



# Sustainability Report 2023



MEC COMPANY LTD.

# MEC Style

## The MEC group will contribute to the society by “Creating and Fostering Value at Various Interfaces”.

### MEC’s Philosophy



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. In 2022, based on the Vision for 2030, 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.

### Editorial policy

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 to include not only CSR information, but also reports on the realization of a sustainable society and integration with MEC’s growth strategy. In this year’s edition, we have enhanced information on climate change and human capital, and have strengthened our social and sustainability initiatives.

### Referenced guidelines

- The RBA Code of Conduct version 7.0
- ISO26000: 2012
- Environmental Reporting Guidelines 2018
- SASB (Chemicals\_Standard\_2023)

### Reporting period

Period reported: Our activities from January to December 2022. Some reports include activities since January 2023.

### Scope of this report

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

## Sustainability Report 2023

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# About MEC COMPANY



Basic Information

## Company Motto

**“Enjoy your work”**

## Capital

**594 million yen**

## Equity ratio

**84.8%**

## Stock Exchange Listings

Tokyo Stock Exchange Prime Market  
(Securities code: 4971)

## 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, we contribute to the evolution and advancement of electronics products, **providing the world with the chemicals necessary for the manufacture** of communication infrastructure such as 5G, personal computers, smartphones, driverless cars, and other products.

R&D expenses **1,330 million yen**

we invest about 10% of our consolidated sales



Percentage of Human Resources Involved in Research

**About 30%**



## Company Rules

- Let's always aim to achieve new targets without fear of failure. Repeatedly try new ideas and improvements with unyielding 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 and safety.
- 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 bases have acquired **ISO9001 and ISO14001.**



Non-financial data

## Employee

**253**

(non-consolidated)  
**438** (consolidated)

## Years of Service

Male	Female
<b>12.5</b>	<b>13.2</b>

## Percentage of Female in Managerial Positions

**25.5%**

## Number of Outside Directors

**4 out of 7 Directors**

## Percentage of Female among Directors and Operating Officers

**40%**

## Amount of CO<sub>2</sub> emissions (Volume of GHG emission)

	FY 2021	FY 2022
Scope1	<b>59.9t-CO<sub>2</sub></b>	<b>66.8t-CO<sub>2</sub></b>
Scope2	<b>1,285.2t-CO<sub>2</sub></b>	<b>1,355.3t-CO<sub>2</sub></b>

## Average age

Male	Female
<b>42.3 years old</b>	<b>43.2 years old</b>

## Number of employees turn over (within 3 years after joining the company)

Male	Female
<b>2.0%</b>	<b>3.9%</b>

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

**100%**

Employees who have taken baby-care leave\_Male

**66.7%**

## Industrial accidents involving lost time injuries

**0 case**

## Number of occupational accidents not involving lost time

**4 cases**

## Number of Patents Held

Japan	Overseas
<b>54</b>	<b>191</b>

## Announcement of Support for TCFD Recommendations

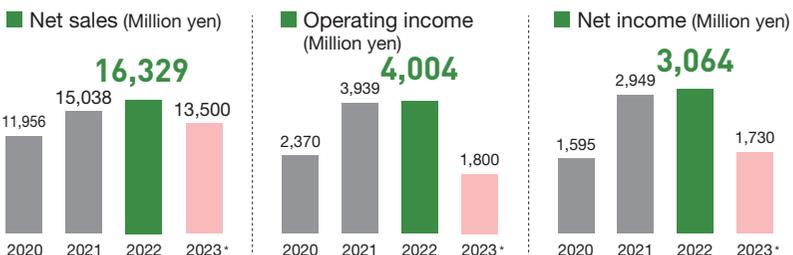
**February 2023**

[https://www.mec-co.com/en/ir/library/pdf/tekijikai/20230214\\_5404\\_tekijikai\\_1.pdf](https://www.mec-co.com/en/ir/library/pdf/tekijikai/20230214_5404_tekijikai_1.pdf)

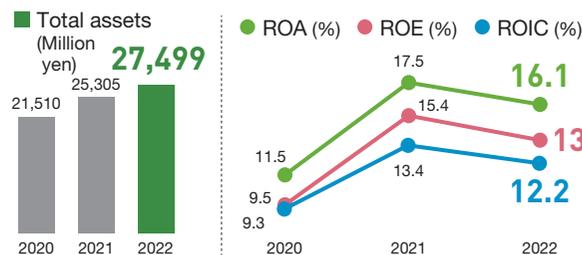


Consolidated financial data

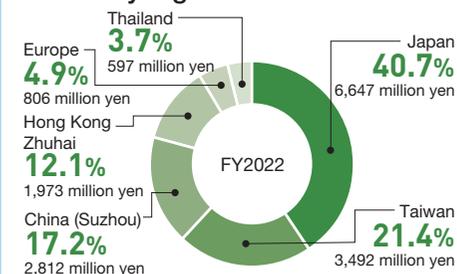
## Net sales/ Operating income/ Net income



## Total assets/ ROA/ ROE/ ROIC



## Sales by region/ Amount of sales



TOP Message

Together with employees who support MEC's original technologies, we will contribute to the creation of a prosperous and environmentally friendly society.

**Kazuo Maeda**  
CEO & President



Looking ahead to post-COVID19

Creating new values and pursuing MEC-ness

In order for a prosperous and affluent society to develop sustainably, each of us must consider initiatives to solve global environmental issues such as SDGs and decarbonization. When I think about what MEC can do, I think about the corporate image to be achieved, as announced in the medium-term management plan "Vision for 2030" (hereinafter referred to as the "medium-term management plan"). It is because I believe that speedy efforts to achieve the corporate image can contribute to a prosperous and sustainable society while transforming risks

into opportunities for growth and creating new value.

As part of these efforts, we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), an initiative to address climate change, which is a pressing issue in the international community. We are working to identify risks and opportunities, and are also undertaking research and development to reduce the environmental impact of MEC, our customers, and society as a whole by placing decarbonization and environmental impact reduction at the core of our management. Uncertainties will remain for the foreseeable future, with geopolitical risks advancing and energy costs rising, but we will overcome this situation with the entire MEC Group, including the supply chain, while taking advantage of "MEC-ness".

Business environment

Review of financial results for the fiscal year under review

FY2022 was a year in which the impact of COVID-19 gradually subsided and economic activity gradually recovered, but there were also many periods in which the economy stagnated, such as Russia's prolonged invasion of Ukraine, high global inflation, monetary tightening, and a shortage of semiconductors. Therefore, flexible responses to market changes were required. We as the MEC Group continued to identify medium- and long-term issues and work to resolve them on a daily basis, such as a review of raw material procurement due to soaring raw material and energy costs, the

yen's depreciation, and geopolitical risks. In 2022, the first year of the medium-term management plan, demand for consumer electronic devices such as personal computers, smartphones, and displays remained weak due to sluggish consumer spending amid COVID-19. Demand for data centers, which had remained strong due to infrastructure investment in line with advances in 5G and digital transformation (DX), also entered a phase of cyclical inventory adjustment. Although MEC was also affected by market conditions, its main products, the CZ series of super-roughening adhesion improvers, contributed to an increase in sales due to technological changes in the use of large and highly multilayered organic package substrates equipped with semiconductors.

