

Environment

Report on environmental conservation

The Company develops, manufactures, and sells chemicals for manufacturing electronic substrates. Recognizing that our business activities consume energy and resources, we will work to reduce the environmental burden.

In addition to complying with environmental laws and regulations related to business activities, we provide products that take into consideration energy conservation measures, waste reduction, proper management of chemical substances, and product life cycle. The aim is to make effective use of resources, prevent pollution, and conserve the environment.

Relationship between business activities and the environment

We make efforts to grasp the amount of energy and resources consumed in our business activities, the amount of CO₂ emitted, the amount of wastewater discharged, and the amount of industrial waste discharged. KPI will be set based on the materiality issues described in our Company's 2030 Vision (Phase 1).

Offices in Japan

INPUT		
Energy	Electricity consumption	3,616 thousand kWh
	City gas usage	4,926 m ³
	Gasoline usage (using company-owned vehicles)	4.95 kL
	Kerosene (heating of manufacturing sites)	14.9 kL
	Light oil (snowplow)	0.340 kL
Resource	Water usage	41,194 m ³
	Number of containers purchased	20-liter poly can 134 thousand units
		200-liter poly drum 27.8 thousand units
		1,000-liter plastic IBC* 4.49 thousand units
Chemical substances	Of which the volume of PRTR target	18 chemicals 324 t

*IBC: Intermediate Bulk Container

OUTPUT	
Air emission	Amount of CO ₂ emissions (volume of GHG emission: Scope 1, 2) 1,345 t-CO ₂
Discharge to sewage	Amount of wastewater 24,969 m ³
	COD 1.45 t
Waste	Industrial waste emissions 336 t
	Of which amount of final waste disposal 55.7 t

Offices in Japan

Office name	INPUT						
	Electricity consumption	City gas usage	Gasoline usage (company-owned car)	Kerosene (heating of manufacturing sites)	Light oil (snowplow)	Water usage	Volume of PRTR target
Amagasaki HQ. (Amagasaki Factory)	981 thousand kWh	—	295 L	—	—	8,767 m ³	184 t
Nagaoka Factory	653 thousand kWh	1,940 m ³	303 L	14.9 kL	0.340 kL	23,418 m ³	111 t
Nishinomiya Factory	259 thousand kWh	2,986 m ³	Included in Amagasaki Factory	—	—	1,661 m ³	3.1 t
Amagasaki HQ. (R&D Center)	821 thousand kWh	—	776 L	—	—	6,530 m ³	25.6 t
Higashi-hatsushima R&D Center	400 thousand kWh	—	27 L	—	—	817 m ³	
Amagasaki HQ. (Head Office)	479 thousand kWh	—	930 L	—	—	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	—
Tokyo Sales Office	22.5 thousand kWh	—	2,382 L	—	—	—	—

OUTPUT					
Production volume	Amount of CO ₂ emissions	Amount of wastewater	COD	Industrial waste emissions	Of which amount of final waste disposal
3,861 t	313 t-CO ₂	6,688 m ³	0.137 t	Included in Amagasaki HQ. (R&D Center)	Included in Amagasaki HQ. (R&D Center)
17,993 t	383 t-CO ₂	11,144 m ³	0.990 t	95.0 t	2.57 t
704 t	88.6 t-CO ₂	1,329 m ³	0.230 t	23.1 t	3.82 t
—	263 t-CO ₂	4,991 m ³	0.091 t	206 t *	47.7 t *
—	127 t-CO ₂	817 m ³	0.005 t	12.4 t	1.60 t
—	155 t-CO ₂	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	—	—	—
—	15.4 t-CO ₂	—	—	—	—

* Calculated for the entire Amagasaki HQ.

Global base

MEC FINE CHEMICAL (ZHUHAI) LTD.	
INPUT	
Electricity consumption	227 thousand kWh
Water usage	11,079 m ³
OUTPUT	
Production volume	5,963 t
Amount of wastewater	4,620 m ³
Industrial waste emissions	98.4 t

MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY LTD.	
INPUT	
Electricity consumption	469 thousand kWh
Water usage	18,604 m ³
OUTPUT	
Production volume	8,521 t
Amount of wastewater	1,405 m ³
Industrial waste emissions	87.4 t

MEC TAIWAN COMPANY LTD.	
INPUT	
Electricity consumption	480 thousand kWh
Water usage (Excluding groundwater)	2,723 m ³
OUTPUT	
Production volume	8,350 t
Amount of wastewater	6,988 m ³
Industrial waste emissions	40.6 t

MEC EUROPE NV.	
INPUT	
Electricity consumption	75 thousand kWh
Gas usage	31,280 m ³
Water usage (For manufacturing)	2,450 m ³
OUTPUT	
Production volume	2,344 t
Amount of wastewater	415 m ³
Industrial waste emissions	42.5 t

MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.	
INPUT	
Electricity consumption	143 thousand kWh
Water usage	6,353 m ³
OUTPUT	
Production volume	490 t
Amount of wastewater	642 m ³
Industrial waste emissions	27.7 t

ENVIRONMENTAL ACCOUNTING FOR FY2021 (Information on offices in Japan)

We use environmental accounting to calculate cost (expense) and effect (quantity) as a mechanism to quantitatively evaluate our environmental conservation efforts.

Table Environmental conservation cost in FY2021

Environmental conservation costs in fiscal 2021 totaled 1,866,892 thousand yen. 57% of this amount was used for pollution prevention costs. This is due to the large depreciation cost of wastewater treatment equipment at the Higashi-Hatsushima Research Institute, which was restarted in April 2020. Upstream and downstream costs associated with the collection of used containers and outsourcing of container cleaning were less than 1%, but increased approximately 0.7 million yen from fiscal 2020.

Development standards

- Data gathering period: 12 months from January to December 2021.
- Scope: MEC CO., LTD. [Amagasaki HQ. (Head Office / R&D Center / Amagasaki Factory), Nishinomiya Factory, Nagaoka Factory, Tokyo Sales Office, Higashi-hatsushima R&D Center.]
- "Environmental conservation cost" only targets cost whose objectives are clearly related to environmental conservation activities.
- "For the research and development cost", costs which can be categorized into themes are individually processed, while costs which cannot be directly categorized are distributed in proportion based on theme-specific work hours.
- "The amount of the cost" includes depreciation costs and maintenance and management costs of facilities, as well as labor costs which are used for the purpose of environmental conservation.

