

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

Identification of material issues	Picked out social issues by referring to international frameworks and guidelines such as the GRI Standards and SDGs, and identified issues that are highly relevant to the MEC Group based on the management vision and business value chain.
Classification and evaluation of materiality	Identified from the issues listed the areas that are highly relevant to MEC's business and mapped them by business and social axes.
In-house review	Considered these issues in conjunction with MEC's Corporate Philosophy “Vision for 2030 (Medium-term Management Plan 2022–2024)”.
Exchange of views at the ESG Committee	Exchanged views on the draft material issues with ESG Committee members as internal and external experts.
Identification of materiality Approve by the Board of Directors	Recognized the relevance of the identified material issues and each element and approved them at the Board of Directors.

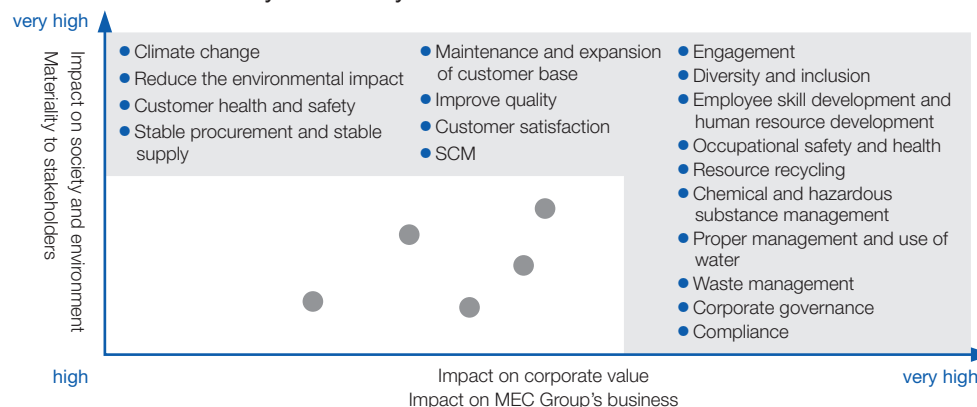
Classified the Identified Material Issues into Six Business Fields

Materiality	<ul style="list-style-type: none"> Development and provision of high-value-added products Contributing to Improving Customer Production Efficiency and Yield Development of products that reduce environmental impact Creation of new technologies and businesses 	<ul style="list-style-type: none"> SCM (supply chain management) CSR procurement Global production Global supply BCP 	<ul style="list-style-type: none"> Measures to address climate change Coexistence of humans and nature Appropriate chemical substance management BCP
Business field	1 Research and development to open up the future	2 Proper procurement, production, and logistics	3 Environmental preservation
Materiality	<ul style="list-style-type: none"> Occupational health and safety (People) Quality assurance (Products) Building long-term trusting relationships with stakeholders 	<ul style="list-style-type: none"> Health management Work-life balance Career development Diversity Engagement 	<ul style="list-style-type: none"> Reinforcing corporate governance Appropriate information disclosure Information security Risk management Compliance
Business field	4 Quality and safety	5 Utilization of diverse human resources	6 Reinforcement of management foundations

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
1 Research and Development to open up the future	Development of products that reduce environmental impact	Promotion of sustainable product development	○	Development of a copper surface treatment agent that is 99% fossil fuel free. In FY2024, we will make refinements based on other products.	<ul style="list-style-type: none"> Establish chemical adhesion technology Reduce the burden of waste treatment 	 
	Development of new business	Execution of image recognition and AI solutions	○	Promotion of the AI business (Pictel). We accumulated technology through a series of PoCs (Proofs of Concept) with customers.	Launch a new core business	
2 Proper Procurement, Production, and Logistics	SCM (supply chain management)	Visit raw material manufacturers, hold technical review meetings, and conduct exchanges between presidents to deepen relationships.	○	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 materials and containers. We will also continue to strive for responsible resource procurement	 
	CSR procurement	We are promoting the diversification of suppliers of main raw materials, in line with plans.	△	Achievement of approximately 70% diversification.		 
	Creation of global production and supply system	Improvements to production and supply capabilities at each production site	○	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/ Establish consolidated BCP system	
	BCP (Business Continuity Plan) responses	Reconstruct BCP at domestic factories (Goals for 2025)	○	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]		
3 Environmental Preservation	Appropriate chemical substance management	Promote non-use of prohibited substances	○	Properly handling various chemical substances in accordance with laws including the maintenance of a system that does not use prohibited substances and compliance with environmental laws and regulations.	Minimize the impact on the health of those who handle chemical substances by thorough management	 
		Provide education and share information	○	As a chemical manufacturer, provided education on chemical substance management 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.		
	Address climate change issues	Strengthening of information disclosure in line with TCFD recommendations	○	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	
		Disclosure of information regarding Scope 3 emissions	○	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	
4 Quality and Safety	Health and safety management	Zero accidents resulting in lost time	○	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)	 
	Quality assurance	Rebuilding and improving quality assurance systems	○	Continued efforts to rebuild the quality assurance system and completed measures as planned.	Continue to provide customers with satisfactory goods and services globally	
	Improvement of corporate value through appropriate information disclosure	Disclose information as appropriate	○	<ul style="list-style-type: none"> 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	 

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
5 Utilization of Diverse Human Resources	Health management	Maintain the rate of employees having a medical checkup	○	<ul style="list-style-type: none"> 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 rate among male employees to at least 85% by 2030 (non-consolidated target for the Company)]	   
	Work-life balance (WLB)	Increase male employees who take child-rearing leave	○	FY2022: 6 employees FY2023: 4 employees took leave (Average length of childcare leave taken is 47 days)		
		Improvement of the work environment	○	<ul style="list-style-type: none"> 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	
	Career development	Have all employees receive mandatory training	○	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.		
	Diversity	Have at least two more women in positions of section chief level and above (Target as of March 2024)	○	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)	○	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)		
6 Reinforcement of Management foundations	Governance	Attendance at Board of Directors meetings: 85% or more (Outside Directors)	○	Attendance of Outside Directors: 100%	Carry out corporate management that is trusted by society by strengthening governance	<hr/>
	Information security	Zero serious security incidents	○	Zero serious security incidents In order to appropriately manage and utilize the information assets held, determined the basic matters to be strictly adhered to, and made efforts to realize uniform information security management through appropriate operation.	Avoid losses associated with confidential information leaks	
		Have all employees perform self-check and achieve the pass rate of 100%	○	<ul style="list-style-type: none"> Had all employees perform self-check and achieved a pass rate of 100% Number of IT literacy training sessions: 6 Conducted online education as planned on IT systems and information security that employees should understand. 		
	Risk management	Visualize management risks and implement countermeasures	○	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	