Overseas sales remained strong and while some products slowed down depending on the region, we ended the year with the realization that capital investment in a plant in Thailand, which started operating in September 2019, was bearing fruit. The overseas sales ratio was 60.7%, up 3.2 percentage points from the previous year. Including sales to overseas customers sold by agents in Japan, the ratio was 78.8%, up 2.2 percentage points from the previous year.

### Ending the first year of the medium-term management plan

In order to realize a sustainable and prosperous society, we focused on human resource development and ESG in the first year of the medium-term management plan. First of all, we thought about how to spread the guidelines of the medium-term management plan to our employees, and I believe that each employee was able to voluntarily pay attention to the medium-term management plan and take actions in accordance with the plan.

In addition, it seems to have served as a guideline for expanding the business area, and I felt that it will lead to the creation of a new business in the near future, as employees came up with creative ideas for the horizontal development of core technologies, which had been my issue for many years. We have already launched a small new business, which we believe will be one of the stepping stones to future growth.

### Issues and prospects for the second year of the medium-term management plan

As the procurement environment has become severe due to heightened geopolitical risks after the medium-term management plan was established, we are considering revising the plan. The semiconductor market is in an inventory adjustment phase, but on the other hand, demand for semiconductors is expected to increase dramatically due to advances in communication infrastructure and the IoT, the subsequent expansion of data centers,

and autonomous driving, and MEC's related technologies are also in increasing demand. In anticipation of such market conditions, we are working to revamp our production capacity, including the establishment of new factories. For example, in March 2023, we acquired land in the city of Kitakyushu, and we are moving forward with plans to construct a new factory.

With an investment of approximately 4 billion yen, a factory is scheduled to start operation during 2025 as a plant with a production capacity of approximately 30,000 tons, roughly equivalent to the Nagaoka Factory. We aim to create a highly efficient factory that takes into consideration the environment and workers.

### Phase 1 Medium-term Management Plan (2022-2024) 2024 Numerical targets (consolidated)

Operating margin **At least 20%** | ROE **At least 10%**

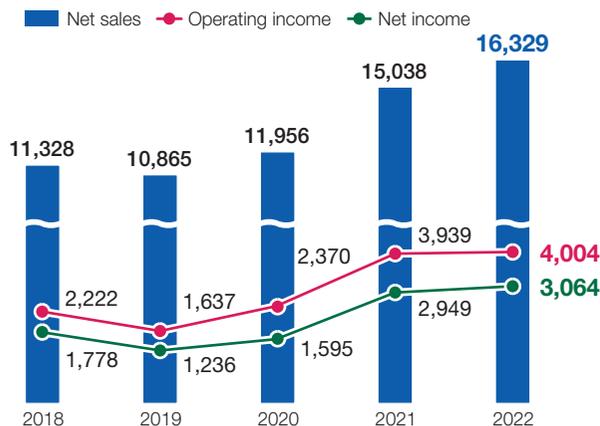
Results for FY2022: Operating margin **24.5%** | ROE **13.8%**

### Future outlook

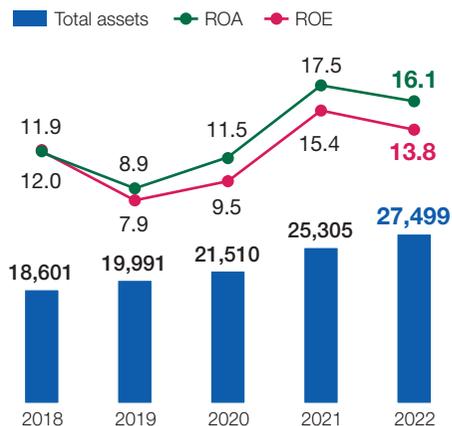
Over the medium and long term, with the progress of a digital revolution, demand for semiconductors is expected to grow on the back of social changes and transformations such as the IoT, AI, 5G, the electrification of vehicles, and the expansion of DX and GX. We at the MEC Group, which has strengths in the manufacturing process of package boards on which semiconductors are mounted, will accurately seize business opportunities and strive for further growth. (As of May 10, 2023)

## Consolidated financial data

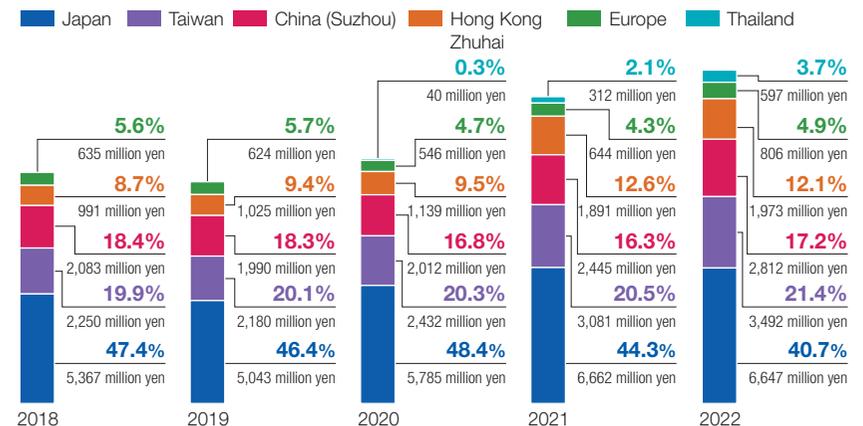
Net sales/ Operating income/ Net income (Million yen)



Total assets (Million yen)/ ROA (%) / ROE (%)



Sales by region (%) / Net sales (Million yen)



The originality of each employee is what gives MEC the ability to grow

MEC is strongly aware of the importance of human capital. We believe that our employees with a passion for creating MEC's original technologies are the foundation and important assets that support MEC.

MEC's corporate motto is "Enjoy your work". This reflects the attitude for all employees to enjoy working voluntarily and creatively. It is the most important duty of management to create this environment. To this end, we have utilized a



wide variety of human resources since the foundation and provided opportunities for both men and women since before the Equal Employment Opportunity Act of 1986. Although we have never set numerical targets, women make up about 26% of all managers, and female supervisors are not uncommon. We have also been making Company-wide efforts to ensure there is a good work-life balance. We have been promoting the idea on a company-wide basis that not only women, but also men, as a family, are responsible for raising children and doing housework, and this will contribute to the well-being and affluence of society. As a result, the percentage of men taking child-rearing leave increased from 0 in 2019 to 30% in 2020 and 66.7% in 2022. In the future, we will further invest in human capital, such as increasing human resources.

