

Sustainability Report 2024



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MEC COMPANY LTD.

MEC Style

Established the Basic Policy on Sustainability in order to contribute to the realization of a sustainable society.

In the midst of a major trend of social reform, including the progression of digitalization, the SDGs, and efforts to resolve environmental issues, we established the Basic Policy on Sustainability in order to contribute to the realization of a sustainable society by developing and operating management foundations that recognize our corporate responsibility from an ESG perspective, working to resolve social issues through fair and honest business activities, and continuously creating social value while growing ourselves as a company.

As a citizen of Earth, we will cooperate with each stakeholder and strive to increase our corporate value through repeated efforts to do what we can for the development and future of our industry through our business activities for the world.

■ Basic Policy on Sustainability

At the MEC Group, we will contribute to the realization of a sustainable society, by developing and operating management foundations that recognize our corporate responsibility from an ESG perspective, working to resolve social issues through fair and honest business activities, and continuously creating social value while growing ourselves as a company, based on the principles of "Unique Technology", "Reliable Quality", and "Meticulous Service".

We will strive to create new business opportunities while addressing and resolving sustainability issues through our business activities

We will foster a mutually energizing working environment and culture where everyone respects each other and can make the most of their diverse range of abilities and expertise

We will strive to reduce our environmental impact in consideration of climate change and limited resources

■ MEC's Philosophy Machinery + Electronics + Chemistry

The origin of the Company name MEC is "Machinery"+"Electronics"+"Chemistry".

The idea was to create new goods, services and experiences and challenge the electronic substrate industry with the integrated technology that fuses these elements. The development concept is "Creating and Fostering Value at Various Interfaces". Based on the principles of "Visionary Technology", "Reliable Quality", and "Meticulous Service", we have done what we could for the development of industries and for the future by freely conceiving and creating new value at interfaces that exist between various goods. In addition to chemicals for electronic substrates and electronic components, which have supported the development of the electronics industry since its foundation, we will continue to provide various types of value to the world.

Based on the Vision for 2030, under the guiding principle of "Create and Transform", we at the MEC Group have identified six material issues (Materiality) 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 our business activities.

In the future, we will link SDGs and these material issues in detail, aiming to contribute to the achievement of SDGs and the realization of a sustainable society



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Since publishing the Environmental Report in 2006, we have changed the format to a CSR Report (2021) and a Sustainability Report (2022), and have expanded the content of the report.

In this year's edition, we have further enhanced information on our various sustainability initiatives related to the sustainable development of society and the Company (sustainability), including the establishment of our Sustainability Policy, human capital management, and the disclosure of our greenhouse gas reduction targets.

■ Referenced guidelines

- The RBA Code of Conduct version 8.0
- ISO26000: 2012
- Environmental Reporting Guidelines 2018
- SASB (Chemicals_Standard_2023-12)

Reporting period

Period reported: Our activities from January to December 2023. Some reports include activities since January 2024.

■ Scope of this report

MEC Co., Ltd. Amagasaki HQ. (Concerning the Head Office / R&D Center / the Amagasaki Factory), Higashi-hatsushima HQ. , Nagaoka Factory and Tokyo Sales Office. Contains some information about overseas subsidiaries.



About **MEC COMPANY**





Company Motto

"Enjoy your work"

Capital

594 million yen

Equity Ratio

86.4%

Stock Exchange Listings

Tokyo Stock Exchange Prime Market

(Securities code: 4971)

Company Rules

- · Let's always aim to achieve new targets without fear of failure. Repeatedly try new ideas and improvements with unvielding curiosity. Let's make improvements with an insatiable curiosity.
- · Let's carry out work with our combined power and a feeling of
- gratitude and cooperation. · Let's make a fun workplace where people pay attention to health
- Let's contribute to society.

Kind of Business

R&D, production and sales of chemicals. equipment and related materials used in the production of PCB.

https://www.mec-co.com/en/product/

ISO Certification

All MEC Group | SO9001 and bases have ISO14001. acquired

> 3.32x **PBR**

MEC's Strength

Our strength is "Creating and Fostering Value at Various Interfaces". We have done this while placing at the core the copper surface treatment technology cultivated over many years in the chemicals business for electronic substrate parts. With "Creating and Fostering Value at Various Interfaces" as our development concept. through the evolution and advancement of electronics products, we contribute to the realization of a sustainable society against the backdrop of social trends such as communication infrastructure represented by 5G, PCs, smartphones, self-driving cars, etc., as well as the development of DX and GX and other trends.

R&D expenses

million ~

we invest about 10% of our consolidated sales

Percentage of **Human Resources** Involved in 1 Research

About 30%



Employee

(non-consolidated) 454 (consolidated) Years of Service

Male

Female 12.6 13.6

Percentage of Female in Managerial Positions

30.0%

Number of **Outside Directors**

4 out of 7**Directors**

Percentage of Female among Directors and **Operating Officers**

33.3%

Number of Patents Held

Japan

Overseas

Amount of CO₂ Emissions (Volume of GHG emission)

FY2022

2,371t-CO2 Scope1,2

332t-CO2*2

Average Age

Male years old Female

years old

Number of Employees Turn Over

Male

Female

Percentage of Employees Returning to Work after Taking a Child-rearing Leave

Employees who have taken baby-care leave Male

Industrial Accidents Involving Lost time injuries

case

Number of occupational accidents not involving lost time

Expression of Support for the TCFD Recommendations

February 2023

In February 2024, we increased the scope of information disclosed concerning the assumed impact, timing of occurrence, and other factors, and posted this information on our website

https://www.mec-co.com/en/sustainability/ esa/environment/tcfd/tcfd.pdf

Scope3

FY2023

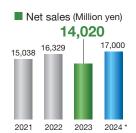
1.676t-CO2 Scope1,2 292t-CO22 Scope3

*1 MEC Group as a whole, including overseas

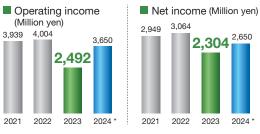
- *2 We calculated Scope 3 CO2 emissions for categories 5, 6, and 7 in Japan, which are our own emissions.

Consolidated Financial Data

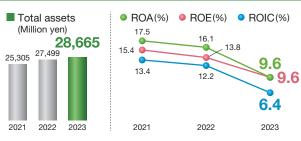
Net Sales/ Operating Income/ Net Income



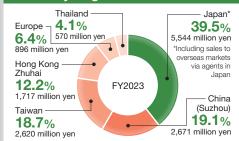




Total Assets/ ROA/ ROE/ ROIC



Sales by Region/ Amount of Sales







Provision of new value to the market through unique technology that contributes to energy and resource conservation.

We intend to continue to be a company that is sought by the world for our creation of a rich, prosperous, and sustainable society and environment.



CFO & President



Business Environment

Growth through technology that only we can provide in the post-COVID-19 age

We would like to express our deepest sympathies to all those affected by the 2024 Noto Peninsula Earthquake and we pray for a speedy recovery.

The business environment surrounding the Company has been changing drastically on a daily basis, both in the semiconductor industry and in peripheral areas.

Looking back at FY2023, in the electronics industry, there was a drop-off in inventory adjustments of electronic devices such as PCs and smartphones, but demand was sluggish against a backdrop of weak consumer spending. The electronic substrate and component industries were also affected by the electronics industry in general, and orders for related products that we offer were at low levels. As society moves toward digitalization and a more green approach, we worked to develop and sell products for high- density electronic substrates that support higher speed and performance,

and to expand sales channels for automotiverelated products.

As for sales trends of major products, sales of the "EXE Series" for displays showed a slight increase due to the progress of inventory adjustments of related electronic equipment. Sales of the "V-Bond Series" of adhesion enhancers for multilayered substrates decreased, although there was a trend toward recovery in related automobile production. Sales of the "CZ Series" of ultra-roughening adhesion improvers, which has a high share in the market for package substrates equipped with semiconductors, were affected by the electronics industry and

declined, but are on a gradual but steady recovery trend. Sales of the "SF Series" for displays declined significantly due to weak demand for related electronic components.

However, after bottoming out in the first quarter of 2023, both sales and profits gradually began to show signs of recovery, and we felt that investors are excited about the Company's growth potential, including our P/B ratio reaching 3.3 times in December. In order to achieve sustainable growth, we will accurately assess profitability and capital efficiency, and continue to engage in business activities while further strengthening our "earning power".

Business Activities

Taking on the challenge of new growth through horizontal deployment of core technologies

Business confidence has been trending upward in 2024 since the world emerged from the COVID-19 pandemic, but on the other hand, we believe that various factors, including rapidly rising geopolitical risks, soaring raw material costs, and yen depreciation, could exceed our expectations, and the situation remains unpredictable.

Even in the midst of such rapidly changing times, the MEC Group is steadily making progress on the "Vision for 2030 Phase 1 Medium-term Management Plan (2022-2024)", implementing various measures to achieve business growth and expansion, speeding up development to create new products, and working to expand sales.

Based on the assumption that demand for semiconductors will continue to expand and grow amid advances in information and communication technology driven by Al, self-driving vehicles, and other trends, we have seen results in the development of technologies for use in semiconductor packaging processes. Focusing on the development and sale of products for high-density electronic substrates to address the increasing speed and performance of electrical signals, we have also been focusing on new businesses such as development incorporating Al-based technologies.

Our main business is the development, manufacture, and sale of chemicals for the manufacture of electronic substrates and components. Our products, developed based on the concept of "Creating and Fostering Value at Various Interfaces", represent the crystallization of technologies and knowledge that other companies lack, and our "strength" is that we possess value and technology that are essential for a digital and sustainable society that will

continue to develop in the future. One feature of the products produced by this unique technology is environmentally friendly processes that make it possible to save energy and resources. Electronic substrates and components produced by our customers with these processes are extremely compact, yet can incorporate many functions in detail, contributing greatly to reducing power consumption. Although we

have yet to quantify these effects, we are proud that we are providing technology that indirectly contributes to solving social issues, since the adoption of our products will enable a reduction in environmental impact.

