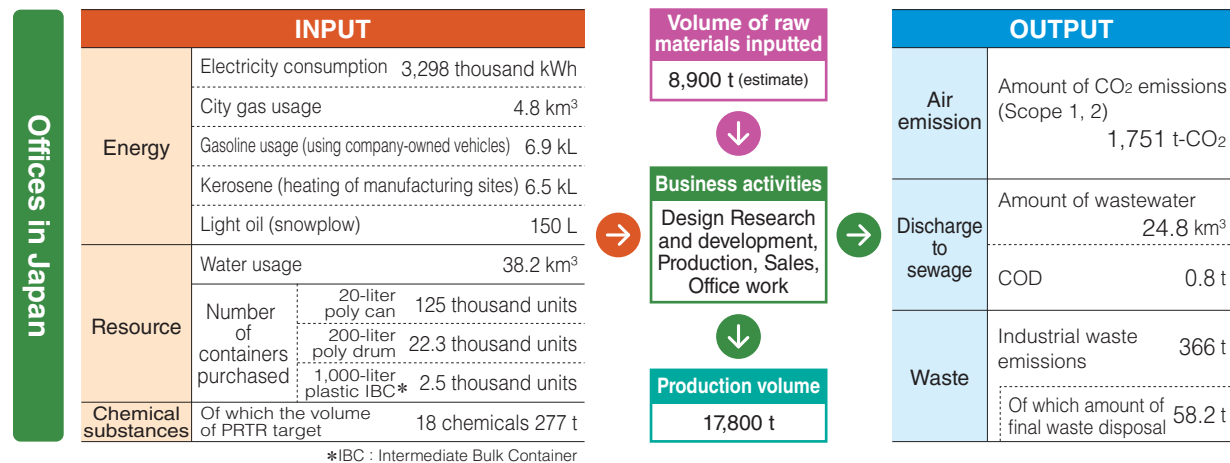# Environment
Report on environmental conservation

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

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

Relationship between business activities and the environment

We make efforts to grasp the amount of energy and resources consumed in our business activities, the amount of wastewater discharged, the amount of industrial waste discharged, and the amount of CO_2 emitted, and connect that information to environmental activities.

Offices in Japan

INPUT		
Energy	Electricity consumption	3,298 thousand kWh
	City gas usage	4.8 km³
	Gasoline usage (using company-owned vehicles)	6.9 kL
	Kerosene (heating of manufacturing sites)	6.5 kL
	Light oil (snowplow)	150 L
Resource	Water usage	38.2 km³
	Number of containers purchased — 20-liter poly can	125 thousand units
	200-liter poly drum	22.3 thousand units
	1,000-liter plastic IBC*	2.5 thousand units
Chemical substances	Of which the volume of PRTR target	18 chemicals 277 t

*IBC : Intermediate Bulk Container

Volume of raw materials inputted
8,900 t (estimate)

Business activities
Design Research and development, Production, Sales, Office work

Production volume
17,800 t

OUTPUT		
Air emission	Amount of CO_2 emissions (Scope 1, 2)	1,751 t-CO_2
Discharge to sewage	Amount of wastewater	24.8 km³
	COD	0.8 t
Waste	Industrial waste emissions	366 t
	Of which amount of final waste disposal	58.2 t

Offices in Japan

Office name	INPUT Electricity consumption	City gas usage	Gasoline usage (Company-owned car)	Kerosene (heating of manufacturing sites)	Light oil (snowplow)	Water usage	Volume of PRTR target	OUTPUT Production volume	Amount of CO_2 emissions	Amount of wastewater	COD	Industrial waste emissions	Of which amount of final waste disposal
Amagasaki HQ. (Amagasaki Factory)	928 thousand kWh	—	410 L	—	—	6.1 km³	134.5 t	2,949 t	478 t-CO_2	5.5 km³	0.064 t	Included in Amagasaki HQ. (R&D Center)	Included in Amagasaki HQ. (R&D Center)
Nagaoka Factory	568 thousand kWh	1,815 m³	181 L	6.5 kL	150 L	20.0 km³	100 t	14,212 t	317 t-CO_2	10.1 km³	0.65 t	99.1 t	1.8 t
Nishinomiya Factory	216 thousand kWh	3,021 m³	Included in Amagasaki Factory	—	—	2.9 km³	20.7 t	600 t	117 t-CO_2	2.6 km³	0.03 t	19.4 t	3.4 t
Amagasaki HQ. (R&D Center)	777 thousand kWh	—	773 L	—	—	8.5 km³	21.4 t	—	401 t-CO_2	5.7 km³	0.066 t	192 t*	50.4 t*
Higashi-hatsushima R&D Center	334 thousand kWh	—	86 L	—	—	0.78 km³	Included in Amagasaki HQ. (R&D Center)	—	171 t-CO_2	0.78 km³	0.004 t	55.0 t	2.7 t

* Calculated for the entire Amagasaki Headquarters.