Category	Main activities	Cost (Thousand yen)
(1) Cost within business areas		1,005,976
1. Cost of preventing pollution	Maintenance and management of wastewater treatment facilities, prevention of water contamination, etc.	973,240
2. Cost of protecting the global environment	Energy conservation measures	0
3. Resource recycling cost	Cost of outsourcing the disposal of industrial wastes	32,735
(2) Upstream and downstream costs	Cost of outsourcing work to collect containers and wash them, etc.	7,001
(3) Management activity cost	Cost of maintaining and operating environmental management systems, cost of planting plants around business sites	8,295
(4) Research and development cost	Research and development of products with lower environmental load	745,453
(5) Cost of social activities	Global environment conservation activities, etc.	1,753
(6) Cost of responding to environmental damage	Not applicable	0
Total		1,768,477

Item	Amount (Thousand yen)	Item	Amount (Thousand yen)
Total amount of investment during the applicable period	338,832	The monetary amount of valuable goods sold in regards to (1)-3	2,474
Total cost of research and development during the applicable period	1,323,746	The monetary amount of valuable goods sold in regards to (2)	0
		Other (solar power generation) sold amount	4,959

Table Environmental conservation effects in FY2021

The environmental conservation effect is expressed based on the change in the absolute amount from the previous year (FY2020 conversion). Primary units (the amount per ton of production) are also used for some indexes. We are continuing to be actively involved in environmental conservation activities based on the recognition that one of our important missions is to reduce environmental loads.

Category of environmental conservation effects	Environmental performance index	Value of the index (amount)	Comparison from the last fiscal year	Value of the index (intensity)	Comparison from the last fiscal year
(1) Effects in response to costs within the business areas					
Effects in regards to the input of resources into business activities	Amount of electricity input	3,616 thousand kWh	+318 thousand kWh	160 kWh/t	-13.7 %
	Amount of city gas input	4,926 m ³	+ 90.0 m ³	0.22 m ³ /t	-19.8 %
	Amount of water input	41,194 m ³	+ 2,982 m ³	1.8 m ³ /t	-15.1 %
Effects in regards to the environmental load of business activities and associated wastes	Amount of CO ₂ emissions	1,345 t-CO ₂	+ 132 t-CO ₂	60 kg-CO ₂ /t	-12.7 %
	Amount of COD emissions	1.45 t	+ 0.64 t		
	Total amount of industrial waste emissions	336 t	- 29.2 t		
(2) Effects corresponding to the upstream and downstream costs					
Effects in regards to assets and services produced from business activities	Number of reused containers (total number)	Plastic containers	63.6 thousand units	+ 10.8 thousand units	
		Plastic drums	4.94 thousand units	+ 1.52 thousand units	
		Plastic IBC	6.71 thousand units	+ 1.08 thousand units	

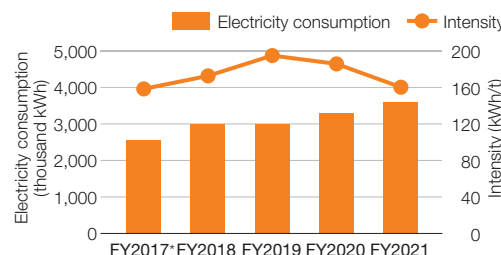


Electricity consumption, water usage and discharge status in Japan

Electricity consumption

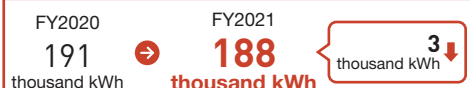
Three plants were in operation, namely Amagasaki, Nagaoka, and Nishinomiya, but the Nishinomiya Plant stopped operating at the end of 2021. In fiscal 2022, we began operating two plants. We believe that the increase in electricity consumption is necessary to increase the manufacturing volume, operate three factories, and improve the working environment. However, in order to reduce the environmental burden as much as possible, we generate electricity from sunlight on the roof of the Amagasaki Headquarters.

Electricity consumption



*Since FY2017 is a period of 9 months, the figure is calculated after converting it to 12 months.

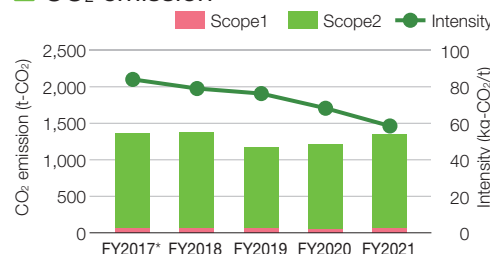
Solar power generation (Amagasaki Headquarters)



CO₂ emission

We have calculated the GHG protocol Scope 1 (fuel) and Scope 2 (electricity and heat) as CO₂ emissions. Scope 2 (electrical) accounts for 96%.

CO₂ emission



*Since FY2017 is a period of 9 months, the figure is calculated after converting it to 12 months.

CO₂ emission



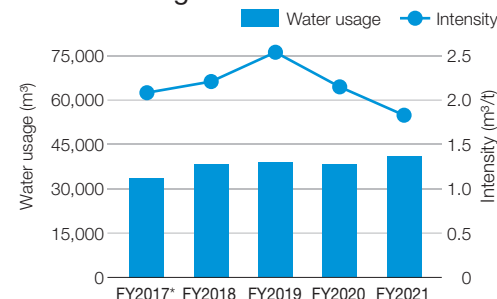
Water usage and amount of wastewater

Because water is a key ingredient in our Company products, we cannot reduce the amount of water used as the ingredient. We understand the amount of water used and are aware that we use a large amount not only in our raw materials but also in our manufacturing facilities, container cleaning, and substrate processing lines in our R&D activities. For this reason, we are working to reduce the number of times equipment is cleaned, to introduce automatic container-cleaning equipment, and to

reduce wasteful use in substrate processing line work.

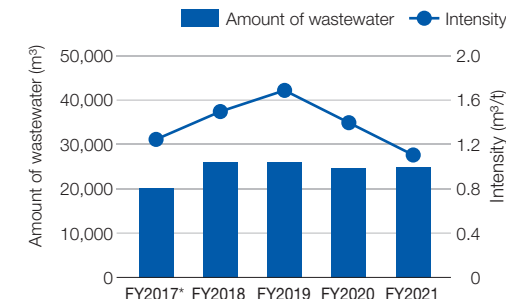
Water used in manufacturing and R&D operations is treated in wastewater treatment facilities, and wastewater treated in line with the regulated standards is discharged into the sewerage system. We strictly control the drainage so that it does not spill out while exceeding the standard value. In fiscal 2021, there were no wastewater discharges that exceeded the standard values.