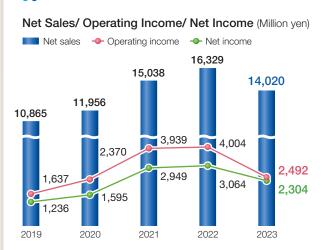
The number of new customers using our products increased from last year to this year, and we feel that potential demand is materializing.

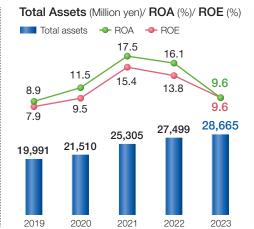
Status of Progress of the Medium-term Management Plan

Regarding results for FY2023, the second year of our Medium-term Management Plan, as announced in "Financial Results for the Fiscal Year Ended December 31, 2023" on February 14, the recent stagnation and decline of the semiconductor market resulted in a slight deviation from what we envisioned in the current Medium-term Management Plan.

On the other hand, we also made upward revisions to full-year earnings forecasts for FY2024 on May 10, in light of the global trend of gradual recovery and expansion of demand in the semiconductor market. We will continue to contribute to society, our customers, and other stakeholders through the creation of new customer value, and strive to achieve the trajectory we envisioned in our Medium-term Management Plan.

Consolidated Financial Data









Medium-term Management Plan

Toward the final fiscal year of Phase 1 of the Vision for 2030

We consider this year, the final fiscal year of "Vision for 2030 Phase 1", as the stage for laying the groundwork for more concrete growth for our next stage, "Vision for 2030 Phase 2". Through the process of organizing and analyzing issues in Phase 1, we have identified areas where we were lacking and

areas that we need to strengthen. Today, the industries that we are associated with are in the midst of rapid technological innovation. In order to contribute to the evolution of IoT devices and other high-performance, high-quality electronic equipment and communication infrastructure technologies, we must develop a system that enables us to respond quickly to market needs and have a perspective of constantly exploring our own technologies. Internally, we are working in a cross-departmental manner to develop strategies to expand new possibilities, such as the horizontal deployment of core technologies we have previously cultivated into different fields.

At the same time, we must further strengthen our efforts by strategically incorporating outside forces and collaborating with outside parties. We believe this is the time to determine such things.

ESG Management

Efforts to solve social issues

Under our Vision for 2030, "Creating new value through unique technology and working with customers to create a sustainable society",

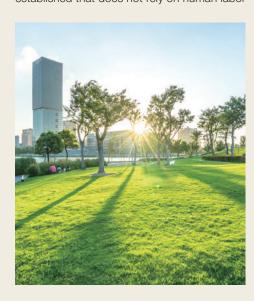
the MEC Group aims to contribute to the creation of a prosperous and affluent society and environment. We have formulated six material issues (Materiality) for the promotion of sustainability management at the Company, and we are promoting initiatives with an eye toward perspectives from the SDGs in which our businesses are involved. Furthermore, we position decarbonization and climate change issues as important management issues, and we will strengthen our initiatives to address environmental issues.

We recognize our corporate responsibility from an ESG perspective, and we will contribute to a



sustainable society and achieve sustainable corporate growth by providing products and technologies that contribute to solving social issues.

We plan to start operation of a new plant in Kitakyushu City, Fukuoka Prefecture, in October next year. The new plant will have both production and technology development functions, to respond to the further expansion of demand and technological evolution of semiconductor package substrates, which are closely related to the Company. We also built this plant in Japan to "protect key technologies", "strengthen the industry of Japan", and "avoid geopolitical risks". We will strengthen our production capabilities and establish an environmentally friendly manufacturing system, taking into consideration the strengthening of our capabilities for responding to increases in demand and BCP, as well as water conservation and the use of renewable energy. In addition, we will also promote automation based on the concept of "a plant with a diverse manufacturing system established that does not rely on human labor



and is not restricted by age or gender", enabling personnel to concentrate on safety management.

Growth Strategy

Develop people, Develop technology

The MEC Group regards employees as the most important "capital" that supports the sustainable development of the Group.

In February 2024, with the aim of creating human value from a medium- to long-term perspective, we formulated the "Human Resource and Internal Environment Development Policy", in which we set forth five pillars of human capital management (see page 20). Our company motto is "enjoy your work", and we have continued to grow based on a people-centered approach. We are utilizing a system that draws out the potential capabilities of people by assigning the right people to the right places, while also prioritizing the diversity of each and every employee (D&I), based on our understanding that our unique technology arises from a spirit of taking on new challenges and enjoying our work.

The existence of key personnel in each project is important for us to achieve our growth strategy. As an R&D-oriented company, we tend to emphasize "expertise", but I believe we must also have "the ability to over view businesses as a whole". It is important that we develop human resources with specialized skills and the ability to over view as key personnel.

This year will mark the 55th anniversary of the founding of the Company. We are deeply grateful to all of our stakeholders, and we will redouble our efforts to provide superior products and services to our customers and the industry as a whole.

We hope to continue to be a company that delights all of our stakeholders by contributing to the further creation of value through the importance we place on our employees, including human resources who advance our core technologies and those who are capable of providing even better services.

MEC's Core Technologies and Areas of Use

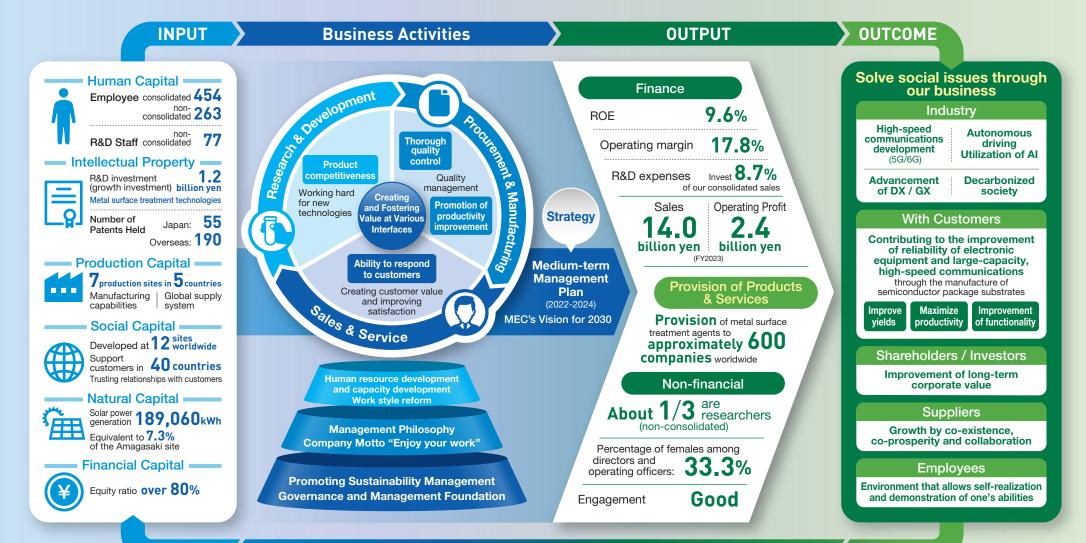
The source of MEC's value creation includes "Adhesion Enhancing Technology" "Microinterconnect Patterning Technology", and "Selective Etching Technology". We will contribute to the sustainable development of society by creating new value through creating and fostering value at various interfaces technologies.



← 07 →

MEC's Value Creation Model

At the heart of MEC's value creation lies three tenets: "creative technology". "quality of trust", and "total service". We are creating a strong driving force for the business as a whole by firmly combining our original technological capabilities as an R&D-oriented company, our procurement and production capabilities to provide a stable supply of high-quality products, and our ability to respond to customers who have built up trust in our sales and services. Our strength is to develop, manufacture and sell chemicals used in the manufacture of electronic substrates. We have contributed to the development of a digital society by creating and fostering value at various interfaces between metals and resins. We will continue to work diligently to resolve various social issues, focusing on human resources, technology, and responsiveness, and to reinforce our management foundations. At the same time, we will use governance to promote sustainable growth and contribute to the realization of a prosperous and fulfilling society.



MEC's Management Capital

Our management capital is invested in our businesses, thereby solving our customers' issues with "unique technology" and creating shared value for customers and the Company. The value created in this way then flows back to capital, leading to further value creation.

