

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Notice of 53rd Ordinary General Meeting of Shareholders

Date & Time 10 a.m. on Wednesday, March 23, 2022
*Reception starts at 9:30 a.m.

Venue HO-OH, 3rd floor, Miyako Hotel Amagasaki
2-7-1, Showa-dori, Amagasaki City, Hyogo Prefecture

Matters to be Resolved

- Proposal No. 1: Partial Amendment to the Articles of Incorporation
- Proposal No.2: Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3: Appointment of three Directors who are Audit and Supervisory Committee Members
- Proposal No. 4: Appointment of one substitute Director who is an Audit and Supervisory Committee Member
- Proposal No. 5: Revision of the Amount of Compensation to be Paid to Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 6: Revision of Amounts and Details regarding performance-based share compensation and fixed share compensation for Directors

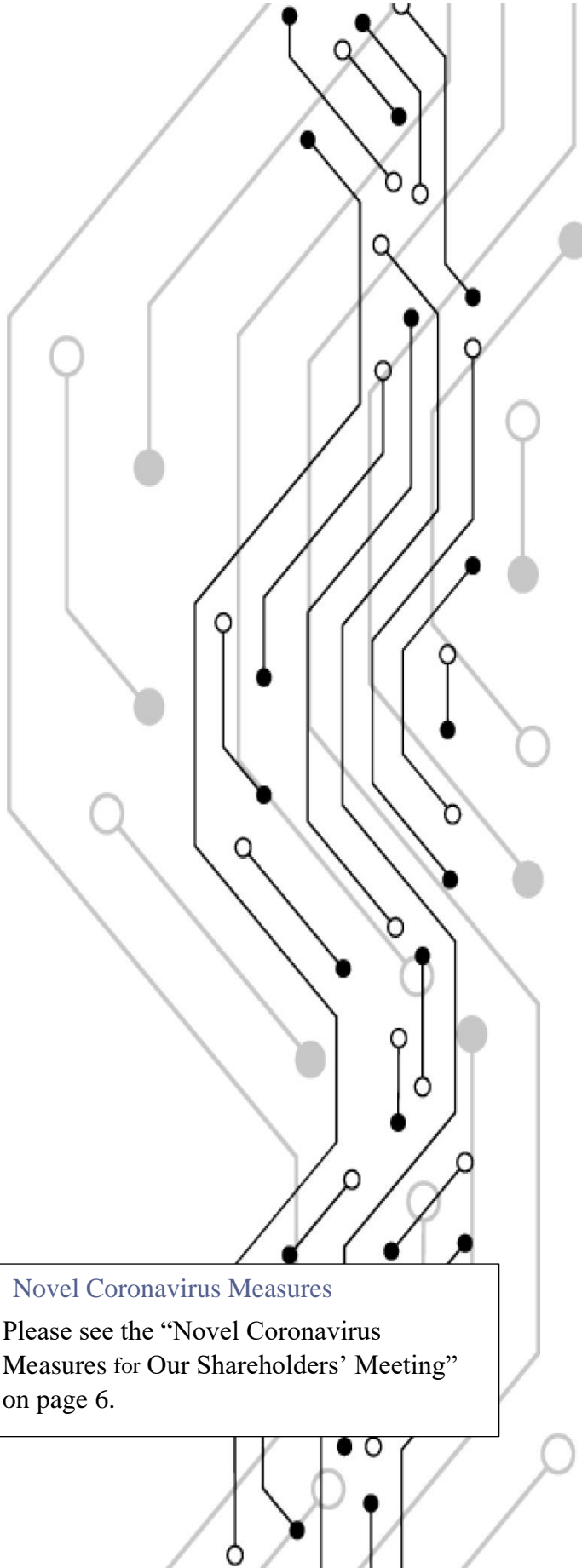
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MEC COMPANY LTD.



Securities Code: 4971



Novel Coronavirus Measures

Please see the “Novel Coronavirus Measures for Our Shareholders’ Meeting” on page 6.

To Our Shareholders

3-4-1, Kuise-minami-shinmachi, Amagasaki
City, Hyogo Prefecture

MEC COMPANY LTD.
CEO & President Kazuo Maeda

Notice of 53rd Ordinary General Meeting of Shareholders

We would like to thank you for your continued support.

We are pleased to announce that the 53rd Ordinary General Meeting of Shareholders of MEC COMPANY LTD. will be held as detailed below.

If you do not attend the meeting on the day, you can exercise your voting rights in writing or via the Internet. Please examine the Reference Documents for the General Meeting of Shareholders shown below, and exercise your voting rights by 5:20 p.m. on Tuesday, March 22, 2022, in accordance with the guidance provided below.

Details

1. Date & Time 10 a.m. on Wednesday, March 23, 2022 (reception starts at 9:30 a.m.)
2. Venue HO-OH, 3rd floor, Miyako Hotel Amagasaki
2-7-1, Showa-dori, Amagasaki City, Hyogo Prefecture

(Please refer to the map of the venue for the General Meeting of Shareholders provided at the end of this document.)

3. Purposes
Items to be Reported:
 1. The business report, the consolidated financial statements, and the results of consolidated financial statement audits by the accounting auditor and the Audit and Supervisory Committee for the 53rd business period (January 1, 2021 to December 31, 2021)
 2. The non-consolidated financial statements for the 53rd business period (January 1, 2021 to December 31, 2021)

Matters to be Resolved

- Proposal No.1: Partial Amendment to the Articles of Incorporation
- Proposal No.2: Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3: Appointment of three Directors who are Audit and Supervisory Committee members
- Proposal No. 4: Appointment of one substitute Director who is an Audit and Supervisory Committee Member
- Proposal No. 5: Revision of the Amount of Compensation to be Paid to Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 6: Revision of Amounts and Details regarding performance-based share compensation and fixed share compensation for Directors

4. Guidance for Exercise of Voting Rights

(1) Exercising voting rights in writing:

Please indicate whether you are “for” or “against” each proposal on the voting form enclosed herein, and return it to us to arrive by 5:20 p.m. on Tuesday, March 22, 2022.

(2) Exercising voting rights via the Internet, etc.

Please see the “Guidance for Exercise of Voting Rights via the Internet” on page 5, and exercise your voting rights by 5:20 p.m. on Tuesday, March 22, 2022.

If you exercise your voting rights twice, once by mail and once via the Internet, etc., we will treat your Internet vote as the valid exercise of your voting rights. If you exercise your voting rights several times via the Internet, etc., or if you exercise your voting rights more than once using a computer and a smartphone, we will treat the most recent vote as the valid exercise of your voting rights.

(3) If you wish to exercise your voting rights in a non-uniform manner, please notify us in writing of the reasons therefor at least three days before the day of the shareholders’ meeting.

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- ⊙ When you attend the meeting, please hand in the enclosed voting form at the reception desk.
 - ⊙ Please note that if the need arises to revise the business report, consolidated financial statements, non-consolidated financial statements or reference documents for the general meeting of shareholders, we will post the revisions on our website (<https://www.mecco.com/en/>).
 - ⊙ We will post the following documents that we are required to provide in accordance with the provisions of laws and regulations and Article 15 of the Company's Articles of Incorporation on our website (<https://www.mecco.com/>). For this reason, they are not included in the attachments to this Notice of Ordinary General Meeting of Shareholders.
 - 1) From the Business Report: "Matters concerning the Company's shares," "Matters concerning new share subscription rights in the Company, etc.," and "Basic policy on control of the Company"
 - 2) From the consolidated financial statements: "Consolidated statements of changes in net assets" and "Notes to the non-consolidated financial statements"
 - 3) From the non-consolidated financial statements: "Non-consolidated statements of changes in net assets" and "Notes to the non-consolidated financial statements"The Audit and Supervisory Committee has audited 1), 2) and 3) above, in addition to the business report, consolidated financial statements, and non-consolidated financial statements stated in the documents attached to this Notice of the Ordinary General Meeting of Shareholders. The accounting auditor has audited 2) and 3) above, in addition to the consolidated financial statements and non-consolidated financial statements stated in the documents attached to this Notice.

Guidance for Exercise of Voting Rights

There are three ways to exercise your voting rights.

If you are able to attend the meeting:



Please hand in the enclosed voting form at the reception desk.

Date and time

**10 a.m.,
Wednesday, March 23, 2022**

If you are unable to attend the meeting:



Exercising voting rights by mailing the voting form:

Please indicate whether you vote “for” or “against” each proposal on the voting form enclosed and drop it into a post box.

Deadline for arrival

**5:20 p.m.,
Tuesday, March 22, 2022**



Exercising voting rights via the Internet (with PC or smartphone):

Enter whether you vote “for” or “against” each proposal. For how to exercise your voting rights, please read page 58.