Opening up a niche world for the society MEC aspires to realize

Our products are materials that are not seen by the general public. However, in today's society, they play a very important role in the production process of infrastructure and various electronic devices.

MEC's strengths lies in adhesion improvers and copper surface treatment agents that improve the adhesion between copper and resin on electronic substrates. Creating and fostering value at various interfaces using MEC's core technologies has gained market shares in areas with higher technical difficulty. With the 5G era in full swing and data volumes expected to grow exponentially, our technologies are essential. It may be a niche area in the electronics industry,

but we believe we can open up a market with our technologies as a driver for growth because of the originality of our technologies. In addition

to existing business opportunities, new ones are emerging, for example in AI.

MEC's core technologies and areas of use

The source of MEC's value creation includes "Adhesion Enhancing Technology", "Micro-interconnect 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.



## ESG Management

### Initiatives to resolve social issues

The ESG Committee, which consists of all members of the Board of Directors and is chaired by me, deliberates our initiatives in the SG field, linking six material issues we have identified and SDGs. Based on the guide, "Create and Transform", we believe that by steadily implementing measures for material

issues with the aim of becoming a truly global company that continues to create visionary technology and grow, we will be closer to the corporate image to be achieved set forth in the Vision for 2030. Starting with the endorsement of the TCFD recommendations, we will continue to create new value by combining our originality and passion with a consistent perspective from the macro perspective of the earth to the world of a few microns of electronic substrates. We will continue to do so for the sake of the environment, society and the well-being of people.

### To Our Stakeholders

These are tough times, but we will do our best to tackle the issues that need to be addressed in the future. Every day, we seek to find out how we can be of service to our stakeholders, including our employees, business partners, government and local communities, as well as our shareholders and investors. In addition to fostering a corporate culture and climate in which employees can freely and openly share ideas, we will strive to create high-quality products that contribute to reducing

environmental impact with everyone involved in MEC, so that we can be of even a little help. We would appreciate your continued support and encouragement.



## Vision for 2030

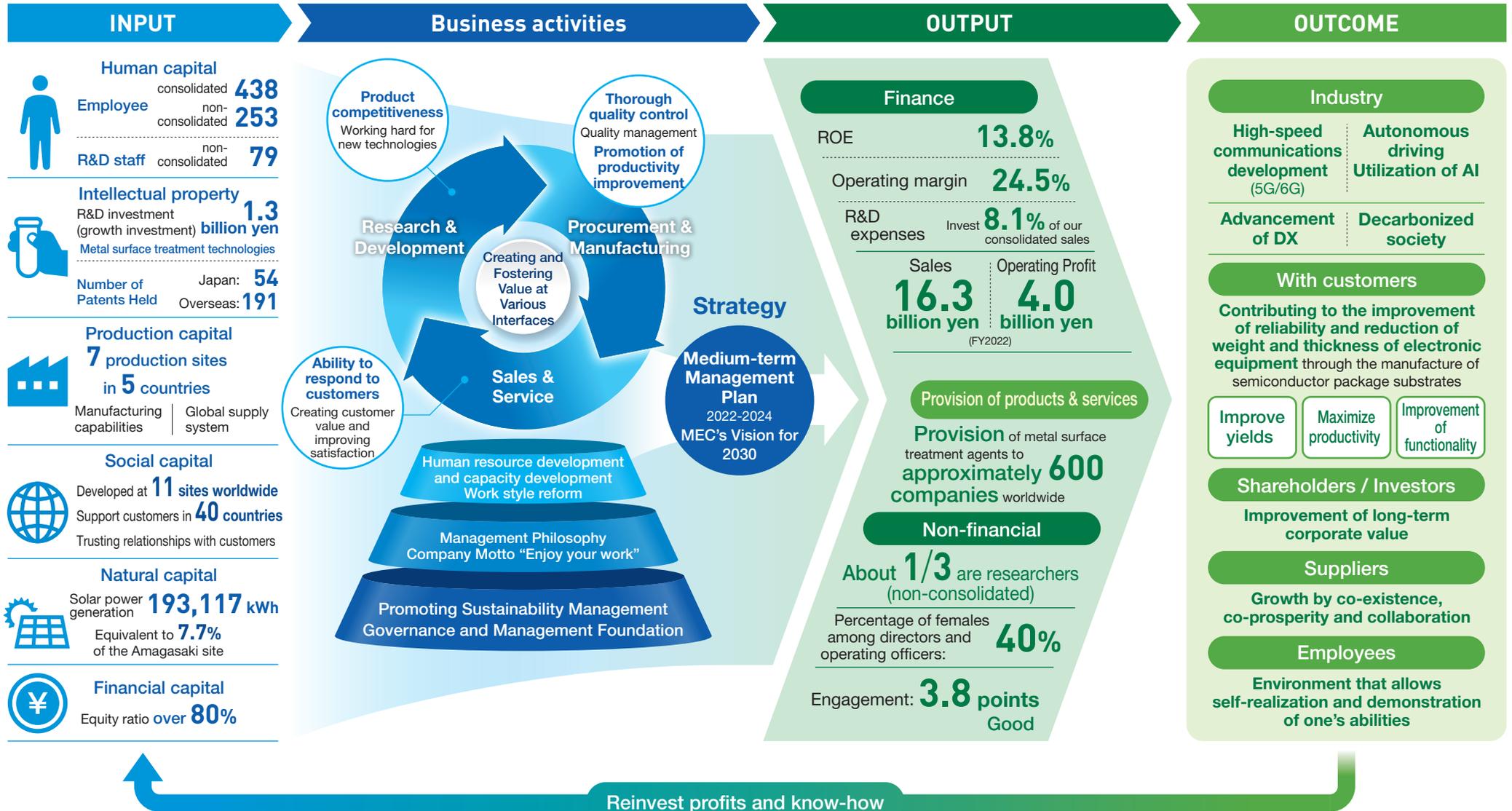
Expanding the business, human resource, and ESG fields to achieve our 2030 Vision. To maximize sustainable growth and corporate value.



# 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

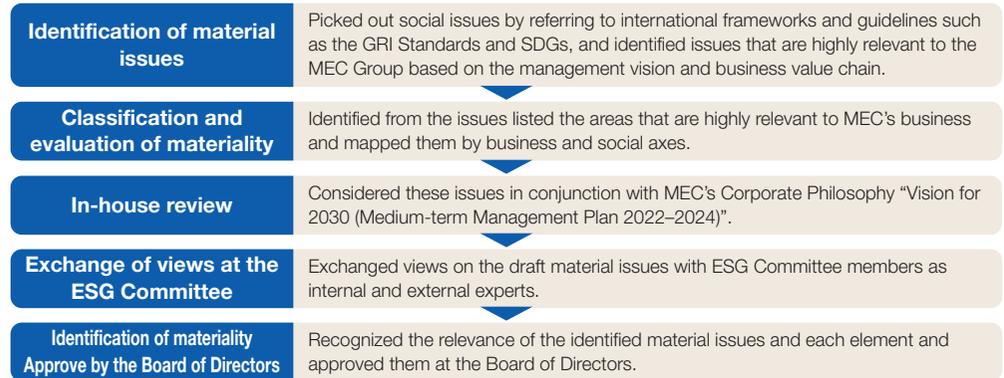
manufacture of electronic substrates. We have contributed to the development of a digital society by creating and fostering value at various interfaces between metals and resins. We will continue to work diligently to resolve various social issues, focusing on human resources, technology, and responsiveness, 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 environmental society.