		Importance of Each Type of Capital	Status of FY2023	Strengthening Measures	Published Page
	Human resources/ Human capital	These are the most important capital that supports the sustainable development of the MEC Group, and the driving force of value creation. We support human resource development and active participation through human resource strategies that enhance the ability of individuals to be "self-reliant and self-driven" and embody solidarity.	 Number of employees (consolidated) Number of employees (non-consolidated) Male to female ratio of employees Male to female ratio managerial staff Male to female ratio of newly hired employees 68:32 	 Autonomous self-propulsion and solidarity Human resource strategy Promoting the active participation of women Implement systems that do not discriminate between men and women and promote take-up Engagement 	P.02, 07, 11, 20-24
Internal Capital	Intellectual property/ Business expertise	Through our business activities, the Company has accumulated various forms of business expertise. We make timely and appropriate investments in research and development, which is essential for our growth with a high level of competitiveness. We solve issues in accordance with the needs of our customers and seeds of ideas.	Number of Patents Held Japan 55 Overseas 190 R&D investment 1.2 billion yen Metal surface treatment technologies	 Strengthen existing business areas and develop new businesses Development of products that reduce environmental impact and launch Trust from stakeholders 	Э P.02, 07, 10
	Production capital	Strengthen our manufacturing capabilities and establish a global production system to deliver quality products to customers around the world.	 7 production sites in 5 countries Quality control technology and systems Total production volume (in Japan) 15,810t 	 Improve production and supply capabilities at each site New BCP, including the new plant, is being created 	Э P.07, 10, 17
	Financial capital/ Base	Maintain a stable financial base and support business activities by appropriately allocating capital and strengthening profitability.	 Total assets Shareholders' equity ROE Operating cash flow Equity ratio 28.6 billion yen 24.7 billion yen 9.6% 1.9 billion yen 86.4% 	 Appropriate risk management Timely disclosure Credibility cultivated through dialogue with stakeholders and capital markets 	P.02, 04, 07, 10, 11, 26, 29
Evtornol	Social capital/ Network	We have built relationships of trust with many customers and business partners around the world. By collaborating with customers and business partners, we build win-win relationships, solve issues, and create value.	 Numerous customers and business partners around the world Relationships of trust with suppliers 	 Strengthening our network Build relationships of trust with good partners Build a sustainable supply chain 	P.07, 10, 26, 27
External Capital	Natural capital	Consideration for the environment and nature is also essential for business continuity. We strive to reduce our impact on the environment by effectively utilizing energy and resources without wasting them.	Conducting activities related to forests in Amagasaki City, Hyogo Prefecture and Nagaoka City, Niigata Prefecture Electricity consumption 3,681,421kWh Water usage 33,804m³ Solar power generation 189,060kWh	 Initiatives to respond to climate change Consideration of transition to renewable energy 	P.07, 10, 12-18, 27

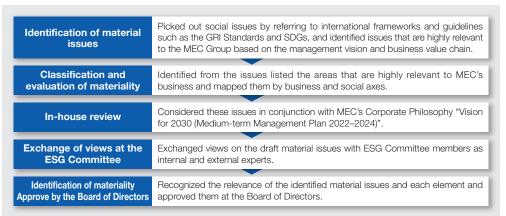
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Identifying Material Issues "Materiality"

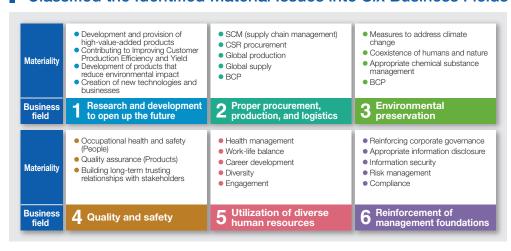
Under the Vision for 2030 of "Create new value through original technology and work with customers to create a sustainable society" the MEC Group has identified six material issues to be addressed by management in order to contribute to the creation of a prosperous and affluent society and environment 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



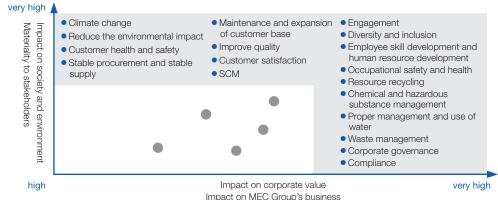
Classified the Identified Material Issues into Six Business Fields



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 FY2023 [Indicators for achievement]	Achievement	Action Items and Measures Implemented [Achievement of KPIs in FY2023]	Goals for 2030	Related SDGs Actions
Research and Development to open up the future		Development of products that reduce environmental impact	ts that reduce Promotion of sustainable Development of a copper surface treating the product of sustainable In EV2024, we will make refinement		Development of a copper surface treatment agent that is 99% fossil fuel free. In FY2024, we will make refinements based on other products.	Establish chemical adhesion technology Reduce the burden of waste treatment	9 RECKRENO 17 //->>/** (RECEALL)
		Development of new business	Execution of image recognition and Al solutions	0	Promotion of the AI business (Pictel). We accumulated technology through a series of PoCs (Proofs of Concept) with customers.	Launch a new core business	
		SCM (supply chain management)	Visit raw material manufacturers, hold technical review meetings, and conduct exchanges between presidents to deepen relationships.	0	Visits to raw material manufacturers: 4 companies Technical exchange meetings: 2 companies Meetings for exchange between presidents: 1 company	Taking into consideration the natural environment and human rights, we will procure environmentally friendly raw materials and engage in recycling of raw	引 高章と世際温度の
	Proper Procurement.	CSR procurement	We are promoting the diversification of suppliers of main raw materials, in line with plans.	Δ	Achievement of approximately 70% diversification.	materials and containers. We will also continue to strive for responsible resource procurement	
	Production, and Logistics	Creation of global production and supply system	Improvements to production and supply capabilities at each production site	0	Execute necessary investment for production increases at multiple sites, in accordance with medium- to long-term production increase plans at each production site.	Establish global production system/	12 248## CO
		BCP (Business Continuity Plan) responses	Reconstruct BCP at domestic factories (Goals for 2025)	0	The Company has launched a project and activities are underway to create a new BCP in anticipation of the construction of a new plant in Kitakyushu. [Multi-year plan through 2025]	Establish consolidated BCP system	
		Appropriate chemical	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	
ı	3	substance management	Provide education and share information	0	As a chemical manufacturer, provided education on chemical substance management five 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.	those who handle chemical substances by thorough management	12 7688 14 80898
ľ	Environmental Preservation	Address climate change	Strengthening of information disclosure in line with TCFD recommendations	0	In February 2024, we disclosed additional information concerning the impact and timing of occurrence of risks and opportunities and other information related to the TCFD recommendations.	Earnestly address global environmental issues for sustainable growth of society	13 MARRIC RANCONE
		issues	Disclosure of information regarding Scope 3 emissions	0	We disclosed domestic emissions for Scope 3 Categories 5 (waste generated in operations), 6 (business travel), and 7 (employee commuting).	Reduce energy use and work toward net zero	
		Health and safety management	Zero accidents resulting in lost time	0	Maintained zero accidents resulting in lost time. (Zero accidents not accompanied by lost time)	Provide a safe and secure working environment (Maintain zero accidents resulting in lost time)	12 26886 15 Modere 2013 PAS
	4	Quality assurance	Rebuilding and improving quality assurance systems	0	Continued efforts to rebuild the quality assurance system and completed measures as planned.	Continue to provide customers with satisfactory goods and services globally	∞ <u>•</u>
	Quality and Safety	Improvement of corporate value through appropriate information disclosure	Disclose information as appropriate	0	 Continued disclosure of information required to be disclosed in a timely manner without delay. Enhanced English-language disclosure of information required to be disclosed in a timely manner. Renewal of the website and enhancement of the Sustainability Report. 	Strive to further enhance corporate value	8 #3904 17 ##577-977

Material Issues and KPI, Related SDGs Actions

Six Material Issues	Efforts to Address KPIs for FY2023 Achievement Ach		Goals for 2030	Related SDGs Actions		
	Health management	Maintain the rate of employees having a medical checkup	0	 Maintained 100% medical checkup rate Increased the number of items to be checked in the stress check from 48 to 60, and developed a more in-depth understanding of the current situation. 	Maintain a high level of employee satisfaction by promoting health management and implementing various vacation programs [Increase the child-rearing leave take-up]	
		Increase male employees who take child-rearing leave	0	FY2022: 6 employees FY2023: 4 employees took leave (Average length of childcare leave taken is 47 days)	rate among male employees to at least 85% by 2030 (non-consolidated target for the Company)]	
5	Work-life balance (WLB)	Improvement of the work environment	0	 Conducted money seminars for employees in their 40s and 50s on "work efficiency" and "diverse work styles" in terms of employee benefits Preparation of training videos in line with the establishment of a new nursing leave system Consideration of periodic training programs on money and health 	Create a work environment that accommodates diverse work styles	3 INCOME 4 ROSCIBRE ACCE
Utilization of Diverse Human Resources	Career development	Have all employees receive mandatory training	0	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.		5 9239-194 8 8 89544
	Diversity	Have at least two more women in positions of section chief level and above (Target as of March 2024)	0	As of March 2024, the number of female employees in the target positions increased by 2.	Aim to nurture human resources required by society and MEC and to create a fair and satisfying work environment	
	Engagement	Maintain trust with the Company (70% or more satisfaction for related items)	0	Improvement of "job satisfaction" score in annual awareness surveys Satisfaction: 69.4% (FY2020*) • 70.5% (FY2023) *As we cannot compare these results with external surveys, we have compared with the results of the previous survey by internal systems (FY2020)		
	Governance	Attendance at Board of Directors meetings: 85% or more (Outside Directors)	0	Attendance of Outside Directors: 100%	Carry out corporate management that is trusted by society by strengthening governance	
6 Reinforcement	Information security	Zero serious security incidents	0	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	
of Management foundations	Simulon occurry	Have all employees perform self-check and achieve the pass rate of 100%	0	 Had all employees perform self-check and achieved a pass rate of 100% Number of IT literacy training sessions: 6 Conducted online education as planned on IT systems and information security that employees should understand. 	information leaks	
	Risk management	Visualize management risks and implement countermeasures	0	Review management risks as appropriate and implement countermeasures Visualized various risks and countermeasures that impede the MEC Group's sustainable growth and reported and discussed them at the Risk Management Committee.	Ensure thorough understanding of risks and opportunities in order for the MEC Group to grow sustainably	

Environment Report on Environmental Conservation

MEC's Measures to Address Climate Change



Disclosing Information in Line with TCFD Recommendations

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.

In February 2024, as part of further information disclosure, we updated the content of information that we disclose as follows. In this section, we reintroduce the Group's response to climate change, including updated details.



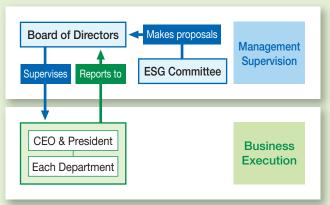
Governance

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 for Climate Change



*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.

Impact Assessment Process

Step 1 Step 2 Step 3 Step 4

Identify and assess risks and opportunities ldentify scenario groups ldentify scenario group

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.