Deadline for entry

**5:20 p.m.,
Tuesday, March 20, 2022**

Notes

1. If you are attending the meeting, it is not necessary to exercise your voting rights by mail or via the Internet. Please hand in the enclosed voting form at the reception desk on the date of the meeting.
2. Internet fees (connection fee, communication expenses, etc.) will be borne by the shareholders.
3. Exercising your voting rights via the Internet may not be possible depending on your Internet usage environment, Internet subscriber service and type of device.

Guidance for Exercise of Voting Rights via the Internet, etc.

How to scan the QR code for “Smart Voting”

You can log into the website for exercising voting rights without entering your voting code and password.

- 1 Scan the QR code printed on the right bottom of the voting form.



- 2 Follow the instructions on the screen to register whether you vote “for” or “against” each proposal.



Exercising your voting rights via “Smart Voting” is eligible for onetime only.

If you want to change your registration, as explained in “How to enter your voting code and password” shown on the right on this page, please enter your “voting code” and “password” as indicated on the voting form to log into the website and re-register whether you vote “for” or “against” each proposal.

* Scanning the QR code again will take you to the website for exercising your voting rights as shown on the right on this page.

* The QR code is a registered trademark of DENSO WAVE INCORPORATED.

If you have any questions about how to use a personal computer or smartphone to exercise your voting rights via the Internet, please contact us at the telephone number shown on the right.

How to enter your voting code and password

Website for exercising voting rights <https://www.web54.net>

- 1 Access the website for exercising voting rights.



Click “Go to the next page.”

- 2 Enter the “voting code” indicated at bottom left on the back of the voting form.



Enter your “voting code.”
Click “Login.”

- 3 Enter the “password” indicated at bottom left on the back of the voting form.



Enter the “password.”
Set a new password. You use the new password when you vote.

Click “Registration.”

- 4 Follow the instructions on the screen to register whether you vote “for” or “against” each proposal.

Web Support, Stock Transfer Agency, Sumitomo Mitsui Trust Bank, Limited
Telephone number: 0120652-031 (free dial)
(Hours of operation: 9:00 am - 9:00 pm)

For any other inquiries, please use the contact information below.

- 1) Shareholders who have an account with a securities company

Please contact the securities company where your shareholder's account is held.

- 2) Shareholders who do not have an account with a securities company

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department

0120-782031 (hours of operation: 9:00 am - 9:00 pm, except Saturdays, Sundays, and holidays)

Use of the Electronic Voting System Platform (for institutional investors)

Institutional investors may also exercise their voting rights at this General Meeting of Shareholders through the “Electronic Voting Platform for Foreign and Institutional Investors” operated by ICJ, Inc.

COVID-19 Measures for Our General Meeting of Shareholders

<Requests for shareholders:>

- You are requested to check your state of health prior to attending our shareholders' meeting, and also check your state of health on the day. If you do not feel well, please take care not to push yourself too hard.
- If you are an elderly person, have an underlying ailment or are pregnant we ask that you do not attend the shareholders' meeting in person.
- You can also exercise your voting rights for the shareholders' meeting by mail or via the Internet, etc. The deadline for submission in writing and voting via the Internet is 5:20 p.m. on Tuesday, March 22, 2022

<Requests for visitors to the venue:>

- If you intend to come to the venue, please wear a mask, use a hand sanitizer and allow us to take your temperature before entering the venue. If you are not wearing a mask, you may be refused entry.
- Please note that if you appear to be unwell, our organizing staff may need to check that you are all right.

<Measures by MEC COMPANY LTD.>

- Please understand that our organizing staff treat visitors at the venue. They also check their state of health, including their body temperature, and wear a mask.
- We will take your body temperature at the reception. If it is 37.5 degrees Celsius or higher, we cannot allow you to participate in the meeting.
- We plan to deliberate on the proposals at the shareholders' meeting for a shorter time than usual to avoid the spread of coronavirus. Please note that the reports including the audit report as raised in the matters to be resolved will not be explained in detail in the meeting.
- If significant changes have to be made to the holding of the shareholders' meeting because of the changing situation, we will update you on the status of the meeting on our company website (<https://www.mec-co.com/ir/general-meeting/>).
- We will no longer provide souvenirs to shareholders who attend the meeting. Thank you for your understanding.

To Our Shareholders

Shareholder Return

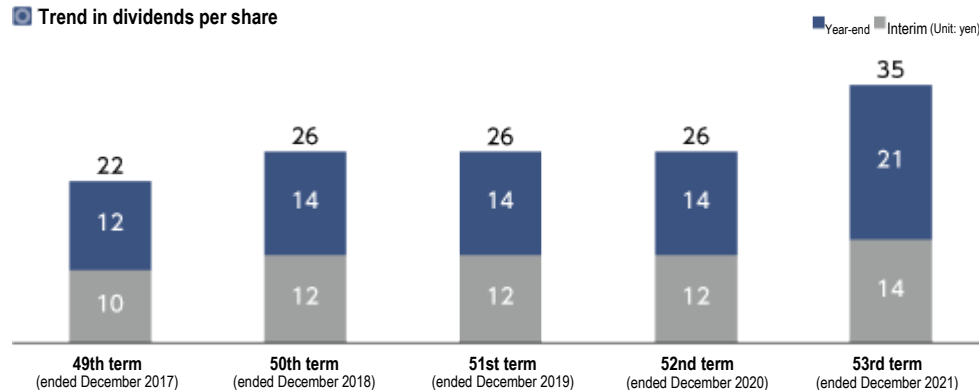
Shareholder return policy

The Company has a policy of actively returning profits to shareholders, with a medium-term target for the consolidated payout ratio of 30%.

Situation of dividends

The annual dividend for the 53rd business period has been set at 35 yen, an increase of 9 yen from the 26 yen for the 52nd business period.

Trend in dividends per share



Introduction to Our Shareholder Benefits Program

Once a year, a QUO Card reflecting the number of shares owned will be issued to shareholders who are listed or registered on the shareholder register at December 31. The QUO Card will be sent around the end of March each year.

Number of Shares Owned	Benefit
100–999	1,000-yen QUO Card
1,000 or more	2,000-yen QUO Card

Proposal No. 1: Partial Amendment to the Articles of Incorporation

1. Reason for changes

(1) The revised provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the "Act for Partial Revision of the Companies Act" (Act No. 70 of 2019) will come into effect on September 1, 2022, and in accordance with the introduction of the electronic provision of materials for the General Meeting of Shareholders, the Articles of Incorporation shall be amended as follows.

- 1) Article 15 of the proposed amendment is to establish provisions to the effect that the Company will take measures for the electronic provision of the information contained in the reference documents for general meetings of shareholders, etc., and to limit the scope of matters to be stated in the documents to be delivered to shareholders who have requested the delivery of documents.
- 2) The provisions on the Internet disclosure and deemed provision of reference documents for the General Meeting of Shareholders, etc. (Article 15 of the current Articles of Incorporation) are no longer necessary, so they shall be deleted.
- 3) Supplementary provisions will be established regarding the effective date, etc. in connection with the above.

(2) In order to further strengthen the management system and corporate governance system, the number of Directors stipulated in Article 18 (Number of Directors) of the current Articles of Incorporation shall be changed from a maximum of six to a maximum of eight (excluding Directors who are Audit and Supervisory Committee members).

2. Details of changes

The following changes have been made:

(Changes are underlined.)

Current Articles of Incorporation	Change Proposal
<p><u>(Internet Disclosure of Reference Documents for Shareholders Meetings, etc. and Deemed Provision)</u> <u>Article 15. The Company may, upon convocation of a General Meeting of Shareholders, deem that it has provided information pertaining to matters to be stated or indicated in Reference Documents for General Meetings of Shareholders, Business Reports, Financial Statements, and Consolidated Financial Statements to the shareholders by disclosing such information via the Internet pursuant to the provisions of the applicable Ordinance of the Ministry of Justice.</u></p>	<p>[Deleted]</p>

Current Articles of Incorporation	Change Proposal
<p>[Newly Established]</p> <p>Number of Directors</p> <p>Article 18. The number of Directors of the Company (excluding directors who are Audit and Supervisory Committee members) shall be 6 or fewer, and the number of directors who are Audit and Supervisory Committee members shall be 4 or fewer.</p>	<p><u>(Measures for the Electronic Provision of Shareholders Meeting Materials , etc.)</u></p> <p><u>Article 15. When calling for a shareholders meeting, the Company shall take measures for the electronic provision of the information contained in the reference documents for the annual meeting of shareholders, etc.</u></p> <p><u>Among the items to be provided electronically, the Company shall not be required to record all or a portion of those items permitted by Ordinance of the Ministry of Justice not to be stated in the documents to be delivered to shareholders who have requested the delivery of documents.</u></p> <p>Number of Directors</p> <p>Article 18. The number of Directors of the Company (excluding directors who are Audit and Supervisory Committee members) shall be 8 or fewer, and the number of directors who are Audit and Supervisory Committee members shall be 4 or fewer.</p>
<p>[Newly Established]</p>	<p><u>Supplementary Provisions</u></p> <p><u>(Transitional Measures for the Electronic Provision of Materials for General Meeting of Shareholders, etc.)</u></p> <p><u>Article 1. The deletion of the current Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.) and the proposed amended Article 15 (Measures for the Electronic Provision of Materials for the General Meeting of Shareholders, etc.) shall take effect from September 1, 2022.</u></p>

Current Articles of Incorporation	Change Proposal
	<p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.) shall remain in effect for Shareholders Meetings to be held within six months from September 1, 2022.</u></p> <p><u>3. These supplementary provisions shall be deleted after the later of the date on which six months have passed from September 1, 2022, or the date on which three months have passed from the date of the General Meeting of Shareholders referred to in the preceding paragraph.</u></p>

Proposal No.2: Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee Members)

The term of office of all four Directors (excluding Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal) will expire at the conclusion of this General Meeting of Shareholders.