Global base

MEC FINE CHEMICAL (ZHUHAI) LTD.

INPUT	
Electricity consumption	224 thousand kWh
Water usage	9.9 km³

OUTPUT	
Production volume	4,220 t
Amount of wastewater	4.4 km³
Industrial waste emissions	116 t

MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY LTD.

INPUT	
Electricity consumption	436 thousand kWh
Water usage	16.8 km³

OUTPUT	
Production volume	8,070 t
Amount of wastewater	1.6 km³
Industrial waste emissions	98 t

MEC TAIWAN COMPANY LTD.

INPUT	
Electricity consumption	2.7 thousand kWh
Water usage	2.7 km³ (Excluding groundwater)

OUTPUT	
Production volume	6,060 t
Amount of wastewater	6.1 km³
Industrial waste emissions	69 t

MEC EUROPE NV.

INPUT	
Electricity consumption	75.6 thousand kWh
Water usage	2.6 km³ (For manufacturing)

OUTPUT	
Production volume	2,200 t
Amount of wastewater	—
Industrial waste emissions	43 t

MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.

INPUT	
Electricity consumption	280 thousand kWh
Water usage	6.2 km³

OUTPUT	
Production volume	44 t
Amount of wastewater	6.2 km³
Industrial waste emissions	29 t

MEC

| Contents | Our Business | Summary and outlook of business activities | Top Message | Basic policy on CSR | Company-wide CSR initiatives | **E** Environment | **S** Social | **G** Governance | Implementation items and achievements of CSR activities | Company Profile | CSR REPORT 2021　11 |

ENVIRONMENTAL ACCOUNTING FOR FY2020 (Information on offices in Japan)

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

Table Environmental conservation cost in FY2020

Our environmental conservation cost for FY2020 was 593,466,000 yen.
Of which, 85% is R&D costs. In FY2020, costs increased significantly due to the expansion and remodeling of R&D processing lines for products with a low environmental impact. The ratio of "upstream and downstream costs" related to the collection of used containers and consignment of container cleaning was as low as 1%, but it was about the same as in FY2019.

■ Development standards
- Data gathering period : 12 months from January to December 2020.
- Scope : MEC CO., LTD.　[Amagasaki HQ. (Head Office / R&D Center / Amagasaki Factory), Nishinomiya Factory, Nagaoka Factory, Tokyo Sales Office, Higashi-hatsushima R&D Center.]
- Environmental conservation cost only targets cost whose objectives are clearly related to environmental conservation activities.
- For the research and development cost, costs which can be categorized into themes are individually processed, while costs which cannot be directly categorized are distributed in proportion based on theme-specific work hours.
- The amount of the cost includes depreciation costs and maintenance and management costs of facilities, as well as labor costs which are used for the purpose of environmental conservation.

Category		Main activities	Cost (thousand yen)
(1) Cost within business areas			72,122
	1.Cost of preventing pollution	Maintenance and management of wastewater treatment facilities, prevention of water contamination, etc.	32,387
	2.Cost of protecting the global environment	Energy conservation measures	0
	3.Resource recycling cost	Cost of outsourcing the disposal of industrial wastes	39,734
(2) Upstream and downstream costs		Cost of outsourcing work to collect containers and wash them, etc.	6,280
(3) Management activity cost		Cost of maintaining and operating environmental management systems, cost of planting plants around business sites	8,165
(4) Research and development cost		Research and development of products with lower environmental load	506,057
(5) Cost of social activities		Global environment conservation activities, etc.	842
(6) Cost of responding to environmental damage		Not applicable	0
Total			593,466

Item	Amount (thousand yen)
Total amount of investment during the applicable period	719,032
Total cost of research and development during the applicable period	1,359,359

Item	Amount (thousand yen)
The monetary amount of valuable goods sold in regards to (1)-3	780
The monetary amount of valuable goods sold in regards to (2)	0
Other (solar power generation) sold amount	5,052