MEC Style

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MEC's Measures to Address Climate Change

Disclosing Information in Line with TCFD Recommendations

List of Assumed Risks Regarding Climate Change

Technology ■ Increased production costs ■ Delayed development for environmentally friendly products ■ Increased investment costs for development of environmentally friend						
Transition	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 ● Decreased demand for commodities that use large amounts of water					
	Reputation	Deterioration of corporate brand and reputation due to stricter evaluation standards and delays in responding to the expansion of disclosure requirements				
Phy	Acute ● Increased frequency/severity of abnormal weather/natural disasters					
sial	Acute Increased frequency/severity of abnormal weather/natural disasters Chronic Instability regarding supply of water, electricity, raw materials, and natural resonant re					

From the table above and the list of risks, we have identified the following risks and opportunities that we consider to be of particular importance.

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

	А	ssumed Risks	Company	Degr	ee of In	Timing of Occurrence		
			Response	Small	Medium	Large	Medium Term	Long Term
	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	Early collection of market needs		0	0	0	0
Transition	Policies/ Regulations	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	Preemptive development of environmentally friendly products Enhance SCM	0			0	0
		Increased operating costs due to the introduction/expansion of carbon tax		0			0	0

Risks Related to Climate Change (Below 4°C Scenario) Risks Related to "Physical" Changes

	А	Company Response	 ee of In		Timii Occur Medium Term	ng of rrence Long Term	
Physial	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	Maintain and strengthen alternative production systems Enhance SCM Develop/strengthen BCPs (Flexible work systems, etc.)	0	0	0	0

Opportunities Related to Climate Change

	A	and Opposition	Company	Degr	ee of Im	Timing of Occurrence		
	Assur	ned Opportunities	Response	Small	Medium	Large	Medium Term	Long Term
	Resource	Increased sales of environmentally friendly products due to progress in DX/GX			0	0	0	0
Transition	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	Early collection of market needs Preemptive development of environmentally friendly products		0	0	0	0

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)



Report on Environmental Conservation

The Company develops, manufactures, and sells chemicals for manufacturing of electronic substrates. In conducting business activities, we consume energy and use resources. Recognizing this, we are working to reduce our environmental burden.

In addition to complying with environmental laws and regulations, etc., 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 monitor the amount of energy and resources used in our business activities, as well as the amount of CO₂ emissions, wastewater, and industrial waste.

Offices in Japan

				INPUT			
Office Name	Electricity consumption	City gas usage	Gasoline usage (company owned car)	Kerosene usage (heating of manufacturing sites)	Light oil usage (snowplow)	Water usage	Volume of PRTR target
Amagasaki HQ. (Amagasaki Factory)	1,110 thousand kWh	-	104 L	_	_	6,979 m³	394t
Nagaoka Factory	642 thousand kWh	1,192 m³	323 L	11.3 kL	0.30 kL	18,957 m³	83.1 t
Nishinomiya Factory	9.31 thousand kWh	0 m³	_	_	_	201 m ³	Ot
Amagasaki HQ. (R&D Center)	930 thousand kWh	_	792 L	_	_	6,564 m ³	5.6t (Including Higashi-hatsushima HQ.)
Higashi-hatsushima HQ. (Including some R&D centers and the head office)	426 thousand kWh	_	137 L	_	_	1,103 m³	Included in Amagasaki HQ. (R&D Center)
Amagasaki HQ. (Head Office)	542 thousand kWh	_	1,801 L	_	_	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	_
Tokyo Sales Office	21.5 thousand kWh	_	7,249 L	_	_	_	_

	OUTPUT											
	Production volume	Amount of CO ₂ emissions	Amount of wastewater	COD	Industrial waste emissions	Of which amount of final waste disposal						
	2,769 t	482t-CO ₂	5,187 m³	0.092t	Included in Amagasaki HQ. (R&D Center)	Included in Amagasaki HQ. (R&D Center)						
	13,042 t	335t-CO ₂	9,711 m³	0.595t	152t	3.01 t						
•	Ot	4.04t-CO ₂	201 m ³	_	6.20t	2.59t						
	_	405t-CO ₂	4,171 m³	0.074t	235 t*	50.4t*						
	_	185t-CO ₂	1,103 m³	0.006t	29.9t	8.32t						
	_	239t-CO ₂	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	_	_	-						
	_	25.2t-CO ₂	_	_	0.00 t	0.00t						

The Nishinomiya Factory ceased operation at the end of December 2021, but there were inputs and outputs associated with the factory closure until the end of May 2023.

Global Base

MEC (HONG KONG) LTD.

INPUT						
Electricity consumption	3.59 thousand kWh					
Water usage	540 m ³					

OUTPUT		
Amount of CO ₂ emissions	1.40t-CO ₂	

■ MEC FINE CHEMICAL (ZHUHAI) LTD.

INPUT		
Electricity consumption	266 thousand kWh	
Gasoline usage	12,347 L	
Water usage	9,319 m³	

OUTPUT				
Production volume	4,962 t			
Amount of CO ₂ emissions	180 t-CO ₂			
Amount of wastewater	4,963 m ³			
Industrial waste emissions	88.81			

(SUZHOU) COMPANY LTD.

Electricity consumption	424 thousand kWh	
Gasoline usage	22,206 L	
Water usage	14,374 m³	

OUTPUT			
Production volume	5,805 t		
Amount of CO ₂ emissions	216t-CO ₂		
Amount of wastewater	14,374 m ³		
Industrial waste emissions	108 t		

■ MEC CHINA SPECIALTY PRODUCTS ■ MEC TAIWAN COMPANY LTD. ■ MEC EUROPE NV.

INPUT			
420 thousand kWh			
9,781 L			
2,742 m³			

	OUTPUT				
	Production volume	6,300 t			
Amount of CO ₂ emissions		230 t-CO ₂			
	Amount of wastewater	7,675 m ³			
	Industrial waste emissions	33.1 t			

INPUT		
Electricity consumption	69.7 thousand kWh	
Gas usage	22,744 m ³	
Gasoline usage	21,944 L	
Water usage (For manufacturing)	2,544 m ³	

OUTPUT				
Production volume	2,188t			
Amount of CO ₂ emissions	128t-CO ₂			
Amount of wastewater	500 m ³			
Industrial waste emissions	23.1 t			

■ MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.

INPUT				
Electricity consumption	332 thousand kWh			
Gasoline usage	4,149 L			
Light oil usage	5,077 L			
Water usage	6,380 m³			

OUTPUT				
Production volume	1,105t			
Amount of CO ₂ emissions	189 t-CO ₂			
Amount of wastewater	2,054 m ³			
Industrial waste emissions	29.3 t			

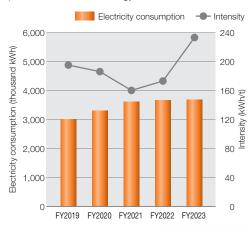
^{*} Calculated for the entire Amagasaki HQ.

← 15 →

Electricity consumption, Water usage and discharge status in Japan

Electricity Consumption

The Nishinomiya Factory ceased operation at the end of 2021, after which, two factories have been operating. namely the Amagasaki Factory and the Nagaoka Factory. Electricity consumption in FY2023 was almost the same as in FY2022, but the intensity increased significantly because production volume fell. Electricity use is expected to continue to increase as it is mainly used to improve the working environment. In order to reduce our environmental impact as much as possible, we are generating solar power on the roof of the Amagasaki Headquarters. In addition, we began purchasing renewable energy at the Amagasaki Headquarters in FY2023. We have continued to purchase renewable energy in FY2024.





FY2022 FY2023 189 thousand kWh thousand kWh

4 thousand kWh J

CO₂ Emission

3.000

2.500

1.500

500

We have calculated the GHG protocol Scope 1 (fuel) and Scope 2 (electricity and heat) as CO₂ emissions. Scope 2 (electrical) accounts for 97%. We calculated Scope 3 emissions for some categories.

Emissions in the supply chain P.18

FY2020 FY2021

FY2022 FY2023

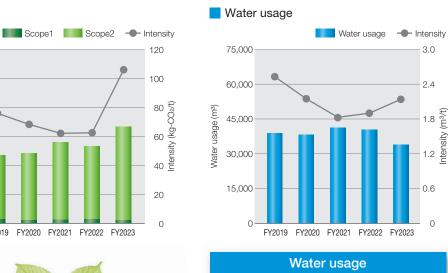
Water usage and Amount of wastewater

6,578 m³ ↓

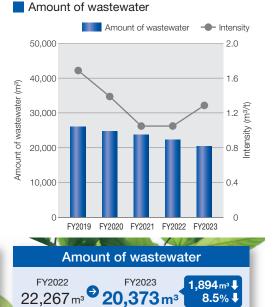
16%↓

Because water is a key ingredient in MEC's products, the amount of water used changes according to changes in the volume of products manufactured. 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 in line with the regulated standards and discharged into the sewerage system as wastewater. We manage wastewater to ensure that we do not discharge wastewater that exceeds standards. In FY2023, there was one incident of wastewater discharge that exceeded standards, and we reported it to the government. After the discovery of the exceedance of standards, we also took appropriate measures, and as a result of the investigation of the cause and countermeasures, there have been no subsequent occurrences of such incidents.



40.382 m³ 33,804 m³



← 16 →

Efforts to Reduce CO₂ Emissions

As moves to promote the reduction of CO₂ emissions have been gaining momentum around the world, the Japanese government has announced that it will seek a 46% reduction in CO2 emissions in real terms by 2030, and net-zero emissions by 2050 [compared with FY2013]. In response, we have set forth the following policies in our Medium-term Management Plan.

What we should do toward 2030

- Contribute to the development of society, industry and customers
- Contribute to the reduction of environmental impact throughout the value chain

Implement further efforts to reduce environmental impact and protect the environment

— Toward the year 2050 —

Aim for net-zero CO₂ emissions

Efforts to Reduce CO₂ Emissions 1

Use of solar power



The use of electricity is essential for our business activities. In order to reduce our environmental impact as much as possible, we are generating solar power.

