

Governance | Report on corporate governance

Basic Approach to Governance

The MEC Group believes that to maximize stakeholder 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. We are also working on establishing rules to provide strict decision-making criteria in case management lacks independence. Moreover, aiming to gain value from diversity, the Group has a policy to encourage the activities of diverse competent personnel. We will continue to support promotion of diverse personnel to executive or management positions and enhance various systems to enable all those who take childcare leave to return to work.

The corporate governance structures

Board of directors

The Company has given a structure to the Board of Directors while comprehensively taking into account factors such as the environment surrounding the Company and its business characteristics, so that the members can conduct proper and agile decision-making and supervision. In addition, the Board of Directors is composed of members having a variety of knowledge and experience, regardless of their gender or whether they are from inside or outside the Company. Independent directors make up the majority of the board. 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.

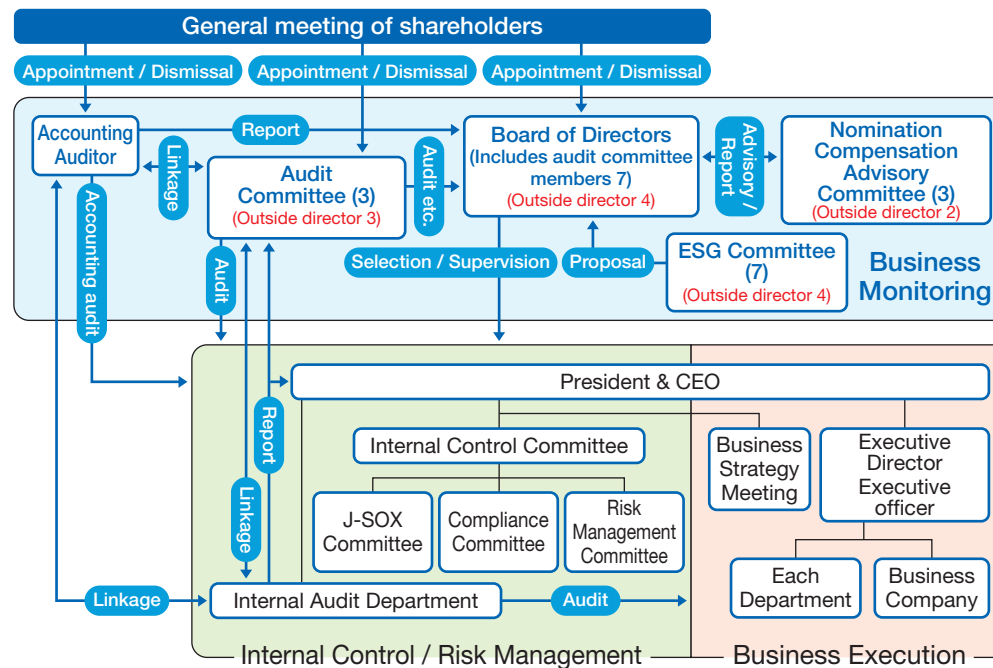
Nomination Compensation Advisory Committee

Provides advice and recommendations to the Board of Directors and Audit Committee regarding the appointment, dismissal, and remuneration of Directors (excluding Directors who are Audit Committee members), Directors and Executive Officers who are Audit Committee members, etc. The purpose of the committee is to ensure that Directors, Executive Officers, etc., who are members of the Board of Directors or the Audit Committee are appointed, dismissed, and remunerated appropriately. The majority of the members are independent outside members.

The Audit and Supervisory Committee

The Audit Committee audits the execution of duties by Directors and prepares audit reports, determines the content of proposals regarding the appointment, dismissal, and non-reappointment of accounting auditors, determines the opinions of the Audit Committee regarding the appointment, dismissal, or resignation of Directors (excluding Directors who are Audit Committee Members), and determines the opinion of the Audit Committee regarding the remuneration, etc., of Directors.