Therefore, the Company proposes the appointment of four Directors.

With regard to this proposal, the Audit and Supervisory Committee has decided that all candidates for Directors are qualified.

The candidates for Directors are as follows:

Candidate No.	Name	Position at the Company and Responsibility
1	Re-appointment Kazuo MAEDA	Representative Director and President and Chief Executive Officer
2	Re-appointment Toshiko NAKAGAWA	Director, Managing Executive Officer and Head of Corporate Planning Division
3	Re-appointment Sadamitsu SUMITOMO	Director, Executive Operating Officer and Head of Business Headquarters
4	Re-appointment Toshihiko HOJO	Independent Outside Director

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
1	<div style="background-color: #4a69bd; color: white; padding: 2px; display: inline-block; font-weight: bold;">Re-appointment</div> Kazuo MAEDA (April 15, 1962)	January 2000 Joined the Company April 2000 General Manager of President's Office June 2000 Director and General Manager of President's Office April 2001 Managing Director June 2002 Representative Director and President April 2011 Representative Director and President, and Head of Research and Development Division June 2012 Representative Director and President (current) July 2015 CEO (current) [Important concurrent positions] Representative Director of MEC TAIWAN COMPANY LTD. Director of MEC EUROPE NV. Representative Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.	726,900 shares
[Reason for nomination] Since Mr. Kazuo Maeda assumed the position of Representative Director and President of the Company in June 2002, he has committed himself to revitalizing the Board of Directors as Chairman thereof and strengthening corporate governance. In addition, as chief executive, he has provided many years of strong leadership to direct the management of the Company and ensure stable growth and the enhancement of the corporate value of the entire Group. Therefore, we have determined that he is a suitable candidate and have nominated him to be re-appointed as a Director.			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
2	<p>Re- appointment</p> <p>Toshiko NAKAGAWA (August 3, 1961)</p>	<p>April 1984 Joined the Company</p> <p>April 2004 Head of Research and Development Center</p> <p>June 2004 Executive Officer and Head of Research and Development Center</p> <p>June 2010 Managing Executive Officer and Head of Research and Development Center</p> <p>April 2011 Managing Executive Officer and Head of Business Headquarters</p> <p>July 2011 Managing Executive Officer, Head of Business Headquarters, and Head of Business Support Office</p> <p>April 2012 Managing Executive Officer, Head of Business Headquarters, and Head of Business Planning Office</p> <p>April 2013 Managing Executive Officer, Head of Research and Development Division, and Head of Planning Office</p> <p>June 2014 Director, Managing Executive Officer, Head of Research and Development Division, and Head of Planning Office</p> <p>July 2015 Director, Managing Executive Officer, Head of Planning Office, and Head of Innovation Office</p> <p>October 2016 Director, Managing Executive Officer, and Head of Corporate Planning Division (current)</p> <p>[Important concurrent positions]</p> <p>Director of MEC TAIWAN COMPANY LTD.</p> <p>Director of MEC (HONG KONG) LTD.</p> <p>Director of MEC FINE CHEMICAL (ZHUHAI) LTD.</p> <p>Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.</p> <p>Director of MEC EUROPE NV.</p> <p>Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	61,600 shares
<p>[Reason for nomination]</p> <p>Toshiko Nakagawa has greatly contributed to enhancing corporate value through the development and promotion of medium-term management plans as a Director of the Company. In addition, as Head of the Corporate Planning Division, she has worked to improve the foundation of the Company's group management and corporate value through the implementation of the Company's strategic personnel affairs, continuous improvement of governance, promotion of the use of ICT, and proactive IR activities. Furthermore, since April 2020 when she assumed the managerial position of the accounting and financial unit, she has been committed to creating a highly reliable organization. Therefore, we have determined that she is a suitable candidate and have nominated her to be re-appointed as a Director.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
3	<p style="text-align: center;">Re- appointment</p> <p style="text-align: center;">Sadamitsu SUMITOMO (July 9, 1964)</p>	<p>October 1988 Joined the Company</p> <p>April 2000 Transferred to MEC EUROPE NV</p> <p>October 2003 Deputy Manager of MEC International Business Center</p> <p>January 2006 Head of Business Promotion Group in ME International Business Center</p> <p>April 2008 Transferred to MEC FINE CHEMICAL (ZHUHAI) LTD. Director and Vice President of MEC FINE CHEMICAL(ZHUHAI) LTD.</p> <p>April 2012 President of MEC (HONG KONG)LTD. President of MEC FINE CHEMICAL (ZHUHAI) LTD.</p> <p>March 2019 Executive Officer</p> <p>January 2021 Executive Officer and Head of Business Headquarters</p> <p>March 2021 Director, Managing Executive Officer and Head of Business Headquarters(current)</p> <p>[Important concurrent positions]</p> <p>Director of MEC TAIWAN COMPANY LTD. Representative Director of MEC (HONG KONG) LTD. Representative Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director of MEC EUROPE NV. Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.</p>	20,500 shares
<p>[Reason for nomination]</p> <p>As a Director of the Company, Mr. Sadamitsu Sumitomo has helped to invigorate discussions at the Board of Directors meetings from a global perspective by leveraging his abundant knowledge and experience regarding the Company's overseas business and his many years of experience in managing overseas subsidiaries. In addition, as Head of Business Headquarters, he supervises all sales divisions, including those of overseas subsidiaries, and has contributed significantly to the growth of the Company's business performance. Therefore, we have determined that he is a suitable candidate and have nominated her to be re-appointed as a Director.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
4	<p style="text-align: center;">Re- appointment</p> <p style="text-align: center;">Toshihiko HOJO (December 18, 1956)</p>	<p>April 1981 Joined Sumitomo Electric Industries, Ltd.</p> <p>January 1999 President of SEI Brake Systems (Thailand), Ltd.</p> <p>July 2005 General Manager of Sales Department, Electrical Equipment Department 1, Toyota Branch, Sumitomo Electric Industries, Ltd.</p> <p>July 2007 General Manager of Western Sales Department, Sumitomo Electric Industries, Ltd.</p> <p>May 2008 President of SEWS-Asia Technical Center Ltd. (Thailand)</p> <p>February 2012 President of SEWS-STC Co., Ltd. (Shanghai)</p> <p>June 2017 CEO of Precious Solution Company “SUBARU” Co., Ltd. (current)</p> <p>March 2020 Executive Officer of the Company (current) [Important concurrent position] CEO of Precious Solution Company “SUBARU” Co., Ltd.</p>	100 shares
<p>[Reason for nomination and outline of expected role] Leveraging his extensive experience and deep insight as an independent Outside Director of the Company and as a corporate manager, and his broad knowledge of overseas business management, Mr. Toshihiko Hojo has exercised supervision and provided recommendations from an independent and objective standpoint. He has been nominated as a candidate for the position of Independent Outside Director in the expectation that he will continue to use his experience and insight as a corporate manager and his knowledge of overseas business management to supervise and make proposals, etc. from an independent and objective standpoint to ensure that management decision-making is valid and appropriate.</p>			

- Notes: 1. There are no special interests between the candidate and the Company.
2. Mr. Toshihiko Hojo is a candidate for Independent Outside Director, and his candidacy has been reported based on the regulations of the Tokyo Stock Exchange.
3. Mr. Toshihiko Hojo is currently acting as an independent Outside Director of the Company, and his term of office will have been two years at the conclusion of this General Meeting of Shareholders.
4. The Company has entered into a limited liability agreement with Mr. Toshihiko Hojo, with the following content.
In the event that he assumes liability for damages to the Company as a result of the acts stated in paragraph 1 of Article 423 of the Companies Act, he shall be liable to pay up to 10 million yen or the amount prescribed by laws and regulations, whichever is higher.
If his reappointment is approved, the Company plans to continue the limited liability agreement with him.
5. The Company has, with an insurance company, entered into an officer’s liability insurance contract naming each Director as the insured party according to paragraph 1 of Article 430-3 of the Companies Act, and plans to continue the contract. When each candidate is reappointed as Director, they will become the insured under this contract. An outline of the contract is given in “(2) Outline of liability for damages of Officers, etc.” under “2. Matters Concerning Officers” in the Business Report on page 35.