Table Environmental conservation effects in FY2020

The environmental conservation effect is expressed based on the change in the absolute amount from the previous year (FY2019 conversion).
Primary units (the amount per ton of production) are also used for some indexes.
We are continuing to be actively involved in environmental conservation activities based on the recognition that one of our important missions is to reduce environmental loads.
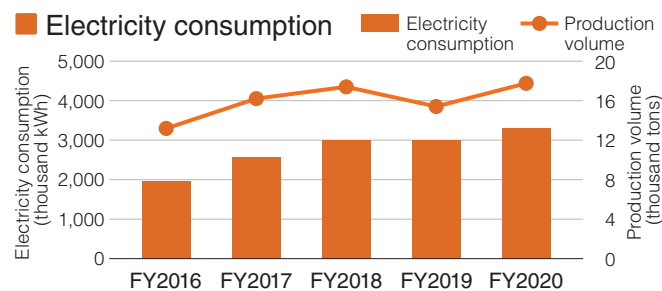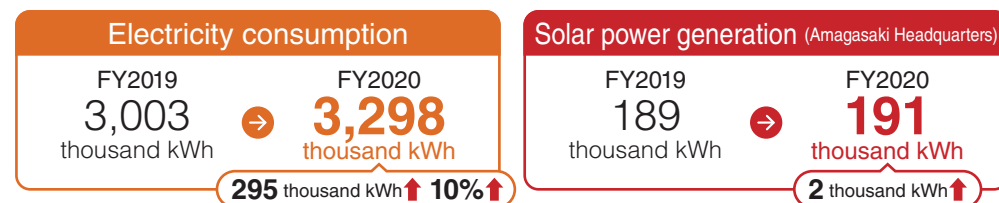
Category of environmental conservation effects	Environmental performance index		Value of the index (amount)	Comparison from the last fiscal year	Value of the index (intensity)	Comparison from the last fiscal year
(1) Effects in response to costs within the business areas						
Effects in regards to the input of resources into business activities	Amount of electricity input		3,298 thousand kWh	+294.5 thousand kWh	186 kWh/t	-4.7%
	Amount of city gas input		4.8 km³	-0.1 km³	0.3 m³/t	-14.9%
	Amount of water input		38 km³	-0.7 km³	2.2 m³/t	-14.8%
Effects in regards to the environmental load of business activities and associated wastes	Amount of CO_2 emissions		1,751 t-CO_2	+134.0 t-CO_2	99 kg-CO_2/t	-6.0%
	Amount of COD emissions		0.8 t	±0.0 t		
	Total amount of industrial waste emissions		366 t	+21.3 t		
(2) Effects corresponding to the upstream and downstream costs						
Effects in regards to assets and services produced from business activities	Number of reused containers (total number)	plastic containers	53 thousand units	-3.4 thousand units		
		plastic drums	3.4 thousand units	-1.0 thousand units		

MMEC

| Contents | Our Business | Summary and outlook of business activities | Top Message | Basic policy on CSR | Company-wide CSR initiatives | **E** Environment | **S** Social | **G** Governance | Implementation items and achievements of CSR activities | Company Profile |

CSR REPORT 2021   12

Electricity consumption, water usage and discharge status in Japan

Electricity consumption

In FY2020, the three factories at Amagasaki, Nagaoka, and Nishinomiya will continue to operate, carrying on from FY2018, but the operation of the Nishinomiya Factory is shrinking (down 20% compared with FY2019, down 81% compared with FY2017), and it will be closed at the end of FY2021. After that, a two-factory system will be in operation. We believe that the increase in electricity consumption is necessary to increase the manufacturing volume, operate three factories, and improve the working environment. However, in order to reduce the environmental burden as much as possible, we generate electricity from sunlight on the roof of the Amagasaki Headquarters.

Electricity consumption

| FY2019 | FY2020 |
| 3,003 thousand kWh | → | 3,298 thousand kWh |

295 thousand kWh ↑ 10% ↑

Solar power generation (Amagasaki Headquarters)

| FY2019 | FY2020 |
| 189 thousand kWh | → | 191 thousand kWh |

2 thousand kWh ↑

■ Electricity consumption   ■ Electricity consumption   ─●─ Production volume

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

Water usage and amount of wastewater

Water is an indispensable and main ingredient in our products. In addition, we use a lot of water for cleaning manufacturing equipment and for substrate processing lines used in R&D. Recognizing that a lot of water is used in our manufacturing processes and R&D processes, we strive to avoid unnecessary use in cleaning work and substrate processing line work.
We have introduced automatic washing equipment to clean containers, and we are striving to manage and optimize our use of water.