# Identifying Material Issues (“Materiality”)

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

## Process for identifying material issues



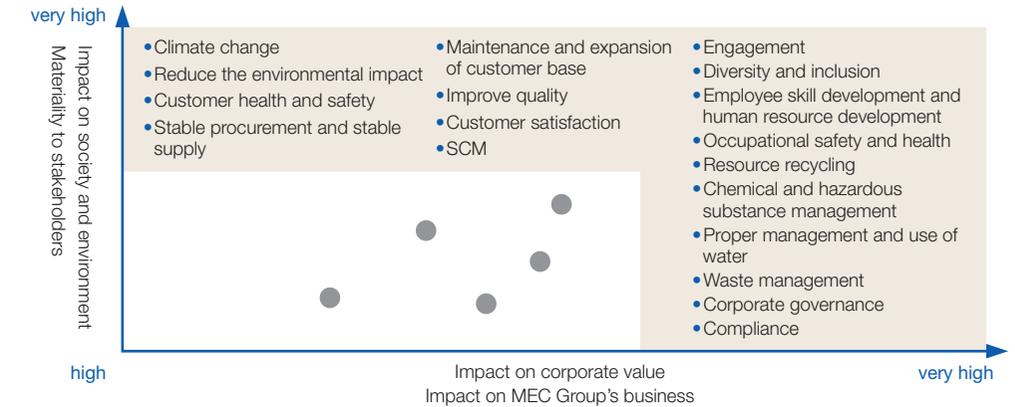
## Classified the identified material issues into six business fields



## Evaluation of initiatives with high materiality

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

### Evaluation to identify materiality



## Relevance of material issues to SDGs

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

### SDGs initiatives through business



# Material Issues and KPI, Related SDGs Actions

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

# Material Issues and KPI, Related SDGs Actions

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



# Environment

Report on environmental conservation

# MEC's Measures to Address Climate Change

## Initiatives to address climate change

MEC recognizes the urgent need to address climate change issues in order for society and MEC to grow sustainably. Accordingly, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) in 2022, we launched a project (TCFD Review Team) led by the ESG Committee to conduct climate scenario analyses in order to better understand the potential physical and transitional impacts of climate change. Based on the analysis of the project, we announced the endorsement of the TCFD recommendations and disclosed information on February 14, 2023.

[Announcement of Support for TCFD Recommendations and Information Disclosure](https://www.mec-co.com/en/ir/library/pdf/tekijikajji/20230214_5404_tekijikajji_1.pdf) [https://www.mec-co.com/en/ir/library/pdf/tekijikajji/20230214\\_5404\\_tekijikajji\\_1.pdf](https://www.mec-co.com/en/ir/library/pdf/tekijikajji/20230214_5404_tekijikajji_1.pdf)



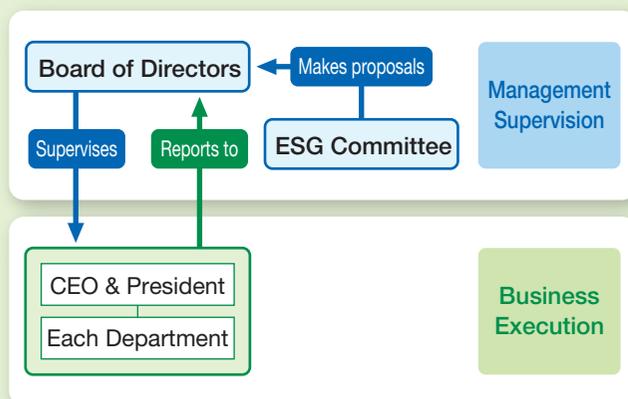
Going forward, in light of recent international trends toward achieving carbon neutrality, we will further strengthen our initiatives to address environmental issues, including responses to climate change, as well as enhance our disclosure and proactively disclose information.

### Governance system for climate change

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)



### Strategy relating to climate change

We strive to understand the various risks and opportunities arising from environmental issues caused by climate change as well as changes in the business environment and the impact of such changes. Moving forward, it will be necessary to respond to technological changes and stricter regulations resulting from the transition to a low-carbon society. In addition, natural disasters such as typhoons and floods are expected to become more frequent and severe. In order to appropriately respond to these environments, we have identified risks and opportunities related to climate change, making specific note of particularly important risks and opportunities.

(Impact Assessment Process)



Special Feature

# MEC's Measures to Address Climate Change

## 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.

## 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 "below 2°C" and "1.5°C" scenarios, where climate change measures are progressing, it is expected that demand for environmentally friendly products will increase and opportunities will be created for new markets, though production and raw material procurement costs will increase due to the introduction of a carbon tax, etc. On the other hand, if climate change measures are not sufficient, the possibility of the effects of more frequent and more severe natural disasters such as floods will increase.

### List of Risks

Transition	Technology	<ul style="list-style-type: none"> <li>Increased production costs</li> <li>Delayed development for environmentally friendly products</li> <li>Increased investment costs for development of environmentally friendly products</li> </ul>
	Policies/Regulations	<ul style="list-style-type: none"> <li>Increase in material prices due to the introduction/expansion of carbon pricing (low financial impact)</li> <li>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</li> </ul>
	Market	<ul style="list-style-type: none"> <li>Decreased demand for commodities that use large amounts of water</li> </ul>
	Reputation	<ul style="list-style-type: none"> <li>Deterioration of corporate brand and reputation due to stricter evaluation standards and delays in responding to expansion of disclosure requirements</li> </ul>
Physical	Acute	<ul style="list-style-type: none"> <li>Increased frequency/severity of abnormal weather/natural disasters</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>Instability regarding supply of water, electricity, raw materials, and natural resources</li> </ul>

## Risks/Opportunities and Response

Risk	Key Risks	Key Opportunities	Company Response
Transition	Technology	<ul style="list-style-type: none"> <li>Delayed development for environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>Increase in sales of environmentally friendly products</li> <li>Increased profits from sales of environmentally friendly products</li> </ul>
	Policies/Regulations	<ul style="list-style-type: none"> <li>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</li> </ul>	
	Market	<ul style="list-style-type: none"> <li>Decreased demand for commodities that use large amounts of water</li> </ul>	<ul style="list-style-type: none"> <li>Increase in profitability by entering into and expanding new markets with low carbon (carbon neutral) products</li> </ul>
Physical	Acute Increased frequency/severity of abnormal weather/natural disasters	<ul style="list-style-type: none"> <li>Illnesses</li> <li>Production stoppages due to damage to the supply chain (Supply uncertainty, supply liability)</li> <li>Decline in operating capacity at business sites (Supply liability)</li> <li>Instability of supply of natural resources</li> </ul>	<ul style="list-style-type: none"> <li>Increased credibility through a stable supply of products/services</li> </ul>
			<ul style="list-style-type: none"> <li>Maintain and strengthen alternative production systems</li> <li>Enhance SCM</li> <li>Develop/strengthen BCPs (Flexible work systems, etc.)</li> </ul>

## Metrics and Targets

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. Moving forward, we plan to link climate change assessment indicators and their material issues in detail, and disclose the collection, results, and target values of greenhouse gas emissions, etc. In addition, we calculated and disclosed Scope 1 (fuels) and Scope 2 (electricity and heat) GHG Protocols as CO<sub>2</sub> emissions related to our Company in our Sustainability Report 2022.

