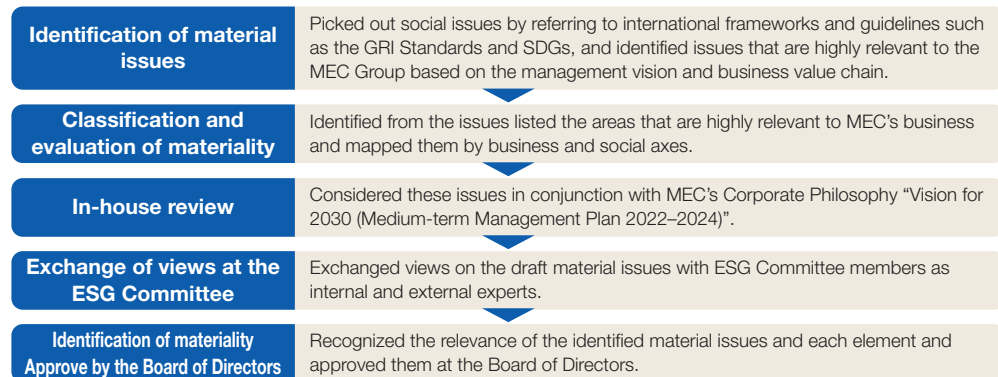


Identifying Material Issues (“Materiality”)

Under the Vision for 2030 of “Create new value through original technology and work with customers to create a sustainable society” the MEC Group has identified six material issues to be addressed by management in order to contribute to the creation of a prosperous and affluent society and environment by creating and fostering value at various interfaces through business activities. These issues were selected during the development of the Medium-term Management Plan 2022–2024.

Process for identifying material issues



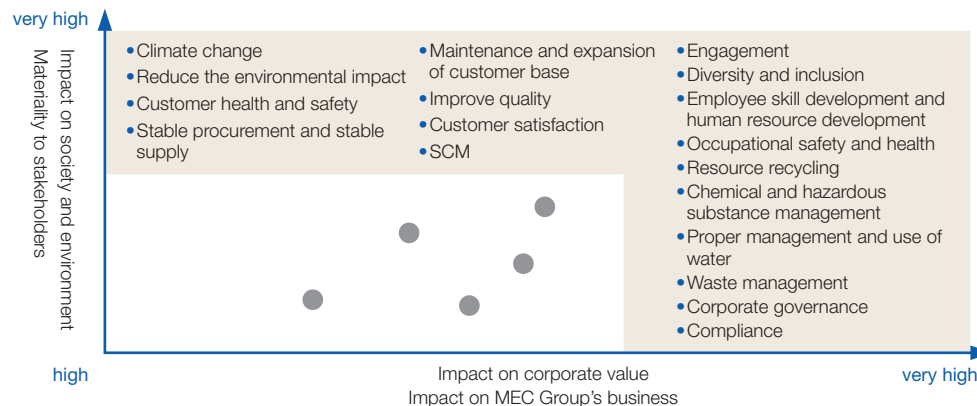
Classified the identified material issues into six business fields



Evaluation of initiatives with high materiality

We have identified the most important themes regarding society and our business axes, and mapped the impact evaluation.

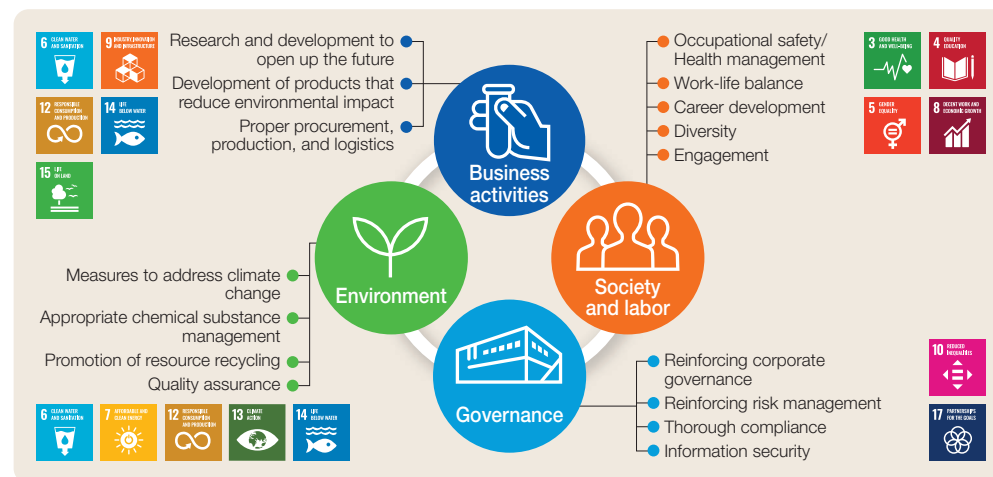
Evaluation to identify materiality















Relevance of material issues to SDGs

We have classified the material issues according to their relevance to SDGs, and set 13 SDGs goals linked to each material issue.