Water usage



*Since FY2017 is a period of 9 months, the figure is calculated after converting it to 12 months.

Amount of wastewater



*Since FY2017 is a period of 9 months, the figure is calculated after converting it to 12 months.

Water usage



Amount of wastewater



Efforts for reuse of plastic containers

On April 1, 2022, the Law Concerning the Promotion of Recycling of Plastic Resources (the Law for the Promotion of Recycling of Plastic Resources) was promulgated. The Company uses plastic containers such as plastic containers, plastic drums, and containers to put its chemicals in. As a company that uses and discharges plastic products, we are working to reduce plastic emissions through our supply chain.

After the chemical solution is used by the customer, the container is no longer needed and is subject to disposal. We collect and reuse plastic containers in order to make effective use of limited resources without waste. Containers collected from customers are sorted to determine whether they

can be reused. Containers that can be reused are cleaned and reused by our Company and contractors.

Customers in Japan are cooperating with this initiative, but the percentage of plastic drums shipped overseas is particularly high at 79.0%, the recovery rate is low at 21.7%, and the reuse rate is 68.1%, which is lower than other containers. The recovery rate of plastic cans was 42.3% and the reuse rate was 78.1%. Although the number of customers who receive delivery in plastic IBC is limited, the domestic shipment rate is as high as 63.4%, the recovery rate is 60.5%, and the reuse rate is 98.5%, and these tend to be higher than for other containers.

Proper disposal of wastes

The amount of industrial waste discharged in fiscal 2021 was 336 tons, a decrease of 29.2 tons (8.0%) from fiscal 2020. Of this amount, specially controlled industrial waste amounted to 152 tons, an increase of 34.4 tons (up 29.3%) from fiscal 2020. The final amount of disposed industrial waste was 55.7 tons (recycling rate: 83.5%). We started collecting data on the final disposal amount from FY2018, and FY2020 was almost the same as FY2018 and FY2019.

We also sort metals and sell them as valuables, and no metal is discarded as waste metal. Going forward, we will strive to curb the generation of waste, and make efforts to reduce our environmental burden by thoroughly separating and recycling the generated waste.



Social

Report on sociality

Relationship with Customers

Management of chemical substances in products

We work hard so as to prevent unintentional contamination of products with substances that should not be included in them (prohibited substances) based on laws and regulations, industry standards, and requests from customers.

We will continue to promote appropriate management of chemical substances contained in products with the cooperation of our suppliers as well as within the Company.

Policy on chemical substances contained in products

- ① Prevent environmental pollution, reduce environmental load, reduce waste, and promote recycling
- ② Promote the development and improvement of environmentally friendly (less harmful) products
- ③ Comply with environmental laws and regulations and other requirements
- ④ Collect and disclose the latest information, and thoroughly ensure safety management

Management and Response Regarding Chemical Substance Control Information in Each Country

Because our Company's products and raw materials are chemical substances, they are subject to various domestic and international regulations.

In Japan, there are various related regulations such as the Law Concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., the Industrial Safety and Health Law, and the Fire Service Law. When exporting or importing, for example, if exporting to or from the EU, it is necessary to comply with REACH Regulation^{*1}, and if exporting to or from the U.S., it is necessary to comply with TSCA^{*2}. As the requirements of the regulations are revised according to the situation, we use the database of laws and regulations to collect and respond in a timely manner to prevent violations.

^{*1} Abbreviation for Registration, Evaluation, Authorization and Restriction of Chemicals and legislation on control of chemicals within the European Union

^{*2} Abbreviation for the Toxic Substances Control Act, which regulates the production and import of hazardous chemicals in the United States

Product safety system

We are developing products that take into account the need to eliminate highly toxic and dangerous substances from the design stage as much as possible.

In order to ensure the safe use of our products, we provide necessary information in accordance with regulations, such as labeling and safety data sheets (SDS). We also provide detailed explanations in technical materials and others.

The PRTR System* Handling of target substances

Among the chemical substances we use, there are some subject to the PRTR system where we should report to the Ministry of Economy, Trade and Industry on the amount of emissions to the environment. Each factory and R&D Center uses substances while properly managing them.

In 2021, the Ministry of Economy, Trade and Industry revised the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management. We are working to respond to changes in internal controls and SDS descriptions in accordance with the contents of these revisions.

*A system by which administrative agencies grasp, summarize, and publish the amount of chemical substances released to the environment or contained in waste that goes outside the workplace based on companies' business reports and estimates.

Implementing a customer satisfaction survey

We carry out a satisfaction survey once a year on major customers that use our products a lot. This allows us to directly know their requests and dissatisfaction, utilize them for future product sharing, technical support, and in-house new product development, and strive to further satisfy them. We respond to requests and dissatisfaction in order from the ones that can be resolved.

Survey items

- Product / technical support, Order support / counter support / after-sales service / price, Delivery dates / packing status, Environmental support

The average overall evaluation

FY2020	FY2021
4.4 out of 5 points	4.8 out of 5 points

Survey measures for chemical substances contained in products

Because our Company products are subject to chemical substance-related regulations, each year we receive 300 to 500 replies to chemical substance surveys we have conducted on our customers to ensure that the chemical substances contained in our products do not violate applicable regulations.

In fiscal 2021, we received approximately 300 surveys and responded appropriately.

Proposals for products that reduce environmental impact

We are introducing new chemicals and equipment that reduce the amount of chemicals and wastewater used in our Company products currently in use, and working to help customers reduce their environmental impact. In introducing our products, we make proposals tailored to the needs of our customers through technical exchange meetings and web meetings. However, we did not reach our initial targets due to factors such as increased demand for existing products owing to the shortage of semiconductors in recent years (a decrease in opportunities to evaluate products that can contribute to reducing environmental impact) and fewer opportunities to introduce our products due to the COVID-19 pandemic. We will continue our efforts to reduce the environmental impact of our customers.

Relationship with Suppliers

Basic idea of raw material procurement

When purchasing raw materials, we select suppliers based on clear criteria such as quality, cost, delivery time, and technical capabilities. We also attach great importance to the environmental conservation efforts of our suppliers.