Water usage

| FY2019 | FY2020 |
| 38.9 km³ | → | 38.2 km³ |

0.7 km³ ↓ 2% ↓

Amount of wastewater

| FY2019 | FY2020 |
| 26.1 km³ | → | 24.8 km³ |

1.3 km³ ↓ 5% ↓

■ Water usage   ■ Water usage   ─●─ Intensity

■ Amount of wastewater   ■ Amount of wastewater   ─●─ Intensity

■ Efforts for reuse of plastic containers

In order to effectively utilize the limited resources without waste, we are working to reuse containers. We sort out whether the containers collected from our customers can be reused, and we and our contractors clean and reuse the containers that can be reused.
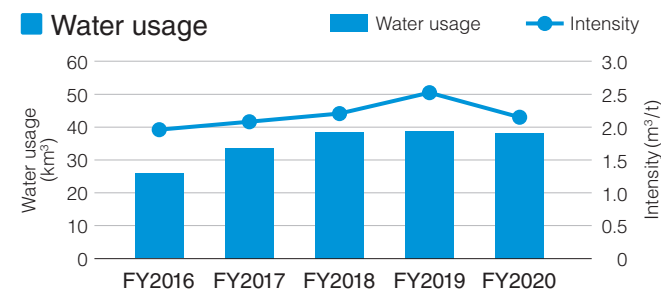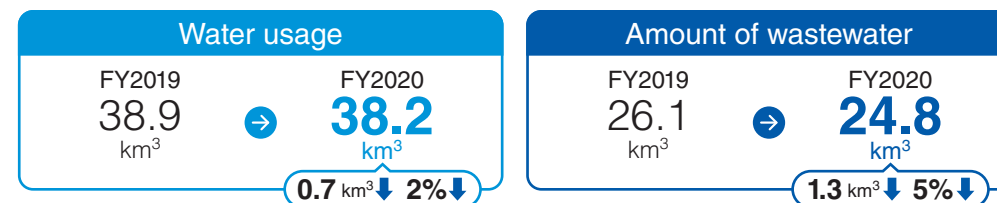Domestic customers are cooperating with this effort, but overseas shipments of poly cans and poly drums in particular are increasing (overseas shipment rate : poly cans 43.7%, poly drums 81.7%), and both recovery and reuse rates are declining.
In FY2020, the recovery rate was 41.0% for poly cans and 18.2% for poly drums, while the reuse rate was 73.9% for poly cans and 72.3% for poly drums.
Although the number of customers who receive delivery in plastic IBC is limited, the domestic shipment rate is as high as 72%, the recovery rate is 71.0%, and the reuse rate is 97.8%, and these tend to be higher than for other containers.

■ Proper disposal of wastes

In FY2020, the amount of waste we generated came to 366 tons, which was slightly increased as in FY2019 (22 tons increase, up 6.2%).
Of the amount of waste generated, the final disposal amount was 58 tons. We started collecting data on the final disposal amount from FY2018, and FY2020 was almost the same as FY2018 and FY2019.
We also sort metals and sell them as valuables, and no metal is discarded as waste metal. Going forward, we will strive to curb the generation of waste, and make efforts to reduce our environmental burden by thoroughly separating and recycling the generated waste.

Social
Report on sociality

▨ Responsibility to Customers

Management of chemical substances in products

We work hard so as to prevent unintentional contamination of products with substances that should not be included in them (prohibited substances) based on laws and regulations, industry standards, and requests from customers. To this end, we have established a chemical substance management system and we monitor processes ranging from the purchase of raw materials to the shipment of products and provide thorough education for handlers. In July 2020, we revised our Management Standard for Chemicals in Products to improve the level of its utilization in operation.

■ 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

The PRTR System* Handling of target substances

Among the chemical substances we use, there are some subject to the PRTR system where we should report to the Ministry of Economy, Trade and Industry on the amount of emissions to the environment. Each factory and R&D Center uses substances while properly managing them. Currently, the Ministry of Economy, Trade and Industry is planning to revise the Cabinet Order of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Chemical Control Act). We will proceed with changes in our internal management and SDS descriptions according to the revised content.

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

Implementing a customer satisfaction survey

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

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

The average overall evaluation

FY2019	FY2020
4.3 out of 5 points	→ 4.4 out of 5 points

Responsibility to Suppliers

Basic idea of raw material procurement

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

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

In order to provide better products to our customers, we regularly evaluate the performance of our suppliers every year.

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

CSR procurement

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

＊ Business Continuity Plan : It predefines various countermeasure policies with the aim of securing human life while continuing business.

Response to conflict minerals

Because minerals illegally mined in some conflict areas in Africa (specifically, tin, tantalum, tungsten, and gold mined in the Democratic Republic of the Congo and nearby countries) are providing sources of funds for armed groups and other people, the international community avoids using minerals produced in these conflict areas.

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

Relationship with local communities

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.

In FY2020, we did not carry out maintenance activities, by the employee to reduce the risk of infection with COVID-19. However, with the cooperation of forestry cooperatives and other external parties, the necessary maintenance was carried out.

Nagaoka MEC Forest and past activities

Amagasaki MEC Forest and past activities

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

As a temporary shelter in the event of a disaster

We offer our headquarters as a temporary evacuation shelter to the neighborhood associations in the event of a disaster since our headquarters are located in a residential area. In addition, we cooperate with evacuation drills at nearby nursery schools once a year. (Unfortunately, we could not conduct a disaster drill in 2020 due to the COVID-19.)