# Report on environmental conservation

## Relationship between business activities and the environment

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.



## 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
Amagasaki HQ. (Amagasaki Factory)	1,075 thousand kWh	—	427 L	—	—	7,593 m <sup>3</sup>	132 t
Nagaoka Factory	660 thousand kWh	1,179 m <sup>3</sup>	286 L	18.0 kL	1.30 kL	24,717 m <sup>3</sup>	82.9 t
Nishinomiya Factory	37.6 thousand kWh	3 m <sup>3</sup>	—	—	—	639 m <sup>3</sup>	0 t
Amagasaki HQ. (R&D Center)	900 thousand kWh	—	831 L	—	—	6,501 m <sup>3</sup>	23.7 t (Including Higashi-hatsushima R&D Center)
Higashi-hatsushima R&D Center	447 thousand kWh	—	26 L	—	—	933 m <sup>3</sup>	Included in Amagasaki HQ. (R&D Center)
Amagasaki HQ. (Head Office)	525 thousand kWh	—	1,209 L	—	—	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	—
Tokyo Sales Office	21.2 thousand kWh	—	4,143 L	—	—	—	—



OUTPUT					
Production volume	Amount of CO <sub>2</sub> emissions	Amount of wastewater	COD	Industrial waste emissions	Of which amount of final waste disposal
2,901 t	377 t-CO <sub>2</sub>	5,475 m <sup>3</sup>	0.115 t	Included in Amagasaki HQ. (R&D Center)	Included in Amagasaki HQ. (R&D Center)
18,331 t	353 t-CO <sub>2</sub>	11,201 m <sup>3</sup>	0.830 t	166 t	5.82 t
0 t	13.2 t-CO <sub>2</sub>	482 m <sup>3</sup>	—	118 t	31.9 t
—	317 t-CO <sub>2</sub>	4,176 m <sup>3</sup>	0.088 t	238 t*	48.6 t*
—	157 t-CO <sub>2</sub>	933 m <sup>3</sup>	0.006 t	21.1 t	8.27 t
—	187 t-CO <sub>2</sub>	Included in Amagasaki HQ. (Amagasaki Factory, R&D Center)	—	—	—
—	18.9 t-CO <sub>2</sub>	—	—	2.00 t	0.06 t

\* Calculated for the entire Amagasaki HQ.

Although the Nishinomiya Factory ceased operating at the end of December 2021, various inputs and outputs continue to be generated in FY2022 in preparation for the closure.

## Global base

### MEC FINE CHEMICAL (ZHUHAI) LTD.

INPUT	
Electricity consumption	260 thousand kWh
Gasoline usage	13,705 L
Water usage	11,689 m <sup>3</sup>
OUTPUT	
Production volume	5,732 t
Amount of CO <sub>2</sub> emissions	102 t-CO <sub>2</sub>
Amount of wastewater	3,173 m <sup>3</sup>
Industrial waste emissions	84.1 t

### MEC CHINA SPECIALTY PRODUCTS (SUZHOU) COMPANY LTD.

INPUT	
Electricity consumption	431 thousand kWh
Gasoline usage	18,990 L
Water usage	11,397 m <sup>3</sup>
OUTPUT	
Production volume	6,377 t
Amount of CO <sub>2</sub> emissions	211 t-CO <sub>2</sub>
Amount of wastewater	1,744 m <sup>3</sup>
Industrial waste emissions	162 t

### MEC TAIWAN COMPANY LTD.

INPUT	
Electricity consumption	436 thousand kWh
Gasoline usage	10,554 L
Water usage (Excluding groundwater)	2,930 m <sup>3</sup>
OUTPUT	
Production volume	9,242 t
Amount of CO <sub>2</sub> emissions	246 t-CO <sub>2</sub>
Amount of wastewater	8,637 m <sup>3</sup>
Industrial waste emissions	60.1 t

### MEC EUROPE NV.

INPUT	
Electricity consumption	73.7 thousand kWh
City gas usage	37,000 m <sup>3</sup>
Gasoline usage	21,355 L
Water usage (For manufacturing)	2,700 m <sup>3</sup>
OUTPUT	
Production volume	2,483 t
Amount of CO <sub>2</sub> emissions	149 t-CO <sub>2</sub>
Amount of wastewater	500 m <sup>3</sup>
Industrial waste emissions	22.8 t

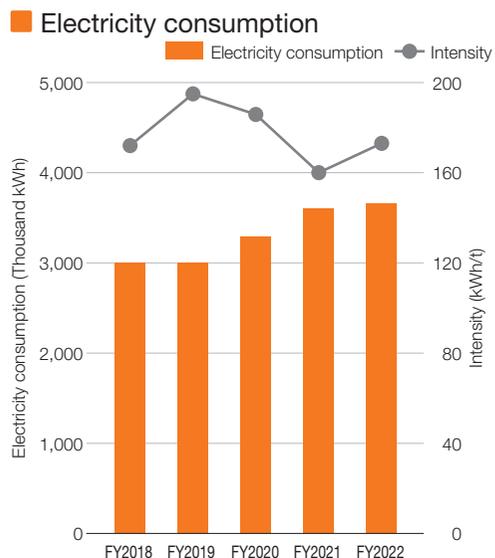
### MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.

INPUT	
Electricity consumption	361 thousand kWh
Gasoline usage	8,663 L
Light oil	23,509 L
Water usage	6,466 m <sup>3</sup>
OUTPUT	
Production volume	960 t
Amount of CO <sub>2</sub> emissions	241 t-CO <sub>2</sub>
Amount of wastewater	Not measured
Industrial waste emissions	26.6 t

# Electricity consumption, water usage and discharge status in Japan

## Electricity consumption

The Nishinomiya Factory ceased operating at the end of 2021, so in FY2022, there were two factories in operation, namely the Amagasaki Factory and the Nagaoka Factory. We believe that the increase in electricity consumption is necessary to improve the working environment. However, in order to reduce the environmental burden as much as possible, we generate electricity with solar panels on the roof of the Amagasaki Headquarters. In FY2023, the Amagasaki Headquarters began purchasing renewable energy.