When purchasing raw materials, we confirm the dangers and hazards while also complying with laws and regulations and protecting the environment.

In order to provide better products to our customers, we regularly evaluate the performance of our suppliers every year. We asked major suppliers to confirm whether the requirements received from us were appropriate and point out what we should improve. In FY2021, we will start to work on the points to be improved that were pointed out and build a stronger relationship of trust with our suppliers.

Number of
performance
evaluations
in FY2021

9 cases

Promotion of RBA (Responsible Business Alliance)-related initiatives

With the aim of promoting socially responsible activities and achieving continuous growth together with our suppliers, we also ask them to fulfill CSR and have business continuity plans (BCP*) and asking for a consent form, in accordance with the above-mentioned RBA Code of Conduct.

Responding to "White Logistics Movement"

We support White Logistics, a social movement that aims to improve the productivity of truck transportation and improve the efficiency of logistics, as well as to create a more pleasant working environment (called a "white" working environment in Japan), and are undertaking various initiatives.

Response to conflict minerals

Because minerals illegally mined in some conflict areas in Africa are providing sources of funds for armed groups and other people, the international community avoids using minerals produced in these conflict areas.

The Responsible Minerals Initiative, which calls for non-use of conflict minerals in products, is also an important theme. To prevent the target minerals from being used in our products, we have built an internal system, carry out traceability surveys, and thoroughly monitor them from the stage of purchasing raw materials.

In recent years, cobalt has also been required to be treated as a conflict mineral.

Relationship with local Communities

Sponsoring an online social study site

We supported and endorsed the objectives of the online social studies site "Shigoto no Tobira" (literally Door to Work)*, which is a joint project of Gakken Kids Net, a content portal site for elementary and junior high school students, and Kids Challenge Expo, which aims to revitalize local communities through education and industry. The Company's articles and videos have been published.

**"Shigoto no Tobira" is a project that aims to help children learn about society and the jobs they want to do in the future through videos and article content. This program aims to help elementary and junior high school students feel "work" and "society" firsthand, learn about the system, and think about their future voluntarily through interviews with employees and understanding the conditions of factories and workplaces of companies nationwide.

Contributing to society through donations

Donations are made through the Japanese Red Cross Society and other organizations to support disaster areas in the event of a large-scale disaster.

The most recent donation was made for humanitarian crisis response in Ukraine.

MEC's activities related to forests

As a manufacturer of chemicals for electronic substrates, we use large quantities of water in our business activities.

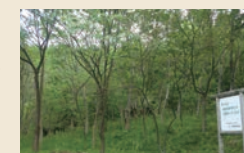
In the belief that we could make a contribution to the local community and environment, we grow forests to create water sources which will help to prevent global warming. We are growing forests in Nagaoka City, Niigata Prefecture, where our Nagaoka Factory is located, and also in Amagasaki City, Hyogo Prefecture, where our headquarters is located.

Employees and their families participate in these activities under the guidance of local governments. In fiscal 2021, employees continued to refrain from conducting maintenance activities to reduce the risk of the COVID-19 infection. However, the necessary maintenance was carried out with the cooperation of the forest association and others.

 **MEC's Forest Building** → <https://www.mec-co.com/en/special/forest/>



Amagasaki MEC Forest



Nagaoka MEC Forest

Together with Local Communities

The Amagasaki Plant is designed to minimize damage from possible earthquakes, tsunamis, etc., based on hazard maps published by local governments. In addition, we provide more food, beverages, and other items to prepare for emergencies than necessary. For this reason, we provide guidance to neighboring municipalities so that they can be used as temporary evacuation centers in the event of a natural disaster. In fiscal 2021, we were unable to implement the drill because of the COVID-19 pandemic, but once a year, we carry out evacuation drills at neighborhood nursery schools by providing the site as an evacuation site.

Relationship with shareholders / investors

Holding general meeting of shareholders

We set a date for our General Meeting of Shareholders, which is a place for direct communication with shareholders, so that it avoids many general meetings of shareholders being held at the same time. We send out the notice of convocation of the General Meeting of Shareholders at an early stage, utilize exercise of voting rights via the Internet, and post the convocation notice in Japanese and English on our website. In these ways, we are working to facilitate the exercise of voting rights by our shareholders.

At the 53rd Ordinary General Meeting of Shareholders held in March 2022, we submitted proposals 1 through 6 as matters to be resolved, and each of these proposals was approved.

 **General meeting of shareholders** → <https://www.mec-co.com/en/ir/general-meeting/>

Financial results briefing session, seminar for investors and analysts (briefing session)

We hold financial results briefing sessions for institutional investors and analysts, have technical seminars, and hold meetings with domestic and overseas institutional investors and analysts. We also hold company briefing sessions for shareholders, have seminars for individual investors, and exhibit at exhibitions. Thus, we are working to enhance the environment for communicating with shareholders and investors. The opinions and questions obtained through these forms of communication are reported to the management as appropriate.

In FY2021, we utilized the Web conferencing system and telephone conferences to hold financial results briefing sessions (4 times) and meetings (about 200 times in total) as appropriate to continue communication.

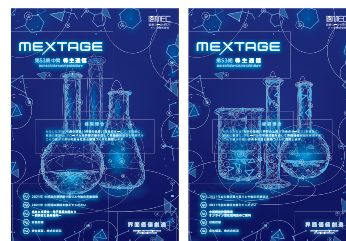
We also hold an online briefing for individual investors, and a summary of the briefing is posted on our website.

 **IR Library** → <https://www.mec-co.com/en/ir/library/>

Communication with shareholders

In order to deepen understanding of the Company, we hold company briefing sessions after the General Meeting of Shareholders and issue a shareholder newsletter (twice a year). We will carry out a shareholder questionnaire in the shareholder newsletter, and utilize the feedback we receive when we disseminate information, create a magazine, and conduct business activities.

In fiscal 2021, we live-streamed a briefing session where the president walked through our financial results, business overview, and future outlook and then answered questions we had received in advance.



Shareholder communication

 **Investor Relations** → <https://www.mec-co.com/en/ir/>

Relationship with employees

Working environment

The premise of our Company is respect for human rights, and we clearly state that treatment that ignores human rights, such as child labor and forced labor, is strictly prohibited. When hiring people, we check their age with official documents and make strict rules to ensure there is no dishonesty.