Amagasaki Headquarters

At our Amagasaki Headquarters, since 2017, we have installed 1,000 m² of photovoltaic panels on the roof to generate electricity. The amount of electricity generated in FY2023 was 189,060 kWh. We sell all electricity generated to the power company by contract.



MEC EUROPE NV.

At MEC EUROPE, we installed 355.5 m² of photovoltaic power generation in January 2023 and began generating electricity. The amount of electricity generated in FY2023 was 5,640 kWh. The power generated was stored in batteries and used in-house as electricity.

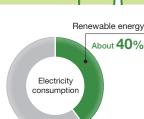


Efforts to Reduce CO₂ Emissions (2)

Transition to renewable energy

Offices in Japan

With a view to reducing CO2 emissions, we have begun to consider and address the transition to renewable energy sources, while at the same time striving to reduce our internal CO2 emissions. With a view to achieving net-zero CO₂ emissions in the future, we concluded a contract with Kansai Electric Power to purchase environmentally friendly electricity with an emission coefficient of 0 kg-CO₂/kWh as a contract for FY2023, and decided to first cover about 40% of our offices in Japan with such electricity. In the future, we intend to maintain this contract, while also considering the volume of electricity procured.

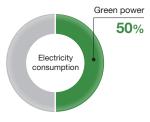


MEC EUROPE NV.

With a view to reducing CO2 emissions, MEC EUROPE has also begun to consider and address the transition to renewable energy sources, while at the same time consuming solar power generated in-house

In FY2023, we switched to green power* with an emission coefficient of 0 kg-CO₂/kWh for 50% of our usage of purchased electricity. We plan to continue to use green power in the future.

* Green power: wind, solar, hydro, and biomass





Promotion of carbon offsetting

Contribute to society by purchasing credits

In Niigata Prefecture, we promote carbon offsetting as an "advanced global warming countermeasure" that funds CO2 absorption activities such as forest maintenance projects and contributes to local forest maintenance. At present, seven projects have been registered.

We support the "Niigata Carbon Offsetting Program Project", and have decided to introduce carbon offsetting. In January 2024, we introduced the "Niigata Prefecture Pack", a set of various projects to contribute to Niigata Prefecture as a whole, to offset emissions in FY2022.

We intend to continue introducing such initiatives on an ongoing basis.

Niigata Prefecture Pack (purchased in January 2024)

Sado Toki no Mori Credit

Aga Yukyu no Mori Credit

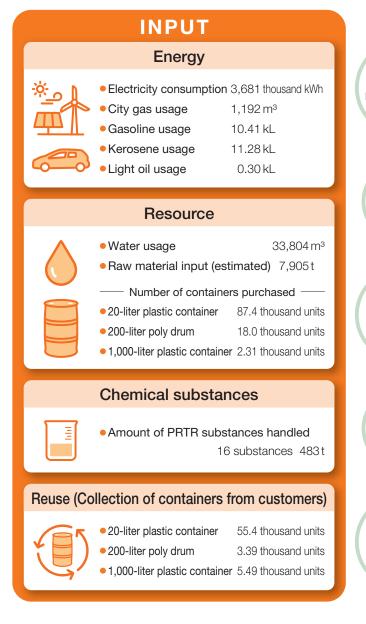
Yuki no Sato Rvuiin no Mori Credit

Minamiuonuma Meisui no Mori Credit

Tokamachi Citv Furusato no Mori-zukuri Credit



Material Flow in Business Activities | Offices in Japan





■ Reuse of Plastic Containers

In order to make effective use of limited resources without waste, we collect polyethylene containers that our customers no longer need after chemical use. We sort containers collected from customers to determine if they can be reused, and those that can be reused are cleaned and reused by the Company and contractors.

Proper Disposal of Wastes

The amount of industrial waste generated in FY2023 was 423 tons, a decrease of 122 tons from FY2022 (down 22%). The decrease in 2022 is due to the various discharges of industrial waste as part of measures associated with the closure of the Nishinomiya Factory.

The amount of specially controlled industrial waste was 181 tons, a decrease of 77 tons from FY2022 (down 34%). The final amount of disposed industrial waste was 64.3 tons.

In FY2023, 6.2 tons of industrial waste was discharged as the last discharge before the transfer of the Nishinomiya Factory at the end of May 2023. We will continue our efforts to limit the amount of industrial waste generated, and endeavor to reduce the final disposal volume by thoroughly sorting industrial waste generated.

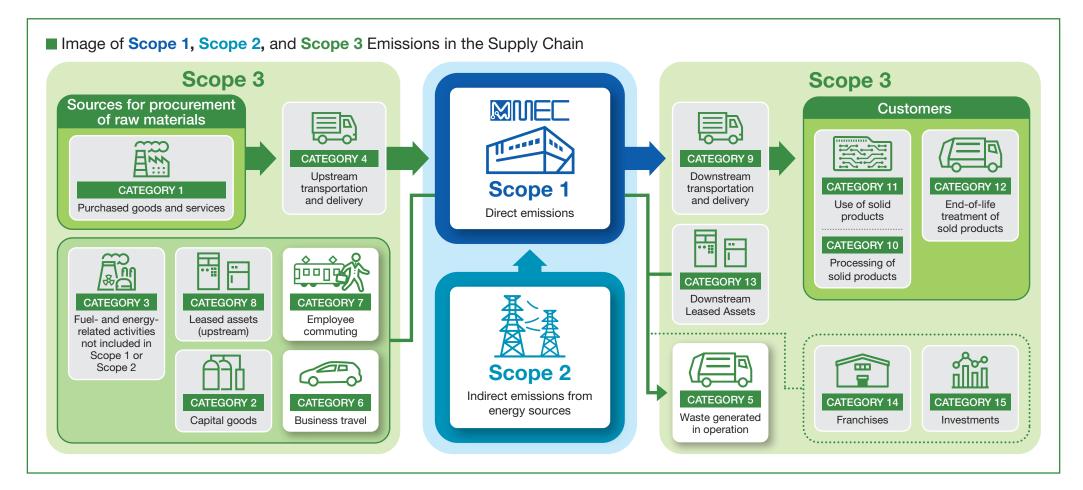
Environmental accounting data is available with our ESG data.

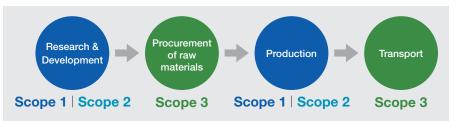


ESG data

https://www.mec-co.com/en/sustainability/esg-data/

Emissions from the MEC's Supply Chain | Offices in Japan





Scope 1, Scope 2, and Scope 3 Emissions		FY2022	FY2023	Increase and Decrease	
Scope 1		Direct emissions	66.8 t-CO ₂	55.5 t-CO ₂	11.3 t-CO ₂ ↓
Scope 2		Indirect emissions from energy sources	1,260 t-CO ₂	1,621 t-CO ₂	361 t-CO ₂
	CATEGORY 5	Waste generated in operation	176 t-CO2	136 t-CO ₂	40 t-CO₂ ↓
Scope 3	CATEGORY 6	Business travel	39.0 t-CO ₂	39.1 t-CO ₂	0.1 t-CO ₂
	CATEGORY 7	Employee commuting	117 t-CO ₂	117 t-CO ₂	0 t-CO2

Proper Management of Chemical Substances

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

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

Basic Idea of Raw Material Procurement -Promotion of CSR 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 consideration of the natural environment and human rights, we will procure environmentally friendly raw materials and engage in activities to recycle raw materials and containers. At the same time, we will continue to endeavor to engage in responsible resource procurement and build relationships of trust with business partners that are consistent with this approach.

Number of performance evaluations in FY2023

11cases (FY 2022 : 10 cases)

Safety Handling of Products.

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. Internally, we familiarize our employees with the dangers and hazards of our products and educate them about safe handling.

■ 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 2023, we received approximately 400 surveys and responded appropriately.

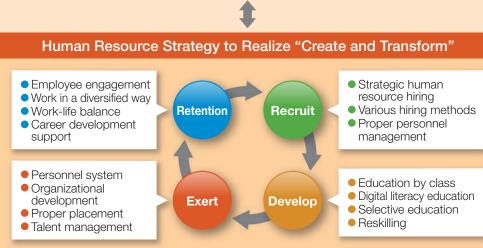


Social Report on Sociality

Human Capital Management

Based on our corporate motto and management principle, the MEC Group has formulated and implemented a human resource strategy based on human capital management that is linked to our management strategy to realize the corporate image set forth in the Vision for 2030 and medium-term management plan.





The MEC Group regards employees as the most important human capital that supports the sustainable development of the Group. In order to enable human resources with diverse personalities and values to embody the ideal image of human resources is "autonomous driving and solidarity", we are systematically developing human resources with the aim of creating human value from a short-, medium-, and long-term perspective.

♣ Human Resource and Internal Environment Development Policy

As part of our efforts to develop human resources and improve the internal environment with the aim of creating human value from a short-, medium-, and long-term perspective, we have established the Human Resource and Internal Environment Development Policy as shown below.

Realizing a corporate culture that allows employees to take on challenges	We will foster a corporate culture in which human resources with diverse personalities and values can take on the challenge of "creation and transformation" through autonomous self- propulsion and solidarity.
Supporting career and skill development	We will provide the education and training opportunities necessary for the sustainable growth of each employee and support both career and skill development.
Promoting diversity	We will work to create a rewarding working environment by acquiring diverse human resources, building a personnel system that rewards individuals with fair evaluations, and enhancing our talent management system to realize effective human resource allocation.
Improving employee engagement	We will improve employee engagement by promoting the development of systems and changing attitudes to accommodate a diverse range of human resources, and by improving work-life balance.
Building a favorable internal	We will create a favorable internal environment in which all employees can maintain good physical and mental health and

Indicators and Targets

environment

These are non-consolidated targets for the Company. No consolidated targets have been set.

continue to work safely and energetically.