Conceptual diagram of corporate governance



Composition of members and attributes of the chairperson

	Total number of committee members (persons)	Full-time committee members (persons)	Inside Directors (persons)	Outside Directors (persons)	Head of Committee (Chairperson)
Audit and Supervisory Committee	3	0	0	3	Outside Director

Report on corporate governance

Committees related to governance

■ ESG Committee

The purpose of this committee is to formulate and propose management strategies (ESG management strategies) to promote corporate governance reform (G), the fulfillment of social responsibilities (S), and environmental conservation (E) in an integrated and coordinated manner. Based on these proposals, the Company will expand and diversify its management strategies, creating corporate value over the medium to long term through rich relationships with employees, customers, society, and the natural environment. The majority of the members are independent outside members.

■ J-SOX Committee

The purpose of this committee is to establish basic matters concerning the operation of J-SOX internal controls in the Group and contribute to ensuring appropriate information disclosure and transparency in financial reporting in accordance with the Financial Instruments and Exchange Act of Japan, where the exchange on which the Company lists its shares is located.

■ Compliance Committee

In accordance with the spirit of the MEC Group's Charter of Corporate Behavior and Corporate Code of Conduct, we have established a system for ensuring compliance within the Company and handling related matters, aiming to fulfill our social responsibility as a company by appropriately conducting business.

■ Risk Management Committee

The purpose of this committee is to appropriately implement risk management in the Group, establishing a basic policy regarding the development of a management system to prevent the occurrence of any risks that hinder the execution of business within the Group, and how to respond to any risks that do arise.

■ 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 (excerpt)

System to ensure the performance of duties of Directors and employees of the MEC Group complies with laws and regulations and the Articles of Incorporation

1. As the basis for the internal control and compliance systems of the MEC Group, the Company stipulates MEC Group's Charter of Corporate Behavior and Corporate Code of Conduct, as well as MEC Group's Internal Control, Internal Audit and J-SOX Regulations, and Compliance Regulations. The Company shall establish the Internal Control Committee and as its subordinate organization, the Compliance Committee, which are chaired by the President, and while promoting the building, maintenance and improvement of the internal control system, the Company shall also develop the relevant regulations and guidelines, and implement employee education as necessary.
2. If the Directors discover a material fact on serious legal violations or other compliance issues in the MEC Group, they shall report immediately to the Audit and Supervisory Committee Members and other Directors.
3. The Company shall establish the Internal Audit Office, which is an internal audit department, with the aim of carrying out appropriate and efficient operations as well as auditing the development and operation of the internal control system so that it prevents fraud before it occurs.

 **Compliance** <https://www.mec-co.com/en/sustainability/esg/governance/compliance.php>

Whistle-blowing system (for internal use)

We instruct employees to consult with their supervisors and to report using the whistleblowing system when violations of laws or regulations are being committed or are about to be committed. 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 FY2022 was 1.

Report on corporate governance

The Evaluation of the Effectiveness of the Board of Directors

Each year, the Company conducts an assessment questionnaire for all Directors to further ensure the effectiveness of the Board of Directors and improve its functionality, reporting the results to the Board of Directors to address areas for improvement in the future. In FY2022, based on the assessment of the effectiveness of the Board of Directors, we promoted the effective operation of the Board of Directors by strengthening their key issues for deliberation and enhancing the exchange of views with Outside Directors and Executive Officers.

In addition, highly independent Outside Directors made active statements based on their expert knowledge, and constructive discussions were held. As a result, we assess that the Board of Directors is adequately fulfilling its supervisory function.

That said, we recognize that progress and progress reports on key issues, as well as further discussions, succession planning, and discussions on issues surrounding sustainability, should be further strengthened.

In the future, we will make improvements in these matters to further ensure the effectiveness of the Board of Directors and improve its functionality.