Preventing Harassment and Discrimination

We distribute the "Labor and Ethics Guidelines" prepared based on the RBA Code of Conduct, which is a code of conduct for the electronics industry, to all officers and employees to raise awareness of the need for harassment prevention. At the same time, we are working to prevent harassment by posting the guidelines in our in-house database, disseminating specific cases of harassment, and providing training.

The guidelines also state that we will not discriminate in terms of employment, promotion, or salary increases based on nationality, place of origin, gender, sexual minority (LGBTQ+), etc.

Changes in the number of employees

MEC proactively recruits highly capable personnel, through hiring new graduates and mid-career entrants, as well as concluding direct employment contracts with temporary workers. Our employee retention rate has been constantly at a high level.

		FY2017	FY2018	FY2019	FY2020	FY2021
Employees, fixed-term employees ^{*1}	Male (persons)	145	160	163	159	165
	Female (persons)	58	64	67	68	71
Part-timers, etc. (Average of the year)	Male (persons)	0	0	0	0	0
	Female (persons)	2	1	1	1	1
Total	Male (persons)	145	160	163	159	165
	Female (persons)	60	64	68	69	72
		205	224	231	228	237
Average age	Male (years old)	41.4	41.1	41.8	42.0	42.3
	Female (years old)	42.7	42.8	42.8	42.5	42.7
Average years of service	Male (years)	12.5	11.9	12.5	12.7	12.6
	Female (years)	13.2	12.4	12.7	12.8	13.1
Average annual salary ^{*2}	(Thousand yen)	6,972	7,037	6,990	7,227	7,610
Number of newly hired employees ^{*3}	Male (persons)	9 (3)	16 (13)	10 (7)	5 (3)	15 (13)
	Female (persons)	1 (1)	9 (9)	6 (5)	6 (5)	6 (5)
	Total ^{*4}	10 (4)	25 (22)	16 (12)	11 (8)	21 (18)

^{*1} Officers and loaned staff not included ^{*2} Includes bonuses and non-standard wages

^{*3} Figures in parentheses indicate the number of mid-career employees

^{*4} Include the concluded direct employment contracts with temporary staff members, etc.

Employee turnover rate

Employee turnover rate in fiscal 2021 was 3.3% in total (those who retired are not included). On a gender basis, 3.0% (5 persons) of male employees and 4.1% (3 persons) of female employees left the Company. [Fiscal 2020 results: 5.7% in total, 5.6% (9 persons) for male, 5.7% (4 persons) for female.]

Relationship with employees

Acquisition of paid holidays

In FY 2021, the rate of taking paid leave was 59.6%. Due to revisions to the Labor Standards Act, each employee is required to take five days of paid leave, but all employees are taking it appropriately. The rate of taking such leave was 61.6% in FY2020. One of the reasons for the decrease in this rate is that the introduction of the telecommuting system and flextime system has made the working hours more flexible.

Annual days taken per person

FY2020 10.7 days → FY2021 10.5 days

Overtime management

To ensure that overtime work per month does not exceed 45 hours, we monitor the amount done by each employee each month to prevent overtime work that may affect their health.

In fiscal 2021, in order to respond to an increase in product production due to strong demand for semiconductors, there were cases in which 36 agreements were not exceeded, but this standard was exceeded in some cases. We will thoroughly follow up with the responsible departments.

Average monthly overtime hours per person

FY2020 About 19 hours → FY2021 About 19 hours

Employee satisfaction survey

In order to improve the workplace environment, we conduct an anonymous survey every year to assess employee awareness and satisfaction.

In the 15th survey conducted in fiscal 2021, we asked for the first time a specialized external research organization to conduct an awareness survey of all employees, including temporary staff.

Responses were submitted by 97% of the surveyees, and it was confirmed that they maintained a high level of satisfaction. However, various problems that had not been seen in previous in-house surveys were pointed out along with improvement proposals. We will take measures to address these issues and achieve a better working environment.

Employees' corporate image (Top 3 items and their percentages)

Product quality	(49.2%)
Brand power	(39.0%)
Product development capability	(38.3%)

General Employers Action Plan based on the Act on Promotion of Women's Participation and Advancement

Our Company has formulated the following action plan to develop employment relationships in which employees can demonstrate their abilities and promote the advancement of women.

- Planned period: April 1, 2022 to March 31, 2024 (two years)
- Target: Increase the number of female workers in managerial positions to be promoted to section chief level or higher by two or more
- Countermeasures: From April 2022 Development of female workers who are candidates for management-level management positions
Carry out (OJT/Off-JT)
Report and respond to management when it is judged that promotion is possible
From October 2023 Promotion
From January 2024

About work-life balance

Our company motto is "Enjoy your work", and we are making various efforts to ensure a good work-life balance for our employees. Below is an explanation of each system and the number of acquisitions (partial).

Numbers of employees who used childcare and family-care support systems

We aim to create a working environment where every employee can balance work with family life, by using leave and benefit systems to support employees' childbirth, childcare, family care, and the like.

	FY2017	FY2018	FY2019	FY2020	FY2021
Employees who have taken maternity / paternity leave ^{*1}	2	2	1	2	2
Employees who have taken baby-care leave ^{*1}	2	1	2	2	4
Employees who have taken child-rearing leave	18	22	27	24	25
Employees who have taken leave for nursing sick children ^{*2}	0	2	2	0	0
Employees who have taken long-term family-care leave	0	0	2	0	0
Employees who have used the reduced working hour system for family care	0	0	0	0	0

^{*1} Employees who have taken leave across fiscal years are counted in the numbers of the years when their leaves started.

^{*2} In addition to this leave, employees can take child-rearing leave (paid special leave: 5 days a year).

Maternity leave

We grant every pregnant employee maternity leave for the number of days conforming to laws and regulations. Additionally, leave for maternity health care is given in certain cases.

Nursing leave

We have adopted a system of baby-care leave to enable our employees to engage in childcare without anxiety.

Both male and female employees are entitled to baby-care leave of up to two years. Some male employees have taken baby-care leave.

Leave for nursing sick children

To enable employees to look after their pre-school children without anxiety when the children are sick or in similar circumstances, we grant unpaid leave for nursing sick children of up to five days per year to employees with pre-school children. Employees with two pre-school children can use leave of up to 10 days per year.

Long-term family-care leave

We grant long-term family-care leave of up to 93 days to employees who have to provide a family member with long-term nursing care and it is being utilized.