Indicator	Ratio of women in management positions	Gender wage gap*	Percentage of men taking childcare leave	
Target (2030)	30 % or more	90 % or more	85 % or more	

*At the MEC Group, the wage structure is set by position. There is no gender pay gap, and the wages of men and women in the same position is the same. The differences that exist are attributable to differences in the gender composition ratio for each position.

Human Capital Management

Human Resource Strategy to Enhance Corporate Value



MEC's Human Resource Strategy to Enhance Corporate Value



We believe that our goal of human capital management means the promotion of organizational transformation through the development and allocation of the optimal human resources to embody our ideal vision for human resources set forth in our Vision for 2030.

Kenji Suzuki Operating Officer General Manager Administration Unit

Formulation of guidelines for the promotion of human capital management

What is MEC's approach to human capital management?

It is fair to say that the driving force behind our competitiveness and sustainable growth in corporate value is each and every one of our employees, who embody our philosophy. We have earned a reputation as a "global niche leader" as an R&D-oriented company, but this is not the result of our pursuit of corporate scale, but rather of our emphasis on creating new value in the market with "unique technology", as stated in our management principle, and the achievement of customer satisfaction with "reliable quality" and "meticulous service". We consider the aim of our human capital management to be the development of an internal environment that fosters human resources who embody the ideals of "human resources capable of self-reliance, self-discipline, and solidarity" and "human resources who are enthusiastic and continuously challenge oneself", as we set forth in our "Vision for 2030" medium- to long-term plan.

What did you focus on for promoting the development of human resources and improvements to the internal environment?

In order to create human value, it is essential to ensure diversity and build and maintain career paths that facilitate a balance between the growth of the Company and self-realization. In the "Human Resource and Internal Environment Development Policy", which we formulated to promote the growth of each employee and to create an organization that continues to undergo transformation, we selected measures based on the following three themes.

- 1 Recruitment and development of "strategic human resources" necessary to achieve our "corporate vision" set forth in the Vision for 2030
- 2 Creation of an environment that produces "human resources capable of self-reliance and self-discipline" and an "organization that facilitates a balance between proper placement and the exercise of abilities", to realize "create and transform"
- 3 "Future-oriented personnel system" to support the sustainable growth of the Company and employees and proper allocation

Accelerate the development of skills by investing in human resources

What initiatives are you implementing in human resource development?

It is essential to balance the right person for the right job and the right job for the right person to ensure that the gears that drive the Company mesh perfectly and our speed increases, as one might say. We incorporate aptitude tests such as SPI, as well as talent management systems using external tools, and add our own analysis to perform mapping, which we then reflect in personnel management. This allows employees to visualize their own areas of expertise, and enables management to understand the job aptitude of their subordinates and train them.

Opportunities have been established for skill development through training, education, etc. Is everyone given the chance to participate?

Apart from rank-specific and career training to foster a business mindset, the Company provides learning opportunities as support for those who have few opportunities to receive such training based on their rank. Additionally, during the COVID-19 pandemic, we were unable to conduct in-house face-to-face training, but in the future, we would like to focus the creation of employee networks and communication through face-to-face training, as well as the creation of an open culture when working on projects across the Company, etc.

Did the disclosure of the "Human Resource and Internal Environment Development Policy" change the awareness of employees? Will you also be promoting this policy at your overseas locations?

We are promoting strategic human resource measures to achieve our Vision for 2030. Organizational changes, personnel transfers, and more active recruitment are part of our efforts to develop the internal environment, and our employees understand the future direction of the Company based on these changes. In this sense, we believe we are making progress in raising employee awareness.

On the other hand, we will also deploy this policy globally going forward. Currently, it only applies at our head office, and we must adjust it to suit local regions for our global subsidiaries. Accordingly, we would like to try it in Japan first, see how it goes, expand gradually, and eventually work toward human capital management throughout the entire MEC Group.

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Human Capital Management

Human Resource Strategy to Enhance Corporate Value



MEC TAIWAN COMPANY LTD.

MEC TAIWAN, one of our global sites, has been in business for 34 years and has firm roots in Taiwan as a Japanese company for chemicals used in the manufacture of electronic substrates. Although it is a small organization with 46 employees (including five posted from the MEC head office), Japanese companies are popular and we have been able to secure excellent human resources every year. In recent years, it has become challenging. partly owing to the booming economy in the semiconductor industry, but we are working to raise the overall level by recruiting human resources from a wide range of fields and devising ways to improve the skills of each employee and motivate them to work, including utilizing external organizations to provide rank-based education.



Shohei Maruishi MEC TAIWAN President

In Taiwan, there is a faster sense of speed in getting things done than Japan. Rather than examining and reviewing plans as in Japan, it is more like correcting the trajectory while moving forward. They are very conscious of protecting their own roles and jobs, so they do a very good job when guided in a way that adds to or connects with their current work. In the future, in cooperation with the MEC head office, we intend to focus on strengthening the organizational structure and human resource development for the next generation, thereby contributing to the growth of the MEC Group as a whole.

Number of Management Positions in Group Companies

(Definition of management positions: Section chief and above in Japan. Excluding presidents)

As of January 2024

	MEC FINE CHEMICAL (ZHUHAI) LTD.		MEC CHINA PRODUCTS COMPA		MEC T		MI EURO		MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.			
(President/ Chief Executive Japanese		Japanese		Japanese		Non-Japanese		Japanese			
	Management positions		w	3	8	3	Ç	9	4		5	
		В	Japanese	Non- Japanese	Japanese	Non- Japanese	Japanese	Non- Japanese	Japanese	Non- Japanese	Japanese	Non- Japanese
	Si dan	Breakdown	2	6	2	6	3	6	0	4	2	3
			Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
		Ď	7	1	4	4	8	1	3	1	3	2

Education System

In order to realize the development of human resources "capable of self-reliance, self-discipline, and solidarity", we are implementing various training programs and measures according to objectives and employee categories. Specifically, we have established training systems suited to our objectives and are endeavoring to improve the skills of employees, including training by rank in accordance with position and role, training to strengthen management skills to develop a management perspective for selected managers, and language skills improvement programs to meet the needs of global business development.

	Se tr	electi rainin	ve ig		R	loles	and I	busin	iess :	skills						reer port	Spec trai	ialized ning
Top management				Training for Directors and Executive Officers							Education or			Exchange				
Manager	Senior management training	Digital skill training	Selected language training	Management training	Training for mid-career employees	Business mindset training b	Evaluator training	Evaluatee training	Digital literacy training	Education on Information security	Education on the handling of chemical substances in	Harassment prevention training	Compliance education (Web test)	with other companies	Life - plan sen	Business skill tr	Environmental law education (for practitioners,	Disaster response training
Regular employee		ining	e training	New employee training	nployees	by functional grade		ining		urity	nces in the workplace	ing	test)	(external seminars, etc.)	seminar	skill training	for practitioners, etc.)	_ u

In particular, with regard to training to ensure that all employees have digital literacy, as stated in our Medium-term Management Plan, we will formulate training content to fill the gap between our current situation and our goal, based on the results of periodic employee level surveys since last fiscal year, and implement it as part of rank-based education.

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Relationship with Employees

Personnel Evaluation System

We use an absolute evaluation system for personnel evaluation to enhance transparency and persuasiveness of evaluation through feedback to evaluatees, while placing greater emphasis on the exchange of opinions between evaluators and evaluatees on the points of development.

In addition, in order to make the personnel evaluation system more effective, we conducted evaluator training and evaluatee training last fiscal year for the purpose of ensuring a "correct understanding of the system" and "conducting appropriate evaluation".

Diversity and Inclusion

We are actively promoting diversity and inclusion to become a company where people of all ages, genders, races, nationalities and disabilities with a variety of personalities and values can play an active role in driving innovation and growth in the Company.

Acquisition of diverse human resources Mid-career talented people Hiring of mid-career workers with useful knowledge and experience Global human resources Hiring of global talented people including foreign nationals Full-time employee system Introduction of a system that allows employees to work as regular for senior members employees in a broad sense even after the retirement age of 60 Challenged employees Active hiring of persons with disabilities (FY2023 average: 2.88%)

Women's Active Engagement

Since our foundation, we have focused on fostering an organizational culture in which women can continuously demonstrate their abilities and play an active role in various life stages. We have been selected as a Nadeshiko Brand* twice in the past, in FY2015 and FY2016.

Since our foundation, we have consistently promoted the recruitment of human resources free from gender distinction, and a single pay table is applied to all full-time employees as employees on the managerial career track. The gender pay gap is 87.0 for female employees if male employees are deemed to be 100.

Female managers accounted for 30.0% of all managers in FY2023, and female supervisors are not uncommon. We will continue to promote appointments regardless of gender based on ability and aptitude.

[Note] At the MEC Group, the wage structure is set by position. There is no gender pay gap, and the wages of men and women in the same position are the same. The differences that exist are attributable to differences in the gender composition ratio for each position.

*Nadeshiko Brand: A listed company selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that excels in promoting women's participation as an attractive stock for investors who place importance on improving corporate value over the medium and long term.

Percentage of females in all managerial positions

FY2019	FY2020	FY2021	FY2022	FY2023
20.0%	20.4%	19.6%	25.5%	30.0%

Work-life Balance

We have introduced various systems related to employment and are working to realize flexible work styles for

Social

Original system

- Telecommuting system
- Nursing care)
- Taking annual paid leave on a half-day basis
- Child-rearing leave (5 days per year (paid) for employees who have preschoolers)
- Flextime system (Core time is from 10:00 to 15:00) Reduced working hours for child-rearing of children up to the third grade
- Accumulated paid leave (Purpose of acquisition:
 Refresh leave (granted according to years of service)
 - Nursing care support leave (five days/year with pay for nursing care for a family member within the first degree of kinship)

Promotion of Male Employees taking Child-rearing leave

We introduced the child-rearing leave system in FY1991. The first childcare a male employee took was in FY2008. Since then, employees have taken this leave as needed. From FY2020 onward, the Company has continued to encourage men's proactive participation in child-rearing and promote an understanding of the need to balance work and childcare, resulting in a take-up rate of 44.4% in FY2023. We will build a more productive work environment by encouraging each employee to practice self-directed work styles.