SDGs initiatives through business



Material Issues and KPI, Related SDGs Actions

Six Material Issues	Efforts to Address Material Issues	KPIs for FY2022 [Indicators for achievement]	Achievement	Action items and measures implemented [Achievement of KPIs in FY2022]	Goals for 2030	Related SDGs actions
Research and development to open up the future	Development of products that reduce environmental impact	Work to improve the yield of core products and reduce environmental impact	○	Continued to develop products that improve production efficiency and yield of customers. Launched and proposed products with functions that accommodate advanced technologies of customers and contribute to the reduction of waste liquid.	<ul style="list-style-type: none"> Establish chemical adhesion technology Reduce the burden of waste treatment 	 
	Development of new business	Identify business seeds	○	Continued development to create new value by combining chemistry and AI.	Launch a new core business	
Proper procurement, production, and logistics	SCM (supply chain management)	Improve trust with raw material manufacturers Dialogue target: 10	○	Held dialogue with 10 companies as planned to make requests for CSR procurement and other matters, and confirmed and responded to the requests of raw material manufacturers.	Optimize raw material procurement system/Risk hedging	 
	CSR procurement	Promote diversification of major raw material suppliers	○	Currently working to diversify major raw material suppliers as planned.		
	Creation of global production and supply system	Hold global meetings and share information	○	In order to establish a global production strategy, held a monthly meeting between the production unit and the manufacturing managers and personnel in charge of the subsidiary to share information, discuss solutions to problems and countermeasures, and implement them.	Establish global production system/Establish consolidated BCP system	
	BCP (Business Continuity Plan) responses	Reconstruct BCP at domestic factories (Goals for 2025)	○	Launched a project to develop a new BCP in anticipation of the construction of a new factory. [Three-year plan to 2025]		
Environmental preservation	Appropriate chemical substance management	Promote non-use of prohibited substances	○	Properly handling various chemical substances in accordance with laws including the maintenance of a system that does not use prohibited substances and compliance with environmental laws and regulations.	Minimize the impact on the health of those who handle chemical substances by thorough management	 
		Provide education and share information	○	As a chemical manufacturer, provided education on chemical substance management three times, including to employees who do not handle chemicals. In addition, provided proper training to and shared hazard and toxicity information with employees who use and control chemical substances.		
	Address climate change issues	Test and develop scenarios based on TCFD recommendations	○	Announced the endorsement of the TCFD recommendations and disclosed the scenarios in February 2023.	Earnestly address global environmental issues for sustainable growth of society	
		Consider transition to renewable energy	○	Checked the amount and status of energy use in the Company and considered the transition to renewable energy. → Will be gradually introduced in FY2023.	Reduce energy use and work toward net zero	
Quality and safety	Health and safety management	Zero accidents resulting in lost time	○	Maintained zero accidents resulting in lost time. (Four accidents not accompanied by lost time occurred. Implemented thorough measures to prevent recurrence.)	Provide a safe and secure working environment (Maintain zero accidents resulting in lost time)	 
	Quality assurance	Rebuilding quality assurance system	○	Worked to rebuild the quality assurance system in order to further improve product quality, and completed the measures as planned.	Continue to provide customers with satisfactory goods and services globally	
	Improvement of corporate value through appropriate information disclosure	Disclose information as appropriate	○	<ul style="list-style-type: none"> Disclosed information without delay required for timely disclosure. Actively disclosed socially required information on ESG and other matters through website and Sustainability Reports. 	Strive to further enhance corporate value	 

Material Issues and KPI, Related SDGs Actions

Six Material Issues	Efforts to Address Material Issues	KPIs for FY2022 [Indicators for achievement]	Achievement	Action items and measures implemented [Achievement of KPIs in FY2022]	Goals for 2030	Related SDGs actions
Utilization of diverse human resources	Health management	Maintain the rate of employees having a medical checkup	<input type="radio"/>	Maintained about 100% of medical checkup and stress check rate. (Focused on understanding the physical and mental status of all employees and early detection of abnormalities)	Maintain a high level of employee satisfaction by promoting health management and implementing various vacation programs	   
	Work-life balance (WLB)	Increase male employees who take child-rearing leave	<input type="radio"/>	FY2021: 2 employees → FY2022: 6 employees took leave (Average length of childcare leave taken is 32 days)	Create a work environment that accommodates diverse work styles	
		Perform five improvements regarding the work environment	<input type="radio"/>	Implemented seven improvements to the work environment and benefits in response to "work efficiency" and "diverse working styles". Will continue to improve the work environment.		
	Career development	Have all employees receive mandatory training	<input type="radio"/>	Attendance rate of mandatory training: Approximately 100% Diversified and enhanced education through programs such as "Training by Class", "Business Skills Improvement Seminars", and "Career Development Support" so that each employee can maximize his or her abilities.	Aim to nurture human resources required by society and MEC and to create a fair and satisfying work environment	
	Diversity	Have at least two more women in positions of section chief level and above (Target as of March 2024)	<input type="radio"/>	As of April 2023, the number of female employees in the target positions increased by 2.		
	Engagement	Maintain trust with the Company (Score of 3.0 and higher)	<input type="radio"/>	FY2021: 3.7/5.0 points → FY2022: 3.8/5.0 points Conducted an employee awareness survey. The score improved from last year.		
Reinforcement of management foundations	Governance	Attendance at Board of Director's meetings: 85% or more (Outside Directors)	<input type="radio"/>	Attendance of Outside Directors: 100%	Carry out corporate management that is trusted by society by strengthening governance	<hr/>
	Information security	Zero serious security incidents	<input type="radio"/>	Zero serious security incidents In order to appropriately manage and utilize the information assets held, determined the basic matters to be strictly adhered to, and made efforts to realize uniform information security management through appropriate operation.	Avoid losses associated with confidential information leaks	
		Have all employees perform self-check and achieve the pass rate of 100%	<input type="radio"/>	<ul style="list-style-type: none"> Had all employees perform self-check and achieved a pass rate of 100% Number of IT literacy training sessions: 8 times Conducted online education as planned on IT systems and information security that employees should understand. 		
Risk management	Visualize management risks and implement countermeasures	<input type="radio"/>	Reviewed management risks as appropriate and implemented countermeasures. (Visualized various risks and countermeasures that impede the MEC Group's sustainable growth and discussed them at the Risk Management Committee)	Ensure thorough understanding of risks and opportunities in order for the MEC Group to grow sustainably		