Reduced working hours for family care

Employees who have to engage in family care can use a system of reduced working hours twice in 3 years.

Child-rearing leave (Original system)

We grant paid child-rearing leave of up to five days per year to employees with pre-school children, in order to enable them to engage in child rearing without anxiety. Both male and female employees are entitled to child-rearing leave. This system is also used by men to participate in childcare.

Relationship with employees

About work-life balance (continued)

Paternity leave (Original system)

We also have a system of granting male employees paternity leave (paid) for the purpose of being present during the childbirth of their spouses and other related purposes. For each occasion of childbirth, paternity leave of up to five non-consecutive days is being utilized.

Reduced working hours for childcare (Original system)

Regardless of whether they are male or female, employees with children under the fourth grade of elementary school can utilize a system of reduced working hours, which enables them to work for shorter hours than the regular working hours in order to engage in childcare, including taking children back and forth to school and taking care of their meals.

Short-term family-care leave

We grant employees short-term family-care leave of up to five days per year. Employees who have two family members to look after can use leave of up to 10 days per year.

Accumulated paid leave (Original system)

We grant our employees accumulated paid leave, which is a special paid leave aimed at supporting continuous employment. It can be used when employees have to take a leave for more than one week for reasons of medical treatment, medical care, caregiving and nursing care. Up to five days of annual paid leave that expired can be amassed as the accumulated paid leave per year, with a maximum of 40 days in total.

Job training on return to work (Original system)

We provide employees returning from long-term leave with job training as needed, in order to encourage them to return to work smoothly.

Return to work

In our company, 94% of the employees who used the system of baby-care leave have so far returned to work. While we do not have any special systems compared with other companies, the above figure suggests that we have a working environment that encourages smooth return to work.

 **Work-life balance initiatives** → <https://www.mec-co.com/en/csr/csr-effort/wlb.php>

New work styles and human resource development

Education and training

Various education / training programs are offered according to the position or job type. Participation in external seminars is also actively encouraged. In the labor and ethics field, improvement activities are conducted based on the annual risk assessment and management review. In addition, training related to mental health is also carried out on a regular basis.

In fiscal 2021, we introduced a training system suitable for the with/after the COVID-19 era, and established and effectively implemented a training system that "offers learning opportunities" and "improves effectiveness".

- 1 Training style: Introduction of online training without restrictions on venues and transportation in the with/after the COVID-19 era
- 2 Providing Learning Opportunities: Providing content tailored to various levels and stages using the training company's extensive training programs
- 3 Improving Effectiveness: Improving learning effectiveness by using "Collective (LIVE)" instead of streaming (video) in online training
- 4 Training Expenses: Expansion of the current training expense range through a flat-rate course

Nurturing global human resources

We have established a language training system to develop global human resources. "Selected language training" is conducted via a special program, with the Company selecting human resources and paying the full cost for their training. In FY2021, there were 4 users of this system (cumulative total of 19).

Support for self-development

The Company subsidizes the cost of attending external education that is certified by the Company. We also encourage self-development, such as by paying incentives for people to acquire official qualifications.

About flextime system

We have introduced a flextime system in all Group companies as a style of work that reduces working hours by allowing employees to work more efficiently while maintaining harmony between their lives and work. Core time is from 10:00 to 15:00.

Introduction of full-time employee system for senior members

(Introduced from January 2021)

Looking ahead to an "era when people live to 100", after our members reach the retirement age of 60, we have established a system where they can continue working with peace of mind while maintaining motivation as a "regular employee in a broad sense" for 5 years until the age of 65. This is instead of continuing to employ them while renewing their contract every year until the age of 65.



Relationship with employees

Occupational safety and health

We build and operate a management system, in order to create a safe and hygienic workplace environment through efforts to discover and tackle such problems as dangerous work and places and hygiene issues.

Health and safety education and training

Each of our business facilities is engaging in education, training, and other activities concerning industrial safety and health. Factories in particular are engaging in various activities, including study meetings on chemicals, forklifts, and other items; safety patrols; activities for learning from near misses; and training for predicting hazards, in order to raise safety awareness and prevent accidents and disasters.

Industrial accidents

In FY2021, we had not industrial accidents involving lost time injuries. We will continue to improve our working environment.

■ Severity rate, frequency rate, and average number of working days lost per causality

In fiscal 2021*, the severity rate was 0.0, the frequency rate was 0.77, and the average number of working days lost per casualty was 0.

*Calculated based on 237 employees (non-consolidated) as of the end of fiscal 2021

According to the situation of industrial accidents by industry (announced by the Ministry of Health, Labour and Welfare in 2020), the frequency rate in the manufacturing industry is 1.21, the severity rate is 0.07, and the average number of work days lost per casualty is 58.6.

The working environment in our Company is highly controlled in terms of safety and health.

Ensuring employee health

In addition to implementing health examinations every autumn (consultation rate of nearly 100%), special health examinations in spring and autumn, and stress checks (implementation rate of nearly 100%), we also carry out re-examinations and thorough treatment of those with abnormality findings. We attach great importance to improving the mental and physical health of our employees.

Measures to prepare for a disaster

In order to ensure human life and business continuity in the event of a natural disaster such as an earthquake or an outbreak of an infectious disease, we stockpile emergency supplies, conduct various related drills, introduce regular evacuation drills and safety confirmation systems, and formulate BCP*. measures are being taken.

*Business Continuity Plan.

A variety of policy measures designed to ensure the safety of human life and the continuation of business operations.

Disclosure of Medium-term Management Plan and Communication to Employees

In the past we have formulated the Medium-term Management Plan (hereinafter referred to as the "Medium-term Management Plan"), but we have begun to disclose it externally in 2022. Our stance on management, business and society is communicated both inside and outside the company.

During the formulation of this Medium-term Management Plan, employees in Japan and overseas exchanged opinions on mid- and long-term management of the Company, in a way that goes beyond division, age, and rank (12 times in total), reflecting their thoughts. This is a medium-term plan that incorporates their ideas and expectations.

We hold briefing sessions for all employees, share their thoughts and courses of action, and work together to achieve the Medium-Term Management Plan's targets.



It was relayed to each base and communicated.

Implementation of skill-up training for ISO internal auditors

In February 2021, ISO Integrated Internal Auditor Training was conducted online to prevent infection and hosted by external specialists, based on our Integrated Manual.