**Electricity consumption**

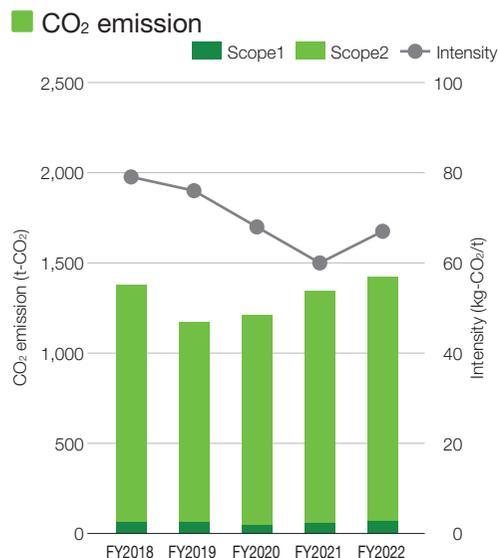
FY2021	FY2022	Change
3,616 thousand kWh	3,665 thousand kWh	1.4% ↑

**Solar power generation (Amagasaki Headquarters)**

FY2021	FY2022	Change
188 thousand kWh	193 thousand kWh	5 ↑

## CO<sub>2</sub> emission

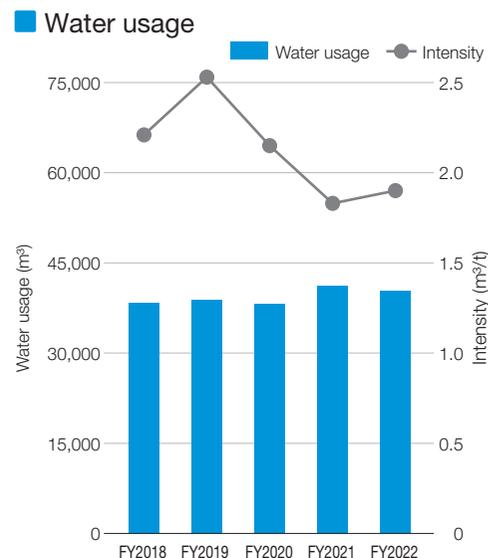
We have calculated the GHG protocol Scope 1 (fuel) and Scope 2 (electricity and heat) as CO<sub>2</sub> emissions. Scope 2 (electrical) accounts for 95%. For Scope 3, we will set the purpose and scope of calculation and carry out calculation and disclosure in stages.



## Water usage and amount of wastewater

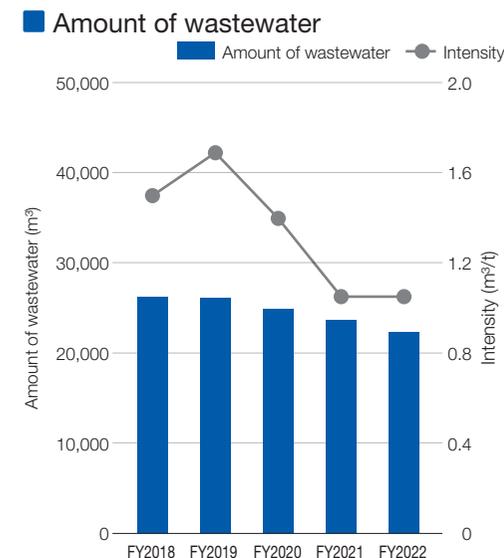
Because water is a key ingredient in MEC's products, the amount of water used changes according to changes in the volume of products manufactured. We understand the amount of water used and are aware that we use a large amount not only in our raw materials but also in our manufacturing facilities, container 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 so that it does not exceed the standards, and wastewater treated in line with the regulated standards is discharged into the sewerage system. In fiscal 2022, there were no wastewater discharges that exceeded the standard values.



**Water usage**

FY2021	FY2022	Change
41,194 m³	40,382 m³	2.0% ↓



**Amount of wastewater**

FY2021	FY2022	Change
23,712 m³	22,267 m³	6.1% ↓

# Material Flow in Business Activities | Offices in Japan

## INPUT

### Energy

- Electricity consumption 3,665 thousand kWh
- City gas usage 1,182 m<sup>3</sup>
- Gasoline usage 6.92 kL
- Kerosene 1.30 kL
- Light oil 18.0 kL

### Resource

- Water usage 40,382 m<sup>3</sup>
- Volume of raw materials inputted 10,116 t (estimate)
- Number of containers purchased —
- 20-liter poly can 118 thousand units
- 200-liter poly drum 30.3 thousand units
- 1,000-liter plastic container 4.05 thousand units

### Chemical substances

- The volume of PRTR target 238 t

### Reuse (Collection of containers from customers)

- 20-liter poly can 66.7 thousand units
- 200-liter poly drum 4.95 thousand units
- 1,000-liter plastic container 6.91 thousand units



## OUTPUT

### CO<sub>2</sub> emission

Amount of CO<sub>2</sub> emitted

1,422 t-CO<sub>2</sub>

66.8 t-CO<sub>2</sub>

Scope1 (of which)

1,355 t-CO<sub>2</sub>

Scope2 (of which)

### Wastewater

Amount of wastewater discharged

22,267 m<sup>3</sup>

COD

1.04 t

### Waste

Amount of industrial waste discharged

545 t

94.6 t

Of which amount of final waste disposal

## Reuse of plastic containers

In order to make effective use of our limited resources without waste, we collect and reuse plastic containers after using MEC's products that are no longer needed at our customers. We screen the collected containers to see if they can be reused. Reusable containers are cleaned and reused by the Company and contractors.

## Proper disposal of wastes

The amount of industrial waste discharged in fiscal 2022 was 545 tons, an increase of 209 tons (up 62%) from fiscal 2021. Of this amount, specially controlled industrial waste amounted to 269 tons, an increase of 117 tons (up 77%) from fiscal 2021. The final amount of disposed industrial waste was 94.6 tons.

In response to the closure of the Nishinomiya Factory, which finished operating at the end of December 2021, the amount of industrial waste discharged increased by approximately 100 tons, and it also increased by another 100 tons due to cleaning for the renewal of wastewater treatment facilities at our factories and the disposal of unnecessary chemical solutions, resulting in a total increase of 209 tons. The Nishinomiya Factory will continue to discharge industrial waste in FY2023 (January through May), but this is expected to decrease significantly.

We will continue working to reduce the amount of industrial waste generated and to reduce the amount of final disposal by thoroughly segregating the generated industrial waste.

\*The amount of industrial waste, including the recovery rate of plastic containers, is disclosed in the ESG Data section of our website. Environmental accounting data is also available on the same page.

# 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<sup>\*1</sup>, and if exporting to or from the U.S., it is necessary to comply with TSCA<sup>\*2</sup>. 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.