Beautification around business sites, Cooperation in Road Safety Week

With beautification of the environment around our sites in mind, we pick up garbage from gutters and roads three times a week except for the periods of intense heat in summer and severe cold in winter. The collected garbage is properly sorted and processed.

In addition, at the Tokyo Sales Office, we help and guide elementary school students using a crosswalk to ensure their safety during the traffic safety week in spring and autumn.

Relationship with shareholders / investors

General meetings of shareholders

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

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

We hold financial results briefing sessions for institutional investors and analysts (four times a year), 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 FY2020, we utilized the Web conferencing system and telephone conferences to hold financial results briefing sessions (3 times) and meetings (about 200 times in total) as appropriate to continue communication. On the other hand, we have decided not to have face-to-face company briefing sessions, or exhibit or participate in exhibitions and various fairs.

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.

Online company briefing session for shareholders

Investor Relations ➔ https://www.mec-co.com/en/ir/

Relationship with employees

Working environment

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

In addition, the "Labor and Ethics Guidelines", created based on the RBA Code of Conduct, are distributed and disseminated to all officers and employees to raise awareness of the need to prevent harassment. They are also posted in the in-house database, and we disseminate specific cases of harassment, and conduct training. In these ways, we are striving to prevent harassment. The guidelines also state that we will not discriminate in terms of employment, promotion, or salary increases based on nationality, place of origin, gender, sexual minority (LGBTQ+), etc.

■ Changes in the number of employees

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

		FY2016	FY2017	FY2018	FY2019	FY2020
Employees, fixed-term employees *1	Male (persons)	137	145	160	163	159
	Female (persons)	59	58	64	67	68
Part-timers, etc. (Average of the year)	Male (persons)	0	0	0	0	0
	Female (persons)	2	2	1	1	1
Total	Male (persons)	137	145	160	163	159
	Female (persons)	61	60	65	68	69
Average age	Male (years old)	41.7	41.4	41.1	41.8	42.0
	Female (years old)	42.6	42.7	42.8	42.8	42.5
Average years of service	Male (years)	12.7	12.5	11.9	12.5	12.7
	Female (years)	12.7	13.2	12.4	12.7	12.8
Average annual salary *2	(Thousand yen)	7,137	6,972	7,037	6,990	7,227

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

■ Acquisition of paid holidays

In FY2020, the rate of taking paid leave was 61.6%. With the revision of the Labor Standards Act, it is obligatory for each employee to take 5 days paid leave, and the number of violations was 0. The rate of taking such leave was 73.7% in FY2019.

One of the reasons for the decrease in this rate is that the introduction of the telecommuting system has made the working hours more flexible.

Annual days taken per person

FY2019
12.5 days → FY2020
10.7 days

■ Overtime management

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

Average monthly overtime hours per person

FY2019
About 17.0 hours → FY2020
19.0 hours

■ Employee satisfaction survey

In order to improve the work environment, we conduct an anonymous awareness survey every year to obtain the opinions of employees and measure their satisfaction.

In the FY2020 survey, the 14th, we received responses from almost everyone as usual, and confirmed that high satisfaction was maintained.

In addition to the questions, there is a free entry field so that opinions can be submitted anonymously. In FY2020, we received multiple opinions on the personnel system and internal systems, and in consultation with the departments in charge, we made the content of our efforts known and improved the system.

Relationship with employees

About work-life balance

Our company motto is "Enjoy your work", and we are making various efforts to ensure a good work-life balance for our employees.

■ Flextime system

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

■ Introduction of full-time employee system for senior members

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

■ Education and training

Various education / training programs are offered according to the position or job type. Participation in external seminars is also actively encouraged.
In the labor and ethics field, improvement activities are conducted based on the annual risk assessment and management review. In addition, training related to mental health is also carried out on a regular basis.
In FY2020, due to the effects of COVID-19, face-to-face education and training was canceled and remote training was conducted.

■ Nurturing global human resources

We have established a language training system to develop global human resources. "Selected language training" is conducted via a special program, with the Company selecting human resources and paying the full cost for their training. In FY2020, there were 6 users of this system (cumulative total of 15).

■ Support for self-development

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

■ Reserved paid leave

We have set up a paid special leave for the purpose of continuing employment, and it allows a member to rest for one week or more for their own medical treatment or recuperation, or for family care or nursing. Up to 5 days of the annual paid leave that expires can be reserved, up to a maximum of 40 days.