In February 2022, we conducted training for selected internal auditors with the aim of further improving skills.

As was the case with internal auditor training, this was online training provided by an outside instructor. However, in the post-training verification test, the acceptance rate was 100%. This is expected to improve the level of internal auditing.



Online training



We divided into groups and discussed issues.

About SDGs training

We endorsed the goals of the Sustainable Development Goals (SDGs) advocated by the United Nations and are working to contribute to the achievement of these goals. In May 2022, external experts were invited to hold seminars for top management on the themes of "Understanding the SDGs as a Corporate Growth Strategy", "Deepening the Strategic Understanding of the SDGs Based on Sustainability Issues", and "Getting Updated on the Latest Trends". We will continue to hold seminars for all employees with a focus on having these seminars take root within the company.



Governance

Report on corporate governance and compliance

About Corporate Governance

The MEC Group believes that to maximize shareholder return, continuous initiatives toward reinforcing corporate governance, thereby enhancing corporate value, are crucial. Specifically, we will promote initiatives for fair and transparent management, speedy and accurate information disclosure, and thorough accountability, and are acting in accordance with the concept of the Corporate Governance Code.

Under the policy of promoting diversity in management, we actively invite and appoint outside officers and women. 4 (40%) out of a total of 10 management executives, directors, and operating officers, are women.

[Corporate Governance](https://www.mec-co.com/en/csr/governance/) → <https://www.mec-co.com/en/csr/governance/>

Overview of organization composition and operation (As of March 23, 2022)

- Form of organization: Company with audit and supervisory committee
- Chairman of the Board of Directors: President
- Number of Directors: 7 (The number specified under the articles of incorporation: 12), including 4 Outside Directors
- Appointment of independent officers: 4 Outside Directors are appointed

[Corporate Governance Report](https://www.mec-co.com/en/ir/library/pdf/governance/corporategovernance202203.pdf) → <https://www.mec-co.com/en/ir/library/pdf/governance/corporategovernance202203.pdf>

About the Evaluation of the Effectiveness of the Board of Directors

We have been conducting questionnaires and interviews with all internal and external directors regarding “evaluation of the effectiveness of the Board of Directors” in order to improve the functions of this.

From that report, we evaluate that the board of directors of the company is functioning effectively in accordance with its roles and responsibilities.

Board Skills Matrix

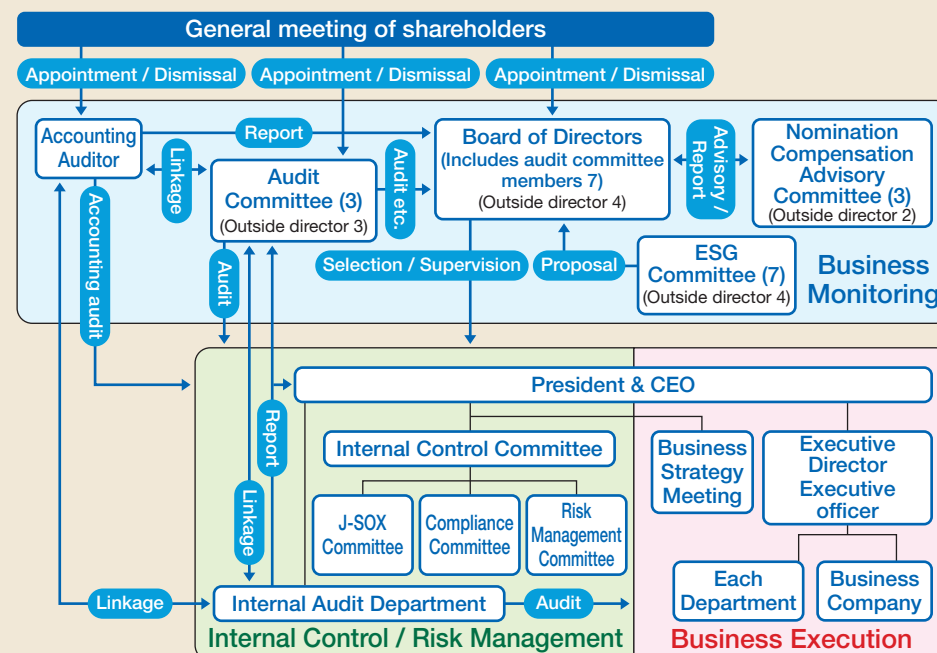
Name	Corporate Management	R&D/ Manufacturing/ Technology	Financial accounting	Legal/ Compliance	Sales/ Marketing	Global	Sustainability/ ESG	Human Resources/ Labor Management/ Human Resource Development
Kazuo Maeda	●				●	●		
Toshiko Nakagawa	●	●		●				●
Sadamitsu Sumitomo	●	●			●	●		
Toshihiko Hojo	●	●			●	●	●	
Mitsutoshi Takao	●		●				●	●
Kaoru Hashimoto			●	●				●
Mitsuo Hayashi	●				●	●	●	

Overview of the corporate governance structure

By holding the Board of Directors every month, the Company oversees decisions of important matters related to management and the execution of duties by Directors. The Company has also established an operating officer system and a system in which Operating Officers can focus on business execution. In these ways, we are working to accelerate the decision-making of the Board of Directors.

In addition, the Company also makes recommendations and proposals to the Board of Directors by internal committees. The Nomination and Compensation Advisory Committee (Majority of independent outside members), the ESG Committee (Majority of independent outside members), and the Internal Control Committee and its subordinate organizations has established the J-SOX Committee, Compliance Committee, Risk Management Committee, etc., and has established a governance system. These committees meet semi-annually or as needed.

Conceptual diagram of corporate governance



About Risk management

The Risk Management Committee, which has been established based on the Risk Management Regulations, takes the lead in working to prevent various kinds of risk and responding to risks that hinder the business of the company and the group companies as a whole.

■ Main agenda for FY2021

Management risks and countermeasures, and risks associated with subsidiaries and their management status were discussed.

About Compliance

Based on the “Compliance Regulations”, which specify the basic structure, roles of relevant parties, action guidelines and other matters concerning compliance, we set up the Compliance Committee chaired by the President. Thus, we are pushing ahead with the development of the structure to ensure compliance for the entire Group and use various opportunities to raise awareness of every executive and employee.