<sup>\*1</sup> Abbreviation for Registration, Evaluation, Authorization and Restriction of Chemicals and legislation on control of chemicals within the European Union

<sup>\*2</sup> 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 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. We will continue to work on the areas pointed out as requiring improvement and build stronger trust with our suppliers.

Number of performance evaluations in FY2022

**10 cases**  
(FY2021: 9 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 2022, we received approximately 300 surveys and responded appropriately.





Social | Report on sociality

# Human Capital Strategy

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.

## Human resource development

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.



## Education system

To realize the development of human resources who are “autonomous driving and solidarity”, we provide various training programs for each purpose and employee category, and implement various measures. We have developed a training system by purpose and strive to improve employees’ abilities such as training by class customized for positions and roles, training to strengthen management skills for the purpose of developing management perspectives for managers who are selected to participate in such training, and training programs to improve language skills in response to global business development.

	Selective training	Roles and business skills	Career support	Specialized training
Top management		Operating Officer training		
Manager	Senior management training	Management training	Life - plan seminar	Disaster response training
Regular employee	Digital skill training	Training for mid-career employees	Business skill training	Environmental law education (for practitioners, etc.)
	Selected language training	Evaluator training	Life - plan seminar	
		New employee training		
		Digital literacy training		
		Education on the handling of chemical substances in the workplace		
		Harassment prevention training		
		Compliance education (Web test)		
		Exchange with other companies (external seminars, etc.)		

In particular, with regard to training for all employees to have the digital literacy set forth in the medium-term management plan, we will conduct various DX training programs over the next fiscal year, starting with digital literacy training this year, after organizing the concept of DX in our Company based on the employee level surveys.

Special Feature

# Human Capital Strategy

## 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 will conduct evaluator training and evaluatee training this 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 for senior members	Introduction of a system that allows employees to work as regular employees in a broad sense even after the retirement age of 60
Challenged employees	Active hiring of persons with disabilities (as of the end of June 2023: 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.

And since 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 87.9 for female employees if male employees are deemed to be 100. Female managers accounted for 25.5% of all managers in FY2022, 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 is 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

FY2018	FY2019	FY2020	FY2021	FY2022
19.6%	20.0%	20.4%	19.6%	25.5%

## Work-life balance

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

### Original system

- Flextime system (Core time is from 10 am to 3 pm)
- Telecommuting system
- Accumulated paid leave (Purpose of acquisition: Nursing care)
- Taking annual paid leave on a half-day basis
- Child-rearing leave (5 days per year (paid) for employees who have preschoolers)
- Reduced working hours for child-rearing of children up to the third grade
- Refresh leave (granted according to years of service)

## 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, male employees have taken childcare leave as needed. Since FY2020, we have promoted the proactive participation of men in child-rearing, and by instilling an understanding of the need for a balance between work and child-rearing, the percentage of male employees who take childcare leave has greatly improved to 66.7% in FY2022.

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

FY2018	FY2019	FY2020	FY2021	FY2022
0%	0%	30.0%	25.0%	66.7%

## Employee satisfaction survey

Nippon Omni-Management Association Research Institute (NOMA Research Institute) conducted an awareness survey of all employees (including temporary staff).

Response rate: 97.2%

(Goal / KPI)

Improvement of scores for “job satisfaction”

FY2021 **3.7** points → FY2022 **3.8** points  
\*On a scale of 1 to 5

“MEC’s strengths” pointed out by employees (Top 3 items and their percentages)

Product quality	Product development capability	Brand power
<b>55.8%</b>	<b>33.5%</b>	<b>30.9%</b>
(49.2% last time)	(38.3% last time)	(39.0% last time)

Regardless of the differences in attributes of the departments, the trend in response was generally the same.

Review of NOMA Research Institute, Inc.

A very high level of engagement has been established with the Company, the workplace, and the assigned duty, which is good compared to the level of other companies.

To address issues pointed out, we will take measures to achieve a better working environment.



## Relationship with employees

### Safe working environment

#### 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

Occupational accidents involving lost time

•2022 target: 0 case **Result: 0 case**

Number of occupational accidents not involving lost time

**4 cases**

We will continue to improve our working environment.

#### Frequency rate, severity rate, and average number of working days lost per causality

The frequency rate was **0.0**

The severity rate was **0.0**

Average number of working days lost per causality was **0 day**

\*Calculated based on 253 employees (non-consolidated) as of the end of fiscal 2022, and occupational accidents involving lost time was 0 case

According to the situation of industrial accidents by industry (announced by the Ministry of Health, Labour and Welfare in 2023), the frequency rate in the manufacturing industry is 1.25, the severity rate is 0.08, and the average number of work days lost per casualty is 59.9.

The working environment in our Company is highly controlled in terms of safety and health.

#### 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.

#### 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.

### Communication with shareholders / investors

#### 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 March 2023, for the first time in four years, we were able to hold a briefing session at the Tokyo venue, which had been postponed due to the COVID-19 pandemic. President Maeda gave an explanation focusing on “financial results”, “business overview”, and “future outlook”, followed by a lively exchange of views during the Q&A session.



Shareholder communication

**Investor Relations** → <https://www.mec-co.com/en/ir/>

#### 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 FY2022, we utilized the Web conferencing system and telephone conferences to hold financial results briefing sessions (4 times) and meetings (about 230 times in total) as appropriate to continue communication.

We also hold an online briefing for individual investors, and a summary of the briefing is posted on our website.

**IR Library** → <https://www.mec-co.com/en/ir/library/>

Financial results briefing sessions  
**4 times**

Meetings  
**About 230 times in total**



# Together with every stakeholder involved with MEC COMPANY

## 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.

## 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.

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



## 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.

## 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 FY2022, we stopped payment by notes with a long redemption period and introduced payment by cash transfer. We will continue our efforts in line with the purpose of the Subcontract Law.

## Response to conflict minerals

Because minerals illegally mined in some conflict areas in Africa 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. In recent years, cobalt and mica has also been required to be treated as a conflict mineral.

## Execution of ESG investment

We invested in and supported social bonds issued by the Japan Student Services Organization and the Hyogo Prefecture SDGs (Green Bonds). Social bonds will be used as the source for loan scholarships, and SDGs bonds will be used for projects such as the construction of a sewage sludge treatment plant.

## 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 donated to earthquake relief funds through the Japanese Red Cross Society and others in response to the devastating Turkey-Syria earthquake.

## 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.

## 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. In November 2022, we resumed activities in Amagasaki MEC Forest. In May 2023, at Nagaoka MEC Forest, we cleared fallen trees and restored waterways buried in the soil. We will continue to contribute to the creation of forests with biodiversity in mind.