■ Paternity leave

We have a system of granting male employees paternity leave for the purpose of being present during the childbirth of their spouses and other related purposes. For each occasion of childbirth, paternity leave of up to 5 non-consecutive days is being utilized.

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

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Employees who have taken maternity / paternity leave *1	1	2	2	1	2
Employees who have taken baby-care leave *1	3	2	1	2	2
Employees who have taken child-rearing leave	20	18	22	27	24
Employees who have taken leave for nursing sick children *2	1	0	2	2	0
Employees who have taken long-term family-care leave	1	0	0	2	0
Employees who have used the reduced working hour system for family care	0	0	0	0	0

＊1 Employees who have taken leave across fiscal years are counted in the numbers of the years when their leaves started.
＊2 In addition to this leave, employees can take child-rearing leave (paid special leave : 5 days a year).

■ Return to work

In our company, 92% of the employees who used the system of baby-care leave have so far returned to work. While we do not have any special systems compared with other companies, the above figure suggests that we have a working environment that encourages smooth return to work.

Relationship with employees

Occupational safety and health

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

■ Industrial accidents

In FY2020, we had not industrial accidents involving lost time injuries. We will continue to improve our working environment.

■ Health and safety education and training

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

■ Ensuring employee health

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

■ Measures to prepare for a disaster

In the event of a natural disaster such as an earthquake or infectious disease, in order to secure human life and continue business we implement various measures such as formulating a BCP, conducting various types of related training, and introducing regular evacuation drills and safety confirmation systems.

■ Implementation of ISO training for internal auditors

In February 2021, we conducted ISO integrated internal auditor training for two days based on our integrated manual. In order to prevent COVID-19, we conducted online training using web conferencing system, connecting external lecturers, the Amagasaki Headquarters, Nagaoka Factory, and Tokyo Sales Office online, and a total of 45 people participated. It was the first online training held in-house to connect four bases, but we were able to hold the training safely.

Our company group's handling of COVID-19

Since the outbreak of COVID-19, the Company President has been positioned as the head of the Emergency Response Headquarters and we have striven to ensure the health of employees while keeping in mind the need to "prevent the spread of infection and maintain a system to continue product supply". And based on our BCP (Business Continuity Plan), we have continued our corporate activities carefully and flexibly.
We hereby give an outline of the measures implemented mainly for inside the Company as follows.

> We will continue to take measures in line with the actual situation.

Way of working
- Telecommuting recommended
- Introduction of (full) flextime system
- Increase in options for way of commuting
- Expansion of leave system ...And others

Office environment
- Thorough cleaning / hygiene management
- Implementation of disinfection / temperature measurement
- Introduction of CO_2 sensors
- Arrangement of splash prevention panels
- Recommendation of silent eating
- Arrangement of satellite offices ...And others

Business trips, actions, etc.
- Refraining from unnecessary business trips, participating in events
- Employees refraining from eating and drinking together
[At the time of the 1st Declaration of a State of Emergency]
- Prohibition of movement between offices ...And others

Other measures
- Distribution of a fixed amount of masks to all employees when it is difficult to obtain masks (implemented twice)
- When schools are closed, recommendation for telecommuting and compensation for leave ...And others

Governance
Report on corporate governance and compliance

▪️ About Corporate Governance

The MEC Group believes that to maximize shareholder return, continuous initiatives toward reinforcing corporate governance, thereby enhancing corporate value, are crucial. Specifically, we will promote initiatives for fair and transparent management, speedy and accurate information disclosure, and thorough accountability, and are acting in accordance with the concept of the Corporate Governance Code.
Under the policy of promoting diversity in management, we actively invite and appoint outside officers and women. 4 (approx. 36%) out of a total of 11 management executives, directors, and operating officers, are women.