Opinion of the Audit and Supervisory Committee:

Two of the three independent Outside Directors who are Audit and Supervisory Committee Members are among the three members of the Nomination and Compensation Advisory Committee, accounting for a majority. When electing and dismissing any Director, whether he or she is qualified is determined after examination according to the appointment and dismissal standards of the Nomination and Compensation Advisory Committee and a further review by the Audit and Supervisory Committee. Regarding compensation, the Company adopts the performance-based monetary compensation system and the performance-based stock compensation system, which are highly transparent because short-term performance and medium-to-long performance are heavily weighed. Therefore, the performance of each Director is evaluated in a reasonable manner.

Proposal No.3: Appointment of three Directors who are Audit and Supervisory Committee members

The term of office of all three Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company proposes the appointment of three Directors who are Audit and Supervisory Committee members.

We have also obtained the consent of the Audit and Supervisory Committee with regard to this proposal. The candidates for Director who is an Audit and Supervisory Committee member are as follows:

Candidate No.	Name	Position at the Company and Responsibility
1	Re- appointment Mitsutoshi TAKAO	Independent Outside Director Audit and Supervisory Committee Member
2	Re- appointment Kaoru HASHIMOTO	Independent Outside Director Audit and Supervisory Committee Member
3	Re- appointment Mitsuo HAYASHI	Independent Outside Director Audit and Supervisory Committee Member

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
1	<p style="text-align: center;">Re- appointment</p> <p style="text-align: center;">Mitsutoshi TAKAO (April 1, 1950)</p>	<p>April 1972 Joined Kawasaki Heavy Industries, Ltd.</p> <p>June 2008 Representative Director and Manager of Finance & Accounting Dept. of the company</p> <p>April 2012 Executive Vice President and Representative Director of the company Assistant to the President, in charge of Planning Headquarters, Finance Headquarters, CSR Promotion Headquarters, Personnel Affairs Headquarters, and General Affairs Headquarters</p> <p>April 2014 Outside Corporate Auditor of TechnoPro Holdings, Inc.(current)</p> <p>March 2018 Company Director (Audit and Supervisory Committee Member) (current)</p> <p>[Important concurrent positions] Outside Auditor of TechnoPro Holdings, Inc.</p>	3,000 shares
<p>[Reason for nomination and outline of expected role]</p> <p>As an Independent Outside Director who is an Audit and Supervisory Committee member, Mr. Mitsutoshi Takao audits and supervises the performance of the Company's duties from an objective perspective based on his abundant experience as a corporate manager and his specialized knowledge in many areas such as finance, accounting, etc. As Chairman of the Audit and Supervisory Committee, he also leads the operation of the Committee. Furthermore, he provides appropriate advice for the continuous improvement of the Company's governance based on his extensive knowledge of corporate governance. He has been nominated as a candidate for the position of Independent Outside Director in the expectation that he will continue to use his experience as a corporate manager, abundant specialized knowledge in finance, accounting, etc., and knowledge of corporate governance. to provide appropriate advice, auditing, and supervision of the Company's management, business execution, and sustainable improvement of corporate governance.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
2	<div style="text-align: center;"> <div style="background-color: #4a69bd; color: white; padding: 2px 5px; display: inline-block; border-radius: 3px;">Re-appointment</div> Kaoru HASHIMOTO (October 16, 1975) </div>	October 1997 Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC) April 2001 Registered as a Certified Public Accountant December 2011 Registered as an Attorney Joined Osaka Semba Law Office (now Osaka Semba Law Office Legal Professional Corporation) June 2016 Outside Auditor of Oie Sangyo Co., September 2016 Ltd.(current) Partner in Osaka Semba Law Office Legal Professional Corporation March 2019 Director of the Company March 2020 Company Director (Audit and Supervisory Committee Member) (current) March 2021 Representative, Attorney-at-law, and Certified Public Accountant at Rui Law & Accounting Office (current) [Important concurrent positions] Outside Auditor of Oie Sangyo Co., Ltd. Representative, Attorney-at-law, and Certified Public Accountant at Rui Law & Accounting Office	300 shares
<p>[Reason for nomination and outline of expected role]</p> <p>As an Independent Outside Director who is an Audit and Supervisory Committee member, Ms. Kaoru Hashimoto has provided appropriate advice, auditing and supervision of the performance of the Company's duties from the viewpoints of legal affairs and accounting, utilizing her abundant experience and her advanced, specialized knowledge cultivated as an attorney and certified public accountant. She has been nominated as a candidate for the role of Independent Outside Director who is an Audit and Supervisory Committee member in the expectation that she will continue to use her experience and advanced, specialized knowledge cultivated as a lawyer and certified public accountant to provide advice, auditing, and supervision of the performance of the Company's duties from the viewpoints of legal affairs and accounting.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
3	<p style="text-align: center;">Re- appointment</p> <p style="text-align: center;">Mitsuo HAYASHI (July 18, 1952)</p>	<p>April 1975 Joined Kobe Steel, Ltd.</p> <p>April 1998 General Manager, Automotive Division, Iron and Steel (domestic and export) of Kobe Steel</p> <p>April 2004 Company Director and President of the Nagoya Branch</p> <p>June 2009 President and Representative Director of Sanwa Tekko Co., Ltd.</p> <p>June 2012 President and Representative Director of SHINKO KENZAI Ltd.</p> <p>May 2016 Chairman of the Amagasaki Employers' Association</p> <p>June 2016 Advisor at SHINKO KENZAI Ltd.</p> <p>April 2017 Visiting Professor, School of Business Administration (now School of Economics and Management), University of Hyogo (current)</p> <p>March 2018 Chairperson of Amagasaki City Equity Commission (current)</p> <p>March 2020 Company Director (Audit and Supervisory Committee Member) (current)</p> <p>June 2020 Advisor to the Amagasaki Employers' Association (current)</p> <p>[Important concurrent positions] Visiting Professor, School of Economics and Management, University of Hyogo Chairperson of Amagasaki City Equity Commission Advisor to the Amagasaki Employers' Association</p>	100 shares
<p>[Reason for nomination and outline of expected role]</p> <p>As an Independent Outside Director who is an Audit and Supervisory Committee member, Mr. Mitsuo Hayashi has provided advice, auditing, and supervision of the Company's overall management from an objective standpoint, based on his extensive experience and high level of insight as a corporate manager, and his knowledge and deep insight regarding the establishment of stable business management and economic prosperity through his experience as Chairperson of the Amagasaki Employers' Association. He has been nominated as a candidate for Independent Outside Director who is an Audit and Supervisory Committee member in the expectation that he will continue to use his experience and insight in corporate management and his knowledge and expertise regarding the establishment of stable business management and economic prosperity to provide management advice, auditing, and supervision from an independent and impartial standpoint.</p>			

- Notes: 1. There are no special interests between the candidate and the Company.
2. Mr. Mitsutoshi Takao, Ms. Kaoru Hashimoto, and Mr. Mitsuo Hayashi are candidates for the role of Independent Outside Director, and their candidacy has been reported based on the regulations of the Tokyo Stock Exchange.
3. Mr. Mitsuo Takao is currently an Independent Outside Director and an Audit and Supervisory Committee member, and his term of office will be four years from the conclusion of this Shareholders Meeting. Ms. Kaoru Hashimoto is currently an Independent Outside Director of the Company and an Audit and Supervisory Committee member, and her term of office will be two years from the conclusion of this General Meeting of Shareholders.
- The number of years since she has assumed office as an independent outside director of the Company is three years as of the conclusion of this General Meeting of Shareholders.
- Mr. Mitsuo Hayashi is currently an independent Outside Director of the Company who is an Audit and Supervisory Committee member, and his term of office will be two years as of the conclusion of this General Meeting of Shareholders.
4. The Company has entered into a limited liability agreement with Mr. Mitsutoshi Takao, Ms. Kaoru Hashimoto and Mr. Mitsuo Hayashi, with the following content.
- In the event that he assumes liability for damages to the Company as a result of the acts stated in paragraph 1 of Article 423 of the Companies Act, he shall be liable to pay up to 10 million yen or the amount prescribed by laws and regulations, whichever is higher.
- If the appointment of the three candidates is approved, the Company plans to continue the limited liability agreement.
5. The Company has entered into an officer's liability insurance contract with an insurance company, naming each Director as the insured party according to paragraph 1 of Article 430-3 of the Companies Act, and plans to continue the contract. When each candidate is reappointed as Director, they will become the insured under this contract. An outline of the contract is given in "(2) Outline of liability for damages of Officers, etc." under "2. Matters Concerning Officers" in the Business Report on page 35.