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



Amagasaki MEC Forest



Nagaoka MEC Forest

# Governance | Report on corporate governance

## Basic Approach to Governance

The MEC Group believes that to maximize stakeholder return, continuous initiatives toward reinforcing corporate governance, thereby enhancing corporate value, are crucial. Specifically, we will promote initiatives for fair and transparent management, speedy and accurate information disclosure, and thorough accountability, and are acting in accordance with the concept of the Corporate Governance Code. Under the policy of promoting diversity in management, we actively invite and appoint outside officers and

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

## The corporate governance structures

### Board of directors

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

By holding the Board of Directors every month, the Company oversees decisions of important matters related to management and the execution of duties by Directors. The Company has also established an operating officer system and a system in which Operating Officers can focus on business execution. In these ways, we are working to accelerate the decision-making of the Board of Directors.

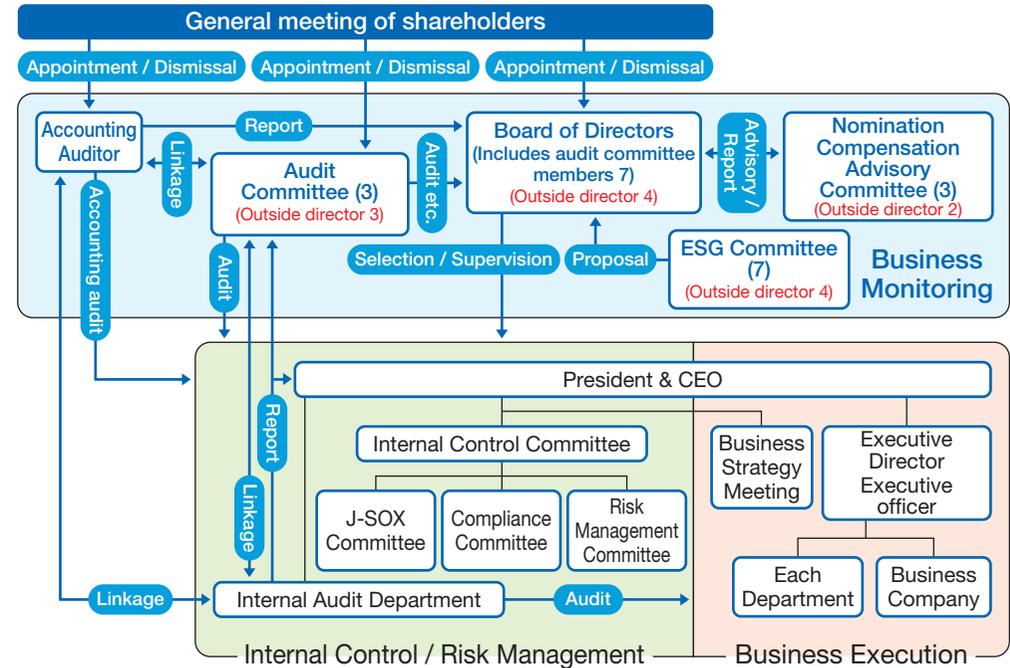
### Nomination Compensation Advisory Committee

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

### The Audit and Supervisory Committee

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

## Conceptual diagram of corporate governance



## Composition of members and attributes of the chairperson

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

# Report on corporate governance

## Committees related to governance

### ■ ESG Committee

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

### ■ J-SOX Committee

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

### ■ Compliance Committee

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

### ■ Risk Management Committee

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

### ■ Internal Control System

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

#### ■ Basic policy of internal control system (excerpt)

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

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

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

## Whistle-blowing system (for internal use)

We instruct employees to consult with their supervisors and to report using the whistleblowing system when violations of laws or regulations are being committed or are about to be committed. We have established contact points both inside and outside the Company for whistle-blowing of non-compliance, etc., and are building a system that makes it easy to report.

The number of reports issued in FY2022 was 1.

# Report on corporate governance

## The Evaluation of the Effectiveness of the Board of Directors

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

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

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

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

## Board Skills Matrix



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

\*Audit and Supervisory Committee Member

### Reasons for Appointment

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

# Report on corporate governance

## About Information security

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

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

### ■ Operation of Information Security Committee

We have established the Information Security Committee, headed by the executive in charge of information security management, and it has representatives from each business site as members. It deliberates on and examines information security management within the Company.

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

### ■ Implementation of information security audit

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

#### Main audit items for FY2022

Surveyed the optimization of account and access authority management, status of antivirus software updates, status of management of information media, etc. The management situation was appropriate.

### ■ Handling of confidential information of customers and business partners

Confidential information of customers and business partners is classified from our confidential information, and we have established an appropriate information management system according to customers and business partners and are implementing efforts to protect the information.

### ■ About Protection of personal data

We are working to protect personal information by stipulating a personal information protection policy, establishing a mechanism for protecting personal information, and making all employees fully aware of the importance of protecting personal information. Please see our Privacy Policy for more details.

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

## ■ Outside Director Message



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

**Mitsuo Hayashi**  
Independent Outside Director  
Audit and Supervisory Committee Member

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

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

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

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

# SASB INDEX (Chemicals) VERSION 2023-06

This page summarizes and discloses ESG information in accordance with the SASB Standard\_2023, 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	ACCOUNTING METRIC	CODIFIED METRIC CODE	Response status, data, etc.
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1	<b>Environment</b> See page 13 <Relationship between business activities and the environment> See page 14 <CO <sub>2</sub> emission> Scope1: 66.8 t-CO <sub>2</sub> , Scope2: 1,355.3 t-CO <sub>2</sub> Scope3: Under considering
	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	As Scope 1 is low at about 5% across the Company, we will consider whether to set the emission reduction target as Scope 1.
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	<b>Environment</b> See page 14 <Electricity consumption> (1) 11,229GJ (2) 100% (3) 0% (4) None
Water Management	(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	<b>Environment</b> See page 14 <Water usage and amount of wastewater> (1) 40,382 m <sup>3</sup> (2) 18,115 m <sup>3</sup> (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)
	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: 0
	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	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	Hazardous waste (industrial waste specially controlled by the Waste Management and Public Cleansing Law) Total volume 269 tons, recycling rate 40.7%
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	<b>Social</b> See page 21 <Together with Local Communities> We hold explanatory meetings in the neighborhood (plant tours) and cooperate with evacuation drills at neighborhood nurseries.
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	—

## Occupational safety / Management of chemical substances

TOPIC	ACCOUNTING METRIC	CODIFIED METRIC CODE	Response status, data, etc.
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	<b>Social</b> See page 20 <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%
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	<b>Social</b> See page 19 <Improving the health of our employees> 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.
Safety & Environmental Stewardship of Chemicals	(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	—
	Discussion of strategy to (1a) manage chemicals of concern and (2b) develop alternatives with reduced human and/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.
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/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	12 transport accidents (3 cases of leakage and 9 cases of damage to containers)
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	N/A

TOPIC	ACTIVITY METRIC	CODIFIED METRIC CODE	Response status, data, etc.
Production by reportable segment	Production volume	RT-CH-000.A	21,232 t



Inquiries:

MANAGEMENT & PLANNING UNIT (HQ)

**+81-6-6401-8160**

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