🖥 Corporate Governance ➜ https://www.mec-co.com/en/csr/governance/

▪️ **Overview of organization composition and operation** (As of March 25, 2021)
- **Form of organization** : Company with audit and supervisory committee
- **Chairman of the Board of Directors** : President
- **Number of Directors** : 7 (The number specified under the articles of incorporation : 10), including 4 Outside Directors
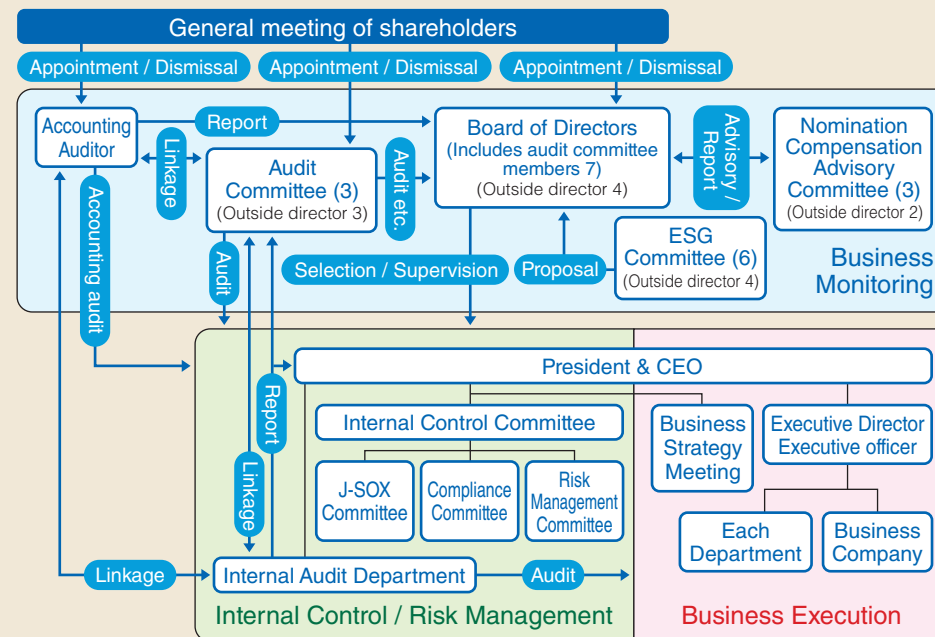- **Appointment of independent officers** : 4 Outside Directors are appointed

■ Overview of the corporate governance structure

By holding the Board of Directors every month, the Company oversees decisions of important matters related to management and the execution of duties by Directors. The Company has also established an operating officer system and a system in which Operating Officers can focus on business execution. In these ways, we are working to accelerate the decision-making of the Board of Directors. In addition, the Company also makes recommendations and proposals to the Board of Directors by internal committees. The Nomination and Compensation Advisory Committee, the ESG Committee, and the Internal Control Committee and its subordinate organizations has established the J-SOX Committee, Compliance Committee, Risk Management Committee, etc., and has established a governance system. These committees meet semi-annually or as needed.

■ About the Evaluation of the Effectiveness of the Board of Directors

Since FY2015, we have been conducting questionnaires and interviews with all internal and external directors regarding "evaluation of the effectiveness of the Board of Directors" in order to improve the functions of this. From that report, we evaluate that the board of directors of the company is functioning effectively in accordance with its roles and responsibilities.

■ Conceptual diagram of corporate governance

MEC

Contents | Our Business | Summary and outlook of business activities | Top Message | Basic policy on CSR | Company-wide CSR initiatives | **E** Environment | **S** Social | **G** Governance | Implementation items and achievements of CSR activities | Company Profile

CSR REPORT 2021 20

About Risk management

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

Main agenda for FY2020
We discussed ways to identify and take countermeasures against management risks, countermeasures against COVID-19, revision of BCP-related standards, and so on.

Internal control system

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

■ Basic policy of internal control system

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

About Compliance

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

Main agenda for FY2020
We discussed the compliance-related measures, and the results, for the measures that each department worked on, including reports on the results of an employee awareness survey and reports on the results of a compliance test.

■ Formulating the standards for operational actions

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

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

■ Whistle-blowing system

It stipulates that if any violations of laws or any misconduct occur or are likely to occur, they are to be reported internally. We have established contact points both inside and outside the Company for whistle-blowing of non-compliance, etc., and are building a system that makes it easy to report. The number of reports issued in FY2020 was 0.

■ Establishing the whistle-blowing system
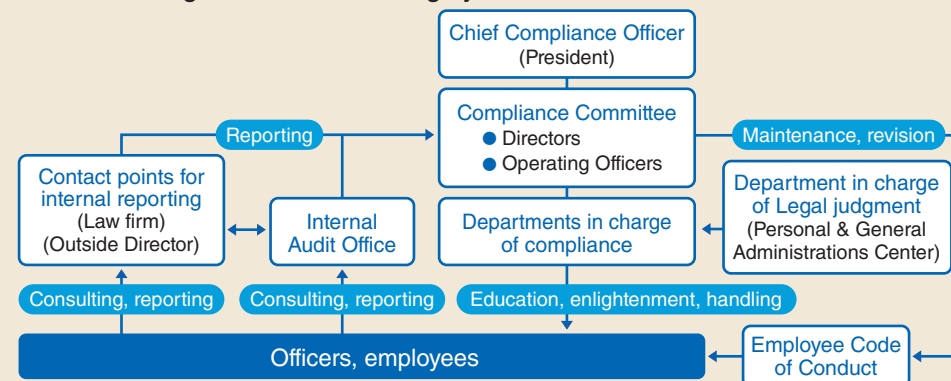
About Information security

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

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

Management system

■ Operation of Information Security Committee

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

■ Implementation of information security audit

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

> **■ Main audit items for FY2020**
>
> 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.