(Reference) Director Skill Matrix (if each of the candidates is appointed at this General Meeting of Shareholders)

Candidate for Director	Corporate management	Research, manufacturing, technology	Finance and accounting	Legal and Compliance	Sales and Marketing	Global	Sustainability and ESG	Personnel affairs, labor, human resource development
Kazuo MAEDA	•				•	•		
Toshiko NAKAGAWA	•	•		•				•
Sadamitsu SUMITOMO	•	•			•	•		
Toshihiko HOJO	•	•			•	•	•	
Mitsutoshi TAKAO	•		•				•	•
Kaoru HASHIMOTO			•	•				•
Mitsuo HAYASHI	•				•	•	•	

Proposal No. 4: Appointment of one substitute Director who is an Audit and Supervisory Committee Member

To be prepared for cases in which there is a shortfall in the number of Directors who are Audit and Supervisory Committee Members provided for by laws and regulations, we propose the appointment of one substitute Director who is an Audit and Supervisory Committee Member.

In addition, we will be able to cancel the appointment of the substitute Director who is an Audit and Supervisory Committee Member by a resolution of the Board of Directors and with the consent of the Audit and Supervisory Committee, but only before such Director takes office.

We have also obtained the consent of the Audit and Supervisory Committee with regard to this proposal.

The candidate for substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
Takao OKUDA (September 25, 1967)	April 1996 Registered with Osaka Bar Association	
	Joined Kitahama Partners	
	October 2002 Founded Okuda Kinoshita Law Firm Co-Representative Lawyer	
	October 2005 Renamed to Minami-morimachi Law Firm Co- R e p r e s e n t a t i v e L a w y e r (c u r r e n t)	
	May 2015 Auditor of the Company	
	June 2015 Resigned from the position of Auditor of the Company	
	June 2017 Outside Director of FueTrek Co., Ltd.	-
	May 2020 Part-time Executive Director of Ashiya Gakuen (current)	
	June 2021 Outside Director (Audit and Supervisory Committee member) of FueTrek Co., Ltd. (current)	
	[Important concurrent positions] Co-Representative Lawyer of Minami-morimachi Law Firm Outside Director (Audit and Supervisory Committee member), FueTrek Co., Ltd.	

[Reason for nomination and outline of expected role]

Mr. Takao Okuda has many years of experience in corporate legal affairs as an attorney, and abundant legal knowledge. Although he has no experience of being directly involved in company management other than as an outside officer in the past, the Company has nominated him as a candidate for substitute Outside Director who is substitute an Audit and Supervisory Committee member because of his familiarity with corporate legal affairs and his abundant insight into to corporate management governance, in the expectation that he will use his experience and knowledge in corporate legal affairs in supervising and auditing the management of the Company and to provide objective advice.

Notes: 1. There are no special interests between the candidate and the Company.

2. Mr. Takao Okuda is a candidate for substitute independent Outside Director and meets the requirements for an independent officer stipulated by the Tokyo Stock Exchange.

3. An outline of the limited liability agreement that is planned to be concluded if Mr. Takao Okuda is appointed as an Outside Director is as follows:

In the event that he assumes liability for damages to the Company as a result of the acts stated in paragraph 1 of Article 423 of the Companies Act, he shall be liable to pay up to 10 million yen or the amount prescribed by laws and regulations, whichever is higher.

4. When Mr. Takao Okuda assumes the position of Outside Director, he will become the insured under the officer's liability insurance contract that the Company plans to continue and update according to paragraph 1 of Article 430-3 of the Companies Act. An outline of the contract is given in "(2) Outline of liability for damages of Officers, etc." under "2. Matters Concerning Officers" in the Business Report on page 35.

Proposal No. 5: Revision of the Amount of Compensation to be Paid to Directors (excluding Directors who are Audit and Supervisory Committee Members)

The compensation limit for Directors (excluding directors who are Audit and Supervisory Committee members) was resolved to be an annual amount of 170 million yen (of which no more than 20 million yen for Outside Directors; does not include employee salaries for employees who are Directors) at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016. In consideration of the fact that the role and responsibilities of Directors are increasing in response to changes in the business environment and the possibility that the number of Directors will be increased in the future, the Company would like to revise the compensation limit for Directors (excluding directors who are Audit and Supervisory Committee members) no more than 300 million yen (of which no more than 50 million yen for Outside Directors). As in the past, the amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) shall not include employee salaries for employees who are Directors.

This proposal has been decided by the Board of Directors based on the deliberations and reports of the Nomination and Compensation Advisory Committee, a voluntary advisory body, a majority of whose members are Outside Directors, considering a policy for determining the details of individual compensation for Directors (as described on pages 38 to 39 of the Business Report) based on the circumstances above and we believe it to be appropriate.

In addition, we believe that if Proposal 2, "Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee members) is approved and adopted as proposed, the number of Directors will be four (of which Outside Directors:1).

Proposal No. 6: Revision of Amounts and Details regarding performance-based share compensations and fixed share compensations for Directors

At the 47th Ordinary General Meeting of Shareholders held on June 21, 2016, the Company obtained approval for the introduction of a performance-based stock compensation system that issues a number of shares linked to business performance, etc. to Company Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors) at the time of their retirement ("System I"). In addition, at the 51st General Meeting of Shareholders held on March 24, 2020, the Company obtained approval for the introduction of a fixed stock compensation system that includes the delivery of a number of shares to Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors) based on their positions upon retirement (called "System II"; "System I" and "System II" are collectively referred to as the "Two Systems"). The Company has continued to operate Two Systems until today, but in consideration of the possibility that the number of Directors will be increased in the future and other factors, subject to the approval of Proposal No. 1 "Partial Amendment to the Articles of Incorporation" as originally proposed, we request your approval to revise the maximum amount (referred to as the "Maximum Amount") to be additionally contributed by the Company as funds for the acquisition of the Company's shares necessary to deliver shares to Directors under the respective systems (Specifically, additional money will be placed in a trust set up by the Company for the operation of the Two Systems.) and the maximum number of points (referred to as "Maximum Points") to be granted as the basis for calculating the number of shares to be delivered to each Director as follows.

At its meeting held on February 17, 2021, the Company's Board of Directors established a policy for determining the details of individual compensation for Directors as described on pages 38 to 39 of the Business Report. The purpose of the revision of Two Systems is as stated above, and since these systems align with this policy, the Company believes that this proposal and the content of the system are appropriate.

In addition, we believe that if Proposal 2, "Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee members) is approved and adopted as proposed, the number of Directors subject to Two Systems will be three.

(System I)

Before amendment: Maximum Amount: 55 million yen per fiscal year (*)

Maximum points: 55,000 points per fiscal year

After amendment: Maximum Amount: 53 million yen per fiscal year (*)

Maximum points: 57,000 points per fiscal year

(System II)

Before amendment: Maximum Amount: 13 million yen per fiscal year (*)

Maximum points: 14,000 points per fiscal year

After amendment: Maximum Amount: 17 million yen per fiscal year (*)

Maximum points: 18,000 points per fiscal year

* The meanings of "per fiscal year" and "Maximum Amount" are as follows.

As approved at the General

Meeting of Shareholders mentioned above, the Company's Board of Directors may decide to extend the coverage period of each system for multiple fiscal years and continue each system. In this case, the maximum amount of additional contribution to be made by the Company to fund the acquisition of the Company shares necessary to be granted to the directors under each system during the applicable period of extension will be the "Maximum Amount" set "per fiscal year" multiplied by the number of fiscal years of the applicable extension period.

Other than the above, there are no changes to the details approved for each of the Two Systems respectively. If this proposal receives approval, the outline of the systems will be as follows.

	(System I)	(System II)
1) Persons eligible for the system	Directors of the Company (excluding those who are Audit and Supervisory Committee members and Outside Directors)	
2) Limit on the total number of points	57,000 points per fiscal year	18,000 points per fiscal year
3) Criteria for granting points	Points granted based on position and performance	Points granted based on position, etc.
4) Number of shares granted per point	One share per point (If an event occurs in which it is deemed reasonable to adjust the number of the Company's shares to be granted, such as a stock split or reverse stock split, the number of the shares to be granted will be reasonably adjusted in accordance with the ratio of said stock split or reverse stock split)	
5) Time of the grant of Company shares to the eligible persons described in 1)	Upon retirement (as a general rule)	

(Attachment)

Business Report
(From January 1, 2021 to)
December 31, 2021)

1. Matters Concerning the Current State of the Group

(1) Progress and results of business

During the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021), although the global and Japanese economies due to the COVID-19 pandemic (hereinafter, the "Pandemic"), there were signs of recovery in economic and social activities, mainly in developed countries, although there was variability between countries and regions.

