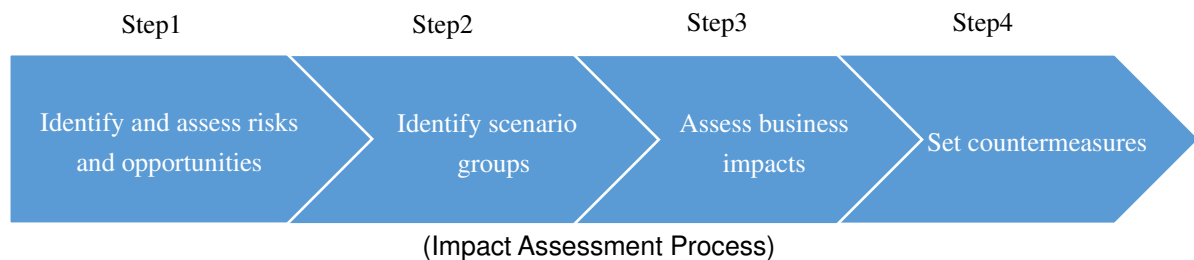
The purpose of the committee is to formulate and propose management strategies (ESG management strategies) to promote corporate governance reform, fulfill social responsibilities, and encourage environmental conservation activities in a unified (co-progressive) manner. Based on the recommendations of 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. The ESG Promotion Department is in charge of the secretariat.

Strategy

We strive to understand the various risks and opportunities arising from environmental issues caused by climate change as well as changes in the business environment and the impact of such changes. Moving forward, it will be necessary to respond to technological changes and stricter regulations resulting from the transition to a low-carbon society. In addition, natural disasters such as typhoons and floods are expected to become more frequent and severe.

In order to appropriately respond to these environments, we have identified risks and opportunities related to climate change, making specific note of particularly important risks and opportunities.



(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 "below 2°C" and "1.5°C" scenarios, where climate change measures are progressing, it is expected that

demand for environmentally friendly products will increase and opportunities will be created for new markets, though production and raw material procurement costs will increase due to the introduction of a carbon tax, etc.

On the other hand, if climate change measures are not sufficient, the possibility of the effects of more frequent and more severe natural disasters such as floods will increase.

(List of Risks)

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"> • Increase in material prices due to the introduction/expansion of carbon pricing (low financial impact) • 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 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/Opportunities and Response)

Risk	Key Risks		Key Opportunities	Company Response
Transition	[Technology]	<ul style="list-style-type: none"> • Delayed development for environmentally friendly products 	<ul style="list-style-type: none"> • Increase in sales of environmentally friendly products • Increased profits from sales of environmentally friendly products 	<ul style="list-style-type: none"> • Early collection of market needs • Preemptive development of environmentally friendly products
	[Policies/Regulations]	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Increase in profitability by entering into and expanding new markets with low-carbon (carbon-neutral) products 	
Physical	[Acute] Increased frequency/severity of abnormal weather/natural disasters	<ul style="list-style-type: none"> • Illnesses • Production stoppages due to damage to the supply chain (Supply uncertainty, supply liability) • Decline in operating capacity at business sites (Supply liability) • Instability of supply of natural resources 	<ul style="list-style-type: none"> • Increased credibility through a stable supply of products/services 	<ul style="list-style-type: none"> • Maintain and strengthen alternative production systems • Enhance SCM • Develop/strengthen BCPs (Flexible work systems, etc.)

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

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.

Moving forward, we plan to link climate change assessment indicators and their material issues in detail, and disclose the collection, results, and target values of greenhouse gas emissions, etc.

In addition, we calculated and disclosed Scope 1 (fuels) and Scope 2 (electricity and heat) GHG Protocols as CO₂ emissions related to our Company in our Sustainability Report 2022.