■ Compliance education (Web test)

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

> **■ About the compliance test in FY2020**
>
> ● **Number of people** : 254
> ● **Questions** : 22 questions regarding compliance with insider trading regulations, Subcontract Act, etc.
> ● **Result** : Pass rate 98.1% (of which, 23.6% scored a full 100%).
>
> > After conducting the test, regardless of pass or fail, we explain the legal interpretation and norms to promote understanding.

Education and training on Information security

■ Conducted information security training five times for people working at home and on business trips.

■ A self-inspection on information security is conducted every year for all employees including indirect employees, the pass rate was 72%. After the implementation, regardless of pass or fail, we explain the rules and standards related to the problem and promote understanding.

About Protection of personal data

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

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

Implementation items and achievements of CSR activities

ESG classification	Classification by item	Implementation target for FY2020	Result	Judgment
Environment	**Environmental conservation** (Saving energy by improving efficiency)	Consider measures to improve the efficiency of the manufacturing process and thus improve productivity and reduce the environmental burden associated with it.	Completed the plan for the whole idea and concept of improving the efficiency of the manufacturing process. Substantial improvements such as introducing equipment will be carried over to FY2021.	△
	Environmental conservation (Saving energy by improving processing efficiency)	Improvement to efficiency of wastewater treatment by optimizing wastewater treatment equipment.	By improving the software of the sludge treatment equipment, we were able to improve the turnover rate for wastewater treatment. **1 rotation/day → 2 rotations/day**	○
	Environmental conservation (Save energy by reducing defective rate)	Strengthening the mechanism to prevent the shipment of non-conforming products	Using Fault Tree Analysis (FTA), which is a method for analyzing the occurrence of errors in the manufacturing process, we analyzed and clarified the errors that are feared to occur at various stages of the manufacturing process. Processes that should be watched were dealt with by training and reviewing procedures. In the future, we plan to further improve the mechanism by modifying the system.	○
	Environmental conservation (Reduction of waste treatment costs, etc.)	Efforts to reduce waste treatment and water usage costs	By combining multiple measures such as waste treatment methods and contracts with treatment companies, we were able to achieve a significant reduction compared with FY2019. ● Reduction in costs in relation to waste treatment **10.9%** ● Reduction in costs in relation to water usage **7.1%**	○
Social	**Customers**	Introduce chemicals and equipment that can reduce the amount of liquid used and the amount of waste liquid, and contribute to reduce the environmental burden of our customers. ● 10 cases of newly adopting chemicals and equipment that can reduce environmental burden	● **12 cases** of newly adopting related chemicals and machinery	○
	Suppliers	The following efforts will be made to stably procure raw materials. ❶ Build a cooperative system with subsidiaries ❷ Formulate and implement supplier strategies and policies	❶ We communicated the importance of promoting global procurement to subsidiaries and gained their understanding about a course of action for building a cooperative system. ❷ We began to build a system that allows us to enjoy further mutual benefits by strengthening relationships with suppliers in line with the current times.	○
	Employees	Dispel employees' anxieties about old age by holding life planning seminars and doing after-sales follow-ups. ● Target : Employees in their 40s or over	Seminars were held for the target members in collaboration with external financial institutions. **Preparing four opportunities to attend** in consideration of the impact of COVID-19 Highly evaluated by the participants.	○
Governance	**Customers and Shipping companies**	For SDS* that was created manually, we will introduce a system to automatically create it so that we can respond without omissions or leaks regarding legal requirements and others. In FY2020, we will formulate operational procedures and enter various pieces of data.	**About 75% progress** of the target We aim for 100% completion in FY2021.	△
	Others (Internal structure)	The following measures will be implemented with the goal of strengthening information infrastructure and BCP measures. ❶ Work to strengthen information infrastructure by strengthening backup lines for in-house networks (for Higashi-hatsushima R&D Center). ❷ Implement measures against momentary power outages in the event of a disaster and implement various measures to introduce remote working (for the entire company).	❶ The number of backup lines was increased as planned. ❷ We were able to take measures against momentary power outages and measures to introduce remote working.	○
		Expanded the maintenance and management system for the optimum equipment and machinery that is applied to the Amagasaki Headquarters so that it applies to the Higashi-hatsushima R&D Center.	It was confirmed that the Amagasaki Headquarters and Higashi-hatsushima R&D Center were operating without any problems.	○
	Compliance with laws and regulations	Thorough continuation of quantity control for poisonous substances	By introducing and properly operating the system to manage poisonous substances, we were able to continue thorough quantity management.	○

＊ A document that must be prepared and issued containing information on the hazards of chemical substances.