As of January 2022, the IMF (International Monetary Fund) expects the global economic growth rate to slow from +5.9% in 2021 to +4.4% in 2022. In Japan, the economy is expected to grow by +1.6% in 2021 and +3.3% in 2022, both showing a recovery from the negative growth of 2020. However, various countries continue to face uncertainty and unpredictability due to the pandemic, supply chain disruptions, rising inflation in the U.S., and geopolitical risks.

In the electronics industry, production of personal computers and displays remained strong thanks to the accelerating adoption of working and studying from home, investment in digital transformation (DX), and people adapting to new lifestyles in countries around the world. In addition, demand for servers remained strong, driven by increasing data traffic and the switch to 5G. On the other hand, growth in demand for tablet devices slowed, and some manufacturers, mainly in Southeast Asia, reduced production of automobiles due to semiconductor supply shortages and the pandemic. As the global shortage of semiconductors continues due to increasing demand from the spread of IoT, in spite of supply chain disruptions and rising raw material prices, extremely large capital investments are being made by semiconductor manufacturers. In addition, the future trend in the electronics industry as a whole, including the automobile industry, is toward taking steps toward decarbonization.

In the electronic circuit board and components industry, a market in which our Group is involved, due to the influence of the electronics industry, demand for servers, personal computers, and displays continues to be strong. In particular demand is growing for chip-mounting package substrates, which are closely connected to the Company.

Backed by advancing technology, including IoT, AI, and 5G, electronic substrates are undergoing high density and technological innovation. These related markets are expected to continue to see high growth, and efforts to switch to high-speed, high-capacity 5th generation (5G) mobile communication systems are further accelerating. Furthermore, proactive investment in equipment to strengthen production systems for high-performance package substrates related to next-generation data centers has been increasing.

Under these circumstances, the Group focused on developing and selling products for high-density electronic substrates. In regard to sales trends for major products compared to the previous fiscal year, the CZ Series of super-roughening adhesion improvers, which have a large share of the market in use for semiconductor package substrates, increased significantly from the previous fiscal year due to the strong demand for semiconductors. The EXE series performed well due to high demand for displays, and the V-Bond series of adhesion improvers for multilayer electronic substrates performed well due to the recovery of the automobile market. In addition, sales of the SF series for displays decreased due to slowing growth in the demand for related electronic devices, as well as the impact of semiconductor shortages.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 15,038 million yen, up 25.8% by 3,081 million yen from the previous term. Selling and general and administrative expenses were 5,383 million yen, up 7.1% by 357 million yen from the previous term. Operating income amounted to 3,939 million yen, up 66.2% by 1,569 million from the previous term and the operating profit margin was 26.2%, up 6.4 points from 19.8% in the previous fiscal year. Ordinary income came to 4,104

million, yen up 71.8% by 1,716 million yen from the previous term. Income before income taxes amounted to 4,092 million yen, up 77.2% by 1,783 million yen from the previous term, and net income attributable to the owners of the parent was 2,949 million yen, up 84.8% by 1,353 million yen from the previous term.

A breakdown of sales showed that sales of chemicals were 14,756 million yen, up 27.2% by 3,157 million yen from the previous term, sales of machinery were 167 million yen, down 40.5% by 114 million yen from the previous term, sales of materials were 91 million yen, up 33.9% by 23 million yen from the previous term, and other sales were 22 million yen, up 204.4% by 15 million yen from the previous term.

The overseas sales ratio was 57.5%, up 4.2 points from 53.3% of the previous term. The overseas sales ratio becomes 76.6%, up 2.1 points from the previous term if sales to overseas customers through domestic agencies in Japan are included.

Sales by segment were as follows:

In Japan, sales of products related to PCs, tablets, and servers continued to be strong. Sales for the consolidated fiscal year under review amounted to 6,662 million yen, up 15.2% by 877 million yen from the previous term. Profit from this segment was 3,087 million yen, up 85.9% by 1,426 million yen from the previous term.

In Taiwan, sales of server-related products continued to be strong, but there were some signs of adjustments in display-related products, resulting in sales of 3,081 million yen, up 26.7% by 649 million yen from the previous term. Profit from this segment was 401 million yen, up 26.6% by 84 million yen from the previous term.

In Hong Kong (Hong Kong and Zuhai), automotive products continued to perform strongly, and there was also increased demand for smartphone-related products. In addition, because production of tablet-related products was transferred from China (Suzhou), sales for the consolidated fiscal year under review amounted to 1,891 million yen, up 65.9% by 751 million yen from the previous term. Profit from this segment was 437 million yen, up 76.9% by 190 million yen from the previous term.

In China (Suzhou), despite the transfer of production of products for tablet devices to Japan and the Zhuhai area, sales of products related to servers and smartphones were strong. As a result, sales for the consolidated fiscal year under review amounted to 2,445 million yen, up 21.5% by 432 million yen from the previous term. Profit from this segment was 389 million yen, up 16.2% by 54 million yen from the previous term.

In Europe, while the impact of the pandemic continued, the production activities of customers showed signs of recovery, and as a result, sales for the consolidated fiscal year under review amounted to 644 million yen, up 17.9% by 98 million yen from the previous term. Profit from this segment was 45 million yen, down 26.6% by 16 million yen from the previous term.

In Thailand, the sixth subsidiary for the Group, which was established on May 29, 2017 to expand business in the growing Southeast Asian market, went into operation in September 2019. Although lock-downs, etc. due to the pandemic impacted some regions, local sales activities and the transfer of product manufacturing from Japan to Thailand progressed. As a result, sales for the consolidated fiscal year under review amounted to 312 million yen, up 676.2% by 272 million yen from the previous term. Loss from this segment was 43 million yen (loss of 176 million yen in the previous term).

Regarding cash flows, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 5,620 million yen, an increase of 1,149 million yen from the end of the previous term. This was because the cash gained from operating activities came to 3,013 million yen, the cash used for investing activities 1,117 million yen, and the cash used for financial activities 916 million yen.

As a result, ROE was 15.4%.

For the return to shareholders, the annual dividend is 35 yen, bringing the consolidated dividend payout ratio to 22.5%.

Sales by product category are as follows:

Category	52nd term (previous consolidated fiscal year)		53rd term (consolidated fiscal year under review)		
	Net sales (millions of yen)	Composition ratio (%)	Net sales (millions of yen)	Composition ratio (%)	Year-on-year comparison (%)
Chemicals for electronic substrates and electronic components Machinery for electronic substrates	11,598	97.0	14,756	98.1	127.2
Machinery for electronic substrates	282	2.4	167	1.1	59.5
Materials for electronic substrates	68	0.6	91	0.6	133.9
Other	7	0.0	22	0.2	304.4
Total	11,956	100.0	15,038	100.0	125.8

(2) Capital investment

The Company made a total capital investment of 529 million yen in the facilities below during the fiscal year under review:

1) Major facilities completed during the fiscal year under review

Amagasaki Operations: Amagasaki Factory Hazardous Materials Manufacturing Plant and Manufacturing Facilities, Research Facilities and Laboratory Facilities
Nagaoka Plant, Manufacturing Facilities

2) Major facilities under construction or expansion during the fiscal year under review

Warehouse extension in Nagaoka Factory

3) Significant fixed assets sold, removed or lost during the fiscal year under review

N/A

(3) Financing

During the consolidated fiscal year under review, the Company took on 400 million yen in short-term borrowings for operating capital from domestic financial institutions, but it was fully repaid by the end of the fiscal year.