Percentage of male employees who take child-rearing leave

FY2019	FY2020	FY2021	FY2022	FY2023
0%	30.0%	25.0%	66.7%	44.4%

Promotion of DX Education

We will establish and promote a DX education system as a foundation for improvements to various business processes, with the aim of ensuring that all employees have digital literacy and providing new value through the utilization of IT and digital technology.

Employee Satisfaction Survey

We have been conducting awareness surveys for many years to measure satisfaction levels among employees (including temporary staff) and utilize the results in our labor policies and other measures. As a result of surveys conducted by a specialist external organization for FY2021 and FY2022, we found that a high level of satisfaction had been maintained. Accordingly, in order to conduct a multifaceted analysis, we conducted a survey using existing internal systems for FY2023.

Response rate about **94**%

(Goal / KPI) Improvement of scores for "job satisfaction"

*As we cannot compare these results with external surveys, we have compared

"Corporate culture to be cherished" by employees (Top three items)

1 Challenge

Creativity (2022: International sense)

3 Flexibility (2022: Creativity)

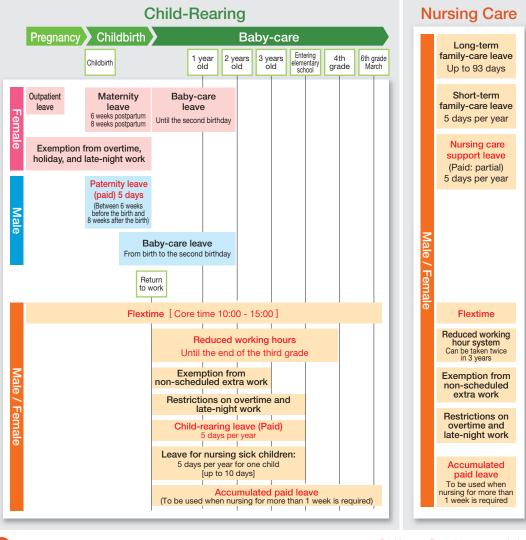
The results showed that satisfaction levels remained high.

We will continue to conduct awareness surveys as appropriate to ascertain employee satisfaction.

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Relationship with Employees

Systems to Support Balancing work with Childcare and Family-care





Feedback from Employees (male) who took Child-rearing leave

The Company recommends that men take child-rearing leave, in order to ensure sharing of the burdens of childcare and housework, which tend to fall disproportionately on women, and to promote understanding of the balance between work and family life. We gathered feedback from three employees who have most recently taken child-rearing leave.

Questions	30s production department	30s research department	30s management department
Was child-rearing leave easy to take?	They proceeded with the child-rearing leave program when I reported the due date of my child. It was easy to take leave because I was able to discuss various things in advance.	It was very easy to take child-rearing leave. The birth was two weeks earlier than our due date, but the Company agreeably moved forward with the procedures.	Everyone in my department readily agreed. Colleagues also tracked my work during child-rearing leave, resulting in an environment where it was easy to take this leave. A member of staff responsible for personnel even showed me how to use the system in a good way.
Do you have any requests for the system itself?	None.	There are no specific requests. It was easy to use, with all the necessary documents in one place.	I think there are some companies where it is difficult to apply for days off to visit a temple or shrine to pray for safe childbirth or to accompany the mother for medical checkups about once a month, so I think it would be interesting if these aspects could be incorporated into the system.
Other impressions, etc. (Family feedback, etc.) Since this was our second child, we were able to share child-rearing and household chores, which helped a lot. Others shared and took care of my work, for which I am very grateful.		Many of the male employees around me have also taken child-rearing leave, and there is an environment with an atmosphere in which "it is normal for men to also take child-rearing leave when a child is born".	None in particular.



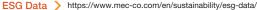
Improving the Health of our Employees (Feedback from the Manager of General Affairs Group)

As in the previous year, in addition to conducting various medical checkups, stress checks, etc.. we actively reminded people about whom some irregularities were found to re-examine and get full treatment, which led to an increase in the number of reports of re-examinations.

In addition, the number of items to be checked in the stress check was increased from 48 to 60, enabling us to gain a better understanding of the current situation. In the future, we will consider what measures are necessary based on the results of this initiative, and we hope to start focusing on areas where we can improve the environment as the general affairs department.







Red letters: Based on our regulations



Relationship with Employees

Safe Working Environment

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.



Measures to address New Chemical Substance Regulations

In order to prevent industrial accidents caused by chemical substances, the government has revised occupational health and safety regulations and other regulations, focusing on strengthening the control system for chemical substances. We performed risk assessment for chemical substances that were not covered by the regulations until now, and took measures to prevent exposure based on the results. We also take necessary training for the appointment of chemical substance managers. As more proactive initiatives are required, the Safety and Health Committees of the respective business office is taking the lead in implementing necessary measures.

Establishment of Health and Safety Policy

We have published our Health and Safety Policy to ensure that all employees participate in occupational health and safety activities with the utmost care, and we will work to eliminate occupational accidents, in order to achieve "a fun workplace where people pay attention to health and safety", as stated in our company rules.

MEC Health and Safety Policy

Company-wide policy: Put health and safety first

Safety Declaration

Based on the spirit of respect for human life, we will conduct occupational safety and health activities with the full care and participation of all employees, as part of efforts to achieve our company rule, "Let's make a fun workplace where people pay attention to health and safety". We position health and safety as one of the most important foundations of our corporate activities and allocate management resources appropriately.

MEC Action Guidelines

- 1. We will comply with occupational health and safety laws and regulations as well as internal rules and regulations, and endeavor to continuously improve the health and safety management system and enhance the level of management, recognizing the health and safety risks associated with the activities of the Company.
- 2. We will protect the safety and health of all workers

 - 1) Achieve zero accidents and zero injuries 2) Ensure and promote physical and mental health
 - Identify, assess, eliminate, and reduce hazardous areas
 - Structure countermeasures
 - Prevent chemical spray accidents
 - Foster a sound safety culture
- Prevent overwork Maintain and manage mental health
- Create an environment where it is easy to work

3. This Health and Safety Policy applies to all employees working together in the MEC Group, both in Japan and as subsidiaries overseas.

As a chemical manufacturer, we endeavor to provide our customers and other stakeholders with information regarding safety and security.

Preventing Harassment and Discrimination

We distribute the "Labor and Ethics Guidelines" prepared based on the RBA Code of Conduct 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.



Labor and Ethics Guidelines Ver.7

MEC's

Capital

Together with Every Stakeholder involved with MEC COMPANY.

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 2023, we resumed face-to-face company briefing sessions for shareholders (Tokyo venue), which we had suspended owing to the COVID-19 pandemic. In November, we also held an office tour for shareholders, where they toured the plant, research, and office areas at the head office and Amagasaki Headquarters. Officers of the Company attended the Q&A session after the tour.



Shareholder communication







Business site tour

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 FY2023, the Company continued communication through briefings on financial results, meetings, etc., via web conferencing systems, telephone conferences, and face-to-face meetings, as appropriate.

We also participated in events for individual investors.



Financial results briefing sessions

Meetings times in tota

Adherence and Penetration of RBA Code of Conduct

We strive to promote business activities in accordance with the Responsible Business Alliance (RBA) Code of Conduct in order to promote socially responsible activities and achieve continuous growth with all stakeholders involved in our Company.

In January 2024, the Code of Conduct was updated to Ver. 8.0. The results of our internal survey showed that we have been able to address all of the newly added items.

About Human Rights

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.

Initiatives for Improving Customer Satisfaction

We carry out a satisfaction survey once a year on major customers. 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.



Building Appropriate Relationships with Logistics Companies [Responding to the 2024 Problem in the logistics industry]

In 2024, the Work Style Reform Laws will come into effect, imposing a cap on overtime work hours for people involved in logistics, resulting in a reduction in the total transport volume and other problems.

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 realize a "better working environment (in Japanese, it is called a "white" working environment)". As an advocate of White Logistics, we hold discussions with logistics companies in advance, review contracts with mutual agreement, and work to secure legal and appropriate transport volumes.

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Together with Every Stakeholder involved with MEC COMPANY.

Appropriate Response toward Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

We are subject to the so-called Subcontract Law, which requires stricter treatment of suppliers with capital below a certain level.

In FY2023, we provided training related to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors to personnel working in sales and procurement departments, who serve as liaisons with suppliers. We will continue our efforts in line with the spirit of the Act against Delay in Payment of Subcontract Proceeds. etc. to Subcontractors.

Response to Conflict Minerals

In terms of our response to conflict minerals, for raw materials containing applicable minerals, we conduct surveys of manufacturers using the CMRT survey and endeavor to engage in responsible resource procurement. In addition, although we do not use raw materials containing cobalt or mica, we are gathering information by attending external training sessions on responsible mineral procurement, etc.

Execution of ESG Investment

We invested in "Sustainability Bonds" issued by Kitakyushu City.

"Sustainability Bonds" are bonds for which the funds raised will be used to improve the environment (a green aspect) and to contribute to solving social issues (a social aspect).

We continue to invest in and support social bonds (Japan Student Services Organization) and SDGs bonds (Hyogo Prefecture) as reported in last year's report.

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. Most recently, we made a donation to the Noto Peninsula Earthquake Evacuee Fund in response to the 2024 Noto Peninsula Earthquake, which caused extensive damage to the region.