■ Main agenda for FY2021

In addition to reporting the results of employee awareness surveys and compliance tests, the Directors discussed measures taken by each department, such as raising awareness of insider trading and intellectual property training, and the results.

Compliance education (Web test)

We carry out a compliance test every year for all domestic employees (executives, full-time employees, contract employees, dispatched employees) regarding new legal regulations and ethical matters that must be observed in order to work.

■ About the compliance test in FY2021

- Number of people: 240 (263 target people)
- About Questions: In addition to the legislative tests to date, questions related to teleworking and environmental issues, which were the topics of fiscal 2021, were added.
- Pass rate: About 98% (of which, 24% scored a full 100%).

The Directors request a thorough reading and understanding of the legal interpretations and norms that are displayed after testing.

Internal control system

An overview of the system to ensure Directors' performance of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems to ensure the appropriateness of the company's business is as follows.

■ Basic policy of internal control system

- ① System to ensure that the performance of duties of the MEC Group's Directors and employees comply with laws and regulations and the Articles of Incorporation
- ② System to ensure that the duties of the MEC Group's Directors are performed efficiently
- ③ System for the storage and management of information related to the performance of duties by Directors of the MEC Group (Omitted below)

Formulating and operating the standards for operational actions

The company has established the Employee Code of Conduct to ensure that all employees comply with rules, such as laws, prohibition of illegal profits, prohibition of anticompetitive agreement, checking of contracts by the legal department, prohibition of false advertising, respecting other companies' intellectual property rights, etc.

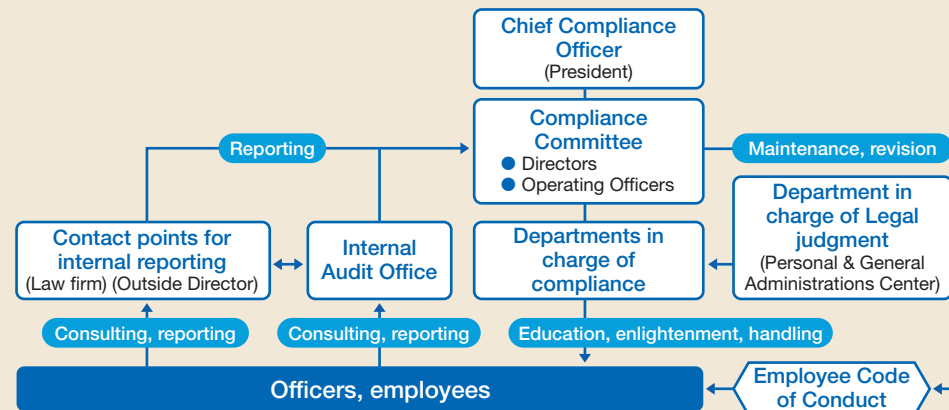
 **Compliance** → <https://www.mec-co.com/en/csr/compliance/>

Whistle-blowing system

It stipulates that if any violations of laws or any misconduct occur or are likely to occur, they are to be reported internally. We have established contact points both inside and outside the Company for whistle-blowing of non-compliance, etc., and are building a system that makes it easy to report.

The number of reports issued in FY2021 was 2.

■ Establishing the whistle-blowing system



About Information security

In order to properly manage and use the Company's information assets*, we have stipulated basic matters that executives and employees should comply with. And we are working to achieve uniform information security management by appropriately using them.

*All information that the Company legitimately obtains from itself or others and keeps; this covers all information including non-digitized information as well as human, physical, and environmental resources for using such information.

Management system

■ Operation of Information Security Committee

We have established the Information Security Committee, headed by the executive in charge of information security management, and it has representatives from each business site as members. It deliberates on and examines information security management within the Company. The latest committee deliberated on and examined how to ensure security when working from home and how to improve the environment for connecting to the internal network.

■ Implementation of information security audit

We regularly audit the actual state of information security management and strive to optimize it.

■ Main audit items for FY2021

Surveyed the optimization of account and access authority management, status of antivirus software updates, status of management of information media, etc. The management situation was appropriate.

■ Handling of confidential information of customers and business partners

Confidential information of customers and business partners is classified from our confidential information, and we have established an appropriate information management system according to customers and business partners and are implementing efforts to protect the information.

■ Education and training on Information security

New information security training for home and business trips is provided as needed.

A self-inspection on information security is conducted every year for all employees including temporary staff, etc., the pass rate was 93%. After the implementation, regardless of pass or fail, we explain the rules and standards related to the problem and promote understanding.

■ About Protection of personal data

We are working to protect personal information by stipulating a personal information protection policy, establishing a mechanism for protecting personal information, and making all employees fully aware of the importance of protecting personal information.

 Please see our Privacy Policy for more details. <https://www.mec-co.com/en/etc/policy/>

■ Outside Director Message



MEC's growth strategy is based on human resource development and social contribution

MEC COMPANY LTD.
Director Toshihiko HOJO

We recognize that the role of independent outside directors is to contribute to sustainable growth and to the enhancement of corporate value over the medium to long term in order to ensure a cooperative and constructive relationship with shareholders by conducting objective and broad-based supervision of business execution from an independent standpoint.

The sources of corporate value creation are "human resources", "growth", and "earning power". In modern society, however, management that is conscious of sustainability, including ESG/SDGs, is strongly demanded. In other words, fulfilling our social responsibilities and creating social value through our core business is becoming extremely important.

Since its founding, MEC has supported the development of the electronics industry by creating original interfacial value. In the era of COVID-19, we have reconsidered the meaning of our corporate motto of "Enjoying work", which we believe conveys the equivalent meaning of "Helping people and society by realizing that they are needed and using all of their abilities to create the best".

At MEC, our excellent corporate culture began with this simple vision statement and remains an important foundation of our corporate culture.

MEC has a corporate culture that loves and values people. The relationships in the workplace, the functions of the organization, and the working environment from the perspective of each and every employee are wonderful, and above all, it is a company where employees feel happy. In human resource development, we believe that we can contribute to society through our core business by building a monolithic corporate culture by nurturing employees who are not only talented in their abilities but also who are the most suitable for MEC's corporate culture and who are appropriate as "bearers of the corporate culture".

As an Outside Director, I will continue to fulfill the expectations of our stakeholders, and with my will and ability to respect MEC's values, I will play a role that contributes to MEC's sustainable growth and to the enhancement of its corporate value over the medium to long term while enjoying my work.