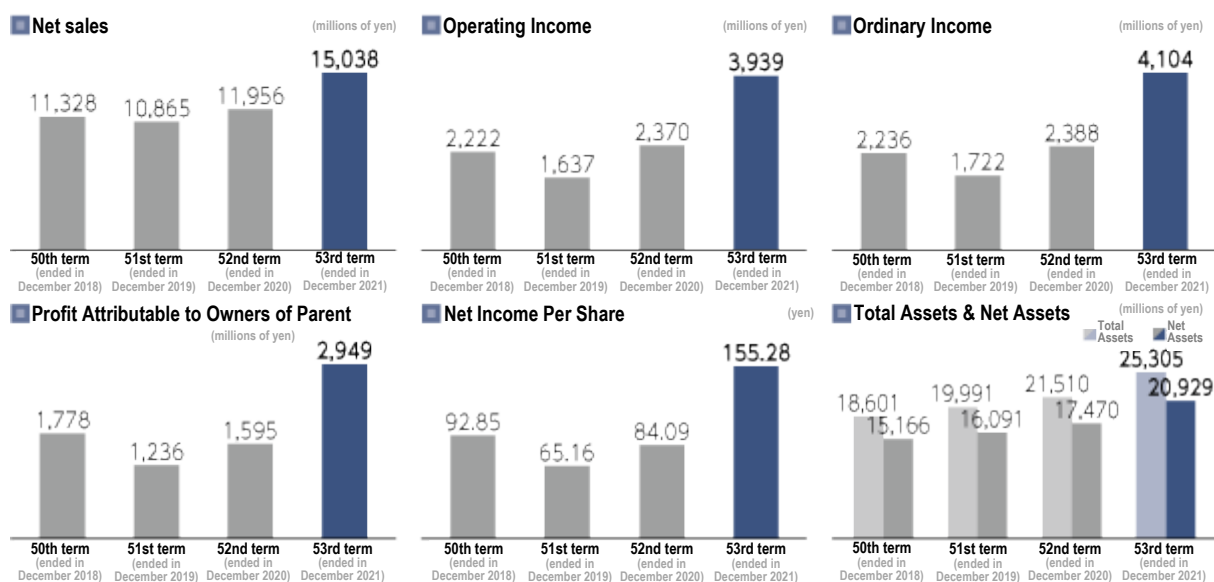
(4) Changes in assets, profits, and losses

Category		50th term (ended in Dec. 2018)	51st term (ended in Dec. 2019)	52nd term (ended Dec. 2020)	53rd term (consolidated fiscal year under review) (Fiscal year ended Dec. 2021)
Net sales	(millions of yen)	11,328	10,865	11,956	15,038
Operating income	(millions of yen)	2,222	1,637	2,370	3,939
Ordinary income	(millions of yen)	2,236	1,722	2,388	4,104
Profit attributable to owners of parent	(millions of yen)	1,778	1,236	1,595	2,949
Net income per share	(yen)	92.85	65.16	84.09	155.28
Total assets	(millions of yen)	18,601	19,991	21,510	25,305
Net assets	(millions of yen)	15,166	16,091	17,470	20,929
Net assets per share	(yen)	799.46	847.94	920.60	1,101.30
ROE	(%)	12.0	7.9	9.5	15.4
No. of employees	(persons)	351	365	367	381

Notes: 1. Per-share indicators are calculated after deducting the number of treasury shares.

2. The number of employees is the number of regular employees and does not include part-time and fixed-term employees.

3. “Partial Amendment to the Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28 dated February 16, 2018) was adopted from the beginning of the 51st term. This accounting standard is applied to total assets retroactively from the 50th term.



(5) Issues to be addressed

The environment surrounding the Group is described in “(1) Progress and results of business” in “1. Matters Concerning the Current State of the Group,” and the economic outlook remains uncertain.

The Group is a research and development entity that provides highly value-added products to customers around the world by making full use of its technological development capability for electronics, in particular electronics interface treatment. To sow seeds to meet market needs appropriately and commercialize innovative technology, we at the Group will hone our creative technological development capabilities, capture global trends and stimulate potential demand in the electronics industry, its related industries, and potential business fields, thereby providing high-quality products and engineering services. In addition, we will consider the environment and safety, achieve a work-life balance, and take various measures, thereby adding greater impetus to business.

To identify further routes for growth under the corporate motto of “Enjoy your work,” which is the source of our corporate value, and in line with the basic management principle of “The MEC group will contribute to the creation of a prosperous and diverse society and sustainable environment, inspired by an unconventional approach based on the principles of “Visionary Technology”, “Reliable Quality” and “Meticulous Service”, thereby creating and fostering value at various interfaces through our global activities,” we are taking various measures according to our medium-term management plan. Specifically, we are focusing on the following challenges,

Guides for the Period to 2030

“Create and Transform”

- Change the concept of “Made”
- Change the concept of “Selling” and “Gaining”

Company Vision

- Become a truly global company that creates new value with visionary technology
- Continue to be an R&D-based company
- Present an image as a visionary AI company

Human resources and organizational goals

(Human Resource image)

- Strive to develop human resources capable of self-reliance, self-discipline, and solidarity
- Be enthusiastic and continuously challenge oneself
- Acquire fundamental digital literacy

(Organizations)

- Strive to recruit excellent human resources according to their roles, assign them appropriately, and prepare an environment where they can fulfill their potential

1) Enhancing technology & marketing along with production & logistics

Traditionally, most of the Group’s customers have been manufacturers of electronic substrates and parts. We believe that enhanced technology marketing will also contribute to faster product development. Through global marketing that more fully emphasizes our core technologies, we will strengthen our ability to respond to technological changes and develop applications for existing technologies. We will also work to enter new markets and create new businesses.

In regard to production and logistics, we will build a global production strategy to achieve overwhelming superiority through a synergy of our strengths in “superior human resources,” “expansion of our global production network,” “advanced product quality and chemical substance management,” and “initiatives from the perspective of SDGs”, and will strive to establish a stable system for procurement, production, and supply.

2) Linking Management Strategy and Human Resource Strategy

We recognize that in order to be a company that is competitive and continues to create value for society, human resources are extremely important. We will implement a human resource strategy based on "human resource management" as well as "human capital management" to create and provide human value information that contributes to management from the short-term, medium-term, and long-term perspectives.

3) Promoting the ESG strategy

The strategy for ESG which stands for environmental, social, governance and is a cornerstone of corporate business.

In the area of "E: Environment" the Company, which is engaged in the chemicals business, will focus on managing chemical substances properly and protecting nature and biodiversity. The Company will push forward with product development with a mind to improve the production site environment, enhance the yields of electronic substrate and parts manufacturers, and take other measures to contribute to higher efficiency. In the area of "S: Social" initiatives, we will use our technologies and products to support the foundations of industrial and social development, such as the advancement of 5G and automated driving technologies, and to provide prosperous and enriched lifestyles, and we will work to solve challenges in society and industry. In the area of "G: Governance," our Group believes that it is essential to expand our corporate value through continuous efforts to strengthen corporate governance in order to maximize shareholder profits. Specifically, our policy is to promote initiatives for fair and transparent management, prompt and accurate information disclosure, and thorough accountability. Also, in accordance with our policy of actively promoting diversity in management, we are making efforts to appoint outside directors and promote women. Furthermore, it is the Group's policy to promote the active participation of talented human resources in order to gain significant value through diversity. In the future, we will continue to promote personnel to executive and managerial positions, as well as enhance our various systems, such as enabling all employees to return to work after childcare leave.

The Group will overcome these challenges to become a one and-only company or No.1 company in multiple fields. We are fully committed to maintaining high growth.

(6) Status of the parent company and significant subsidiaries

1) Status of the parent company

N/A

2) Status of significant subsidiaries

Company Name	Capital	Investment Ratio	Main Business
MEC TAIWAN COMPANY LTD.	NT\$ 200 million	100%	Materials for electronic substrates and parts
MEC (HONG KONG) LTD.	HK\$ 4.5 million	100%	Materials for electronic substrates and parts
MEC FINE CHEMICAL (ZHUHAI) LTD.	HK\$ 8 million	100% (100) (*1)	Materials for electronic substrates and parts
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.	US\$ 4 million	100%	Materials for electronic substrates and parts
MEC EUROPE NV.	EUR 1 million	100%	Materials for electronic substrates and parts
MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.	THB 215 million	100% (*2)	Materials for electronic substrates and parts

(*1) This is the portion owned by MEC (HONG KONG) LTD.

(*2) MEC TAIWAN COMPANY LTD. and MEC (HONG KONG) LTD. have invested 0.009% and 0.005%, respectively.

(7) Main businesses (as of December 31, 2021)

The Group positions materials for electronic substrates and parts as its main business. The product and merchandise classification and the main products and merchandise are as follows:

Product and Merchandise Classification		Main Products and Merchandise
Products	Chemicals for use in electronic substrates Chemicals for use in electronic parts	Adhesion improvers, etching agents, and other surface processing agents
	Machinery for electronic substrates	Machinery for chemical treatment, and various types of machinery for use before and after chemical treatment
Merchandise	Materials for electronic substrates	Copper foils and dry films
Other		Machinery repair

(8) Main offices and factories (as of December 31, 2021)

Name	Location
Head Office, R&D Center, and Amagasaki Factory of MEC COMPANY LTD.	Amagasaki, Hyogo
Higashi-hatsushima R&D Center of MEC COMPANY LTD.	Amagasaki, Hyogo
Nishinomiya Factory of MEC COMPANY LTD.	Nishinomiya, Hyogo
Nagaoka Factory of MEC COMPANY LTD.	Nagaoka, Niigata
Tokyo Sales Office of MEC COMPANY LTD.	Tachikawa, Tokyo
Head Office and Factory of MEC TAIWAN COMPANY LTD.	Taoyuan, Taiwan
Head Office of MEC (HONG KONG) LTD.	Kowloon, Hong Kong
Head Office and Factory of MEC FINE CHEMICAL (ZHUHAI) LTD.	Zhuhai, China
MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. : Headquarters and factory	Suzhou, China
Head Office and Factory of MEC EUROPE NV.	Ghent, Belgium
MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD. : Headquarters and factory	Ayutthaya, Thailand

(9) Employees (as of December 31, 2021)

1) Employees of the Group

Number of Employees	Change from the End of the Previous Fiscal Year
381 persons	14 persons

Note: The number of employees shows the number of regular employees excluding part-time and fixed-term employees.