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.

Cleanup of Archaeological Sites by MEC SPECIALTY CHEMICAL (THAILAND)

The Ayutthaya district of Thailand, where MEC SPECIALTY CHEMICAL (THAILAND) is located, is home to many valuable archaeological sites that have been designated as World Heritage sites. In order to contribute as much as possible to the environmental improvement of these archaeological sites, we recruited volunteers to participate in cleanup activities.







Activities at the World Heritage Lokkayasutha Temple

■ 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.

Although we suspended these activities as a result of the COVID-19 pandemic, in 2023, we conducted thinning and other maintenance activities in both MEC forests as part of our endeavor to ensure the healthy growth of the forests.

We will continue to contribute to the creation of biodiversityfriendly forests.



Amagasaki MEC Forest



Nagaoka MEC Forest



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

Sustainability Report 2024

MEC Style About MEC COMPANY

TOP Message Value Creation Model

MEC's Management Capital

Materiality

Environment

Social

Governance

SASB INDEX







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.

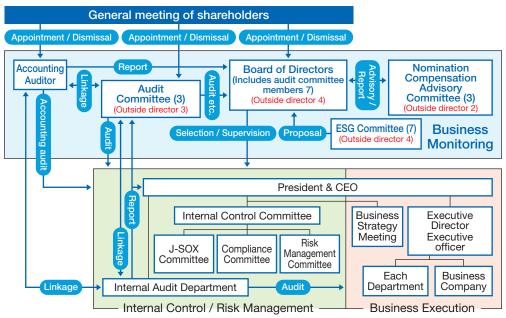
Nomination Compensation Advisory Committee

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

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.

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

Basic policy of internal control system (excerpt)

- (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) 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.
- (3) The Internal Audit Department, which acts as the department for internal audits, shall be established for the purpose of auditing the status of the development and operation of internal control systems, to ensure that the execution of operations is appropriate and efficient, and that internal control systems prevent fraud in advance.



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 FY2023 was 2.

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 FY2023, based on the evaluation 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, while also sharing information and strengthening relationships through 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, and discussions on issues surrounding succession planning, should continue to be further strengthened. We also consider the demonstration of a higher level of oversight by the Board of Directors to be an issue.

We will continue to make further improvements to further ensure the effectiveness of the Board of Directors and improve its functions.

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	•				•	•		
6 Mitsutoshi Takao*	Outside								
6 Kaoru Hashimoto*	Outside			•	•				•
7 Eiji Miyashita*	Outside	•		•	•		•		

Kazuo Maeda	 Since assuming the post of CEO and President in 2002, he has focused on revitalizing the proper operation of 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 with stron leadership and execution skills, driving the development of the MEC Group
Toshiko Nakagawa	 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, human resources strategies, and strengthening our ESG foundations She is responsible for the management and quality assurance departments, and was appointed CFG in 2023, working to build a highly reliable organization
Sadamitsu Sumitomo	He contributes to stimulating discussions at the Board of Directors from a global perspective by leveragin the management experience of our overseas subsidiaries and extensive knowledge of overseas busines. He contributes to the promotion of the Company's growth strategies as the head of all sales divisions including overseas subsidiaries.
Toshihiko Hojo	 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	 Based on his extensive experience as a corporate manager and his expertise in finance an accounting, he conducts audits and supervises the execution of duties at our Company from a 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 th sustained improvement of governance of our Company
Kaoru Hashimoto	 She gives appropriate advice, conducts audits and supervises the execution of duties at ou Company from a legal and accounting perspective by leveraging her abundant experience an advanced expertise as a lawyer and certified public accountant
Eiji Miyashita	He has a wealth of corporate management experience at other companies, and deep knowledg related to finance and accounting He has served as a corporate auditor at several companies and has broad insight into corporate auditing

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 FY2023

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/privacy/

Outside Director Message

Focus on material issues and promote the improvement of the workplace environment and human resource development.

Become a truly global company.

Kaoru Hashimoto
Independent Outside Director
Audit and Supervisory Committee Member

We believe that human resources are essential for us to solve social issues through our business activities based on the principles of "Unique Technology", "Reliable Quality", and "Meticulous Service". Since assuming the position of Outside Director, I have felt that the MEC Group is made up of good companies that value human resources. The percentage of women in management positions is 30%, and there is an environment in which human resources can grow regardless of gender and other factors. Even before the keyword "diversity" received widespread attention, I feel that our organization has had a perspective of "utilization of diverse human resources", which is one of our material issues.

The MEC Group is addressing issues such as health management, work-life balance, career development, engagement, and occupational health and safety, which are listed as material issues to be addressed, and is also taking care to ensure the development of a safe working environment and the further growth of human resources. I believe that the company motto "enjoy your work" will spread to each and every person in the MEC Group, and that this will result in the further development of the human resources that we desire as a global company.

In addition, the MEC Group's corporate vision, based on the Vision for 2030, is "Become a truly global company that creates new value through unique technologies". In order to become a truly global company, all of the issues listed as material issues are important, and in particular, our relationships with the supply chain and other stakeholders will become increasingly important.

As an Outside Director, I intend to use my experience as a lawyer and certified public accountant to provide useful opinions on governance, as well as the fulfillment of material issues at meetings such as the Board of Directors and the ESG Committee. I will exert every effort together with Directors who have diverse expertise.

SASB INDEX (Chemicals) VERSION 2023-12

This page summarizes and discloses ESG information in accordance with the SASB Standard_version 2023-12, a framework for ESG information disclosure published by the Sustainability Accounting Standards Board (SASB) in the U.S. We will continue to expand the content disclosed.

■ Environmental Conservation

TOPIC	METRIC	CODIFIED METRIC CODE	Response Status, Data, etc.
Greenhouse	Gross global Scope 1 emissions, percentage covered under emissions limiting regulations	RT-CH-110a.1	Environment ② See page 15
Gas Emissions	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2	Since Scope 1 accounts for a low proportion of our total emissions, at approximately 3%, we did not set an emissions reduction target for Scope 1 emissions, but rather a mid-to long-term reduction target for Scope 1+2 emissions. CO₂ reduction target: Net reduction in total domestic Scope 1 and 2 emissions of 50% by FY2030 (base year: FY2017)
Air Quality	Air emissions of the following pollutants: (1) NOX (excluding N₂O), (2) SOX, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	N/A No air pollutants are emitted during the manufacturing process.
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy	RT-CH-130a.1	Environment • See page 15 <electricity consumption=""> (1) 13,253GJ (2) 61% (3) 39% (4) None</electricity>
Water	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	RT-CH-140a.1	Environment See page 15 Water usage and Amount of wastewater> (1) 33,804m³ (total consumption is calculated by [water consumption - water discharge]) Water stress: Amagasaki Plant and Nagaoka Plant, low to medium (10 - 20%) (Survey using the World Resources Institute's Aqueduct Water Risk Atlas)
Management	Number of incidents of non-compliance associated with water quality permits, standards and regulations	RT-CH-140a.2	Number of violations of laws and regulations related to water quality: 1
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	Water is used as one of the raw materials, and since water is used more in research and development activities and production activities, water usage is strictly controlled.
Hazardous Waste Management	(1) Amount of hazardous waste generated, (2) percentage recycled	RT-CH-150a.1	Hazardous waste (industrial waste specially controlled by the Waste Management and Public Cleansing Law) Total volume 181 tons, recycling rate 24.4%
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	Social See page 27 <together communities="" local="" with=""> We hold explanatory meetings in the neighborhood (plant tours) and cooperate with evacuation drills at neighborhood nurseries.</together>

Occupational Safety / Management of Chemical Substances

TOPIC	METRIC	CODIFIED METRIC CODE	Response Status, Data, etc.
Workforce Health	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	Social See page 25 < Safe Working Environment > (1) (a) Directly hired employees: 0.0, (b) Indirectly hired employees: 0.0 *All industrial accidents occurred due to accidents not accompanied by lost time (2) In-service fatality rate: 0%
& Safety	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	Social See page 24 <improving employees="" health="" of="" our="" the=""> Regular medical examinations, special medical examinations, mental health checks, etc. Diagnosis rate: Approx.100% We conduct re-examination and consultation with a dietitian for those with findings after a health check-up.</improving>
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	_
Safety & Environmental	(1) Percentage of products that contain Globally Harmonised System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	RT-CH-410b.1	_
Stewardship of Chemicals	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human or environmental impact	RT-CH-410b.2	As a chemical manufacturer, we check relevant laws and regulations in Japan and overseas for chemical substances and acknowledge hazard information. We have specified banned substances and have established a system that does not contain them from the R&D stage. Many of our products fall under categories 1 and 2 of the GHS classification. We recognize that all products are hazardous as long as they use chemical substances, and communicate hazard information on the SDS and labels when they are supplied. We inform our customers so that they will handle the product based on the hazard information.
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	_
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	We are subject to various laws and regulations in Japan and overseas, including those related to the handling, research, manufacture, storage, transportation, and sales of hazardous chemical substances such as poisonous and deleterious substances. Regulations on chemical substances are expected to become increasingly strict in the future, and we are making efforts to respond positively to these regulations and to minimize the impact on our business.
Operational Safety, Emergency Preparedness, and Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	We regard health and safety as the first priority, and we are responsible as a corporation for our efforts to achieve zero accidents and zero disasters. In order to handle toxic and toxic chemicals such as poisonous and deleterious substances, we regard chemical leaks during transportation as important incidents and have established a system to prevent environmental pollution caused by chemical leaks caused by accidents. Number of leak incidents that fall under the category of serious incidents: 0
	Number of transport incidents	RT-CH-540a.2	14 transport accidents (1 cases of leakage and 13 cases of damage to containers)
ACTIVITY METRIC	Production by reportable segment	RT-CH-000.A	15,810t



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