Board Skills Matrix



Directors	Corporate Management	R&D / Manufacturing / Technology	Financial accounting	Legal / Compliance	Sales / Marketing	Global	Sustainability / ESG	Human Resources / Labor Management / Human Resource Development
1 Kazuo Maeda	Inside	●			●	●		
2 Toshiko Nakagawa	Inside	●		●				●
3 Sadamitsu Sumitomo	Inside	●	●		●	●		
4 Toshihiko Hojo	Outside	●	●		●	●	●	
5 Mitsutoshi Takao*	Outside	●	●				●	●
6 Kaoru Hashimoto*	Outside		●	●				●
7 Mitsuo Hayashi*	Outside	●			●	●	●	

*Audit and Supervisory Committee Member

Reasons for Appointment

Kazuo Maeda	<ul style="list-style-type: none"> Since assuming the post of CEO and President in 2002, he has focused on revitalizing the Board of Directors as the chairperson and strengthening corporate governance As Chief Executive Officer, he has been at the helm of management for many years, working steadily on various management issues and contributing to the stable growth of the Group as a whole and the improvement of corporate value
Toshiko Nakagawa	<ul style="list-style-type: none"> She contributes to the improvement of corporate value through the formulation and promotion of medium-term management plans by leveraging deep knowledge of research and development She makes contributions to developing the foundation of the MEC Group management and improving corporate value She is responsible for the human resources and general affairs department, accounting and finance department, and quality assurance department, working to build a highly reliable organization
Sadamitsu Sumitomo	<ul style="list-style-type: none"> He contributes to stimulating discussions at the Board of Directors from a global perspective by leveraging the management experience of our overseas subsidiaries and extensive knowledge of overseas business He contributes to our Company's growth as the head of all sales divisions, including overseas subsidiaries
Toshihiko Hojo	<ul style="list-style-type: none"> Based on his years of experience as a corporate manager, deep insight, and broad knowledge of overseas business, he oversees and makes recommendations to our Company's overall management from an independent and objective standpoint
Mitsutoshi Takao	<ul style="list-style-type: none"> Based on his extensive experience as a corporate manager and his expertise in finance and accounting, he conducts audits and supervises the execution of duties at our Company from an objective perspective He leads the management of the Audit & Supervisory Committee as the chairperson Based on his extensive knowledge of corporate governance, he provides appropriate advice for the sustained improvement of governance of our Company
Kaoru Hashimoto	<ul style="list-style-type: none"> She gives advice, conducts audits and supervises the execution of duties at our Company from a legal and accounting perspective by leveraging her abundant experience and expertise as a lawyer and certified public accountant
Mitsuo Hayashi	<ul style="list-style-type: none"> He has a wealth of experience and insight as a corporate manager Based on his experience as advisor of the Amagasaki Employers' Association and his deep knowledge of the stabilization of business management and the rise of the economy, he gives advice, conducts audits, and supervises our Company's overall management from a neutral standpoint

Report on corporate governance

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.

■ 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.

At the most recent meeting, members deliberated and considered updating information security rules and strengthening technical security measures.

■ Implementation of information security audit

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

Main audit items for FY2022

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.

■ 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.

 [Privacy Policy](https://www.mec-co.com/en/etc/policy/) → <https://www.mec-co.com/en/etc/policy/>

■ Outside Director Message



Working on the ESG/SDGs corporate management and aiming to achieve sustainable development as a company listed on the Prime Market

Mitsuo Hayashi
Independent Outside Director
Audit and Supervisory Committee Member

I was appointed as a director who is a member of the Audit & Supervisory Committee in March 2020. At MEC, four of the seven directors are Outside Directors. Together with many talented Outside Directors, I am working to strengthen compliance and corporate development by leveraging my experience, knowledge and contacts I have developed in the business community.

I am pleased to say that MEC was listed on the Tokyo Stock Exchange Prime Market in April 2022. In the future, we will need to further strengthen corporate governance and ESG/SDGs corporate management, as well as to have more constructive conversations with investors.

MEC's vision for sustainability management was further clarified in the medium-term management plan. In other words, it is "Strengthening ESG/SDGs corporate management". MEC believes in "Enjoy your work" and "Contribute to society". It is MEC's style to work as one to overcome the challenges we face, such as the increasing fragmentation of the world since Russia's invasion of Ukraine, the increasing severity of disasters caused by global warming, and social changes following the spread of COVID-19. That is our corporate culture, and we believe that nurturing and developing this culture is one of the duties of the directors.

As an Outside Director, I will participate in discussions with diverse directors and Operating Officers in order to improve the corporate value of the MEC Group. In addition, I will continue to engage in dialogue with employees who will lead the next generation.