2) Employees of the Company

Number of Employees	Change from the End of the Previous Fiscal Year	Average Age	Average Years of Service
205 persons (145 males and 60 females)	An increase of 7 people	40.9 years old	12.5 years

Note: The number of employees shows the number of regular employees excluding part-time and fixed-term employees.

(10) Major borrowings (as of Friday, December 31, 2021)

N/A

2. Matters Concerning Officers

(1) Directors (as of December 31, 2021)

Position	Name	Responsibility and Important Concurrent Positions
Representative Director and President	Kazuo MAEDA	Chief Executive Officer Representative Director of MEC TAIWAN COMPANY LTD. Director of MEC EUROPE NV. Representative Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Toshiko NAKAGAWA	Managing Executive Officer and Head of Corporate Planning Division Director of MEC TAIWAN COMPANY LTD. Director of MEC (HONG KONG) LTD. Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director of MEC EUROPE NV. Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Sadamitsu SUMITOMO	Managing Executive Officer and Head of Business Headquarters Director of MEC TAIWAN COMPANY LTD. Representative Director of MEC (HONG KONG) LTD. Representative Director of MEC FINE CHEMICAL (ZHUHAI) LTD. Representative Director of MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. Director of MEC EUROPE NV. Director of MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.
Director	Toshihiko HOJO	CEO of Precious Solution Company "SUBARU" Co., Ltd.
Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Auditor of TechnoPro Holdings, Inc.
Director (Audit and Supervisory Committee Member)	Kaoru HASHIMOTO	Outside Auditor of Oie Sangyo Co., Ltd. Representative, Attorney-at-law, and Certified Public Accountant at Rui Law & Accounting Office
Director (Audit and Supervisory Committee Member)	Mitsuo HAYASHI	Chairperson of Amagasaki City Equity Commission Visiting Professor, School of Economics and Management, University of Hyogo Advisor to the Amagasaki Employers' Association

- Notes: 1. Director Toshihiko Hojo and Directors Mitsutoshi Takao, Kaoru Hashimoto, and Mitsuo Hayashi (Audit and Supervisory Committee Members) are independent Outside Directors and have been registered as independent officers with the Tokyo Stock Exchange.
2. Director Mitsutoshi Takao (Audit and Supervisory Committee Member) has long experience in the finance and accounting department of another company. Director Kaoru Hashimoto (Audit and Supervisory Committee Member) is a certified public accountant. They have considerable knowledge of finance and accounting.
3. The Audit and Supervisory Committee utilizes the framework for appointing Audit and Supervisory Committee members to determine annual roles and responsibilities. The Audit and Supervisory Committee works with the Internal Audit Office to conduct field audits of all business facilities, thereby maintaining the quality of audits. In addition, Audit and Supervisory Committee Members as independent Outside Directors serve as members of the Nomination and Compensation Advisory Committee and the ESG Committee as well as other organs including the Board of Directors, in an effort to fulfill the referred supervisory function.
- The monthly Audit and Supervisory Committee meetings are also attended by Outside Directors who are not Audit and Supervisory Committee Members and the Internal Audit Office as observers to share information and exchange opinions. Furthermore, the Company intends to select one of the Audit and Supervisory Committee Members to handle appropriate duties as the occasion demands. The Company places the Audit and Supervisory Committee Office directly under the Audit and Supervisory Committee. Therefore, the Company does not appoint full-time Audit and Supervisory Committee Members.
4. At the conclusion of the 52nd Ordinary General Meeting of Shareholders held on March 24, 2009, Mr. Makoto Nagai, a Director who is not an Audit and Supervisory Committee member, retired due to expiration of his term of office.
5. In accordance with the provisions of paragraph 1 of Article 427 of the Companies Act, the Company and each of Mr. Toshihiko Hojo, Mr. Mitsutoshi Takao, Ms. Kaoru Hashimoto, and Mr. Mitsuo Hayashi have entered into an agreement to limit their liability for damages as specified in paragraph 1 of Article 423 of the Companies Act.
- The maximum amount of liability for damages for each of the four persons under this agreement is 10 million yen or the amount stipulated in laws and regulations, whichever is higher.

(2) Outline of liability for damages of Officers, etc.

The Company has concluded a liability insurance contract with an insurance company covering Officers, etc. under paragraph 1 of Article 430-3 of the Companies Act. The insurance policy is designed to cover losses incurred by the insured due to claims for damages made against the insured during the insurance period as a result of an act of the insured in the course of his or her duties as an officer of the Company. However, certain grounds for immunity are attached in cases involving damages as a result of an act of the insured despite knowing there has been a violation of law, which are not covered by the insurance.

The insured under the officer liability insurance contract include Directors, Auditors, Executive Officers, and management employees of the Company and its subsidiaries. All premiums, including special contract insurance premiums, for all insured persons are borne by the Company.

(3) Director compensation, etc. for the fiscal year under review

1) Matters concerning the policy for determining the details of compensation, etc. for individual Directors (excluding those who are Audit and Supervisory Committee members).

After receiving the report of the Nomination and Compensation Advisory Committee, which is composed of a majority of independent outside directors, the Company decided the policy for determining the details of compensation, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee members) at the Board of Directors meeting held on February 17, 2021.

In addition, regarding compensation for individual Directors for the fiscal year under review, the Board of Directors has confirmed that the method of determining Director compensation, as well as the details of the compensation are consistent with the policy for making such determination, and that the report from the Nomination and Compensation Advisory Committee has been respected.

a. Basic Policy

Compensation for Directors of the Company is governed by the following basic policy.

- (1) It should contribute to the realization of the management philosophy
- (2) The compensation plan should be transparent, fair, and reasonable
- (3) The compensation plan should reflect the Company's medium- to long-term management strategy and incorporate a mechanism to curb overemphasis on short-term orientation or irregularities.
- (4) The monetary compensation standards and the compensation plan should enable the Company to secure and retain excellent human resources

In accordance with this basic policy, compensation for directors who concurrently serve as executive officers shall consist of fixed monetary compensation, single-year performance-based monetary compensation, medium-term performance-based share compensation, and fixed share compensation, while compensation for Directors who do not serve as executive officers shall consist of fixed monetary compensation only.

b. Policy for determining the amount of fixed monetary compensation for each individual (including the policy for determining the timing and conditions for granting compensation, etc.)

Fixed monetary compensation, which is the basic compensation for Company Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors), is a fixed amount paid monthly and is determined in a comprehensive manner based on the Director's position and responsibilities, taking into consideration global standards, business performance, and balance with employee salaries.

- c. Policy for determining the details of performance-based compensation, etc. and non-monetary compensation, etc., and methods for calculating amounts and numbers (including the policy for determining the timing and conditions for granting compensation, etc.).

The performance-based compensation, etc. for Directors of the Company (excluding Directors who are Audit and Supervisory Committee members and Outside Directors) consists of single-year performance-based monetary compensation and medium- to long-term performance-based stock compensation.

For single-year performance-based monetary compensation, the number of months of payment is determined based on single-year performance indicators, and the amount of compensation is calculated from the basic amount for each position according to the number of months of payment.

For medium- to long-term performance-based stock compensation, the evaluation is determined based on the target achievement rate of the performance indicators set forth in the medium-term management plan, the amount of compensation is calculated from the basic amount for each position according to the evaluation, and stock points equivalent to the amount of compensation are granted.

Payment of performance-based monetary compensation will be made within three months from the conclusion of the Ordinary General Meeting of Shareholders for the relevant fiscal year, and medium- to long-term performance-based stock compensation shall be made within two months from the resignation of a Director by granting shares of the Company equivalent to the number of stock points.

Non-monetary compensation for Company Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors) shall consist of medium- to long-term performance-based share compensation and fixed share compensation.

Medium- to long-term performance-based stock compensation is as described above.

For fixed share compensation, stock points equivalent to the amount of compensation determined for each position are granted.

Fixed share compensation is granted in the number of Company shares equivalent to the number of stock points, and are granted within two months after the retirement of the Director.

- d. Policy on determining the ratio of the amount of monetary compensation, performance-based compensation, etc. or the amount of non-monetary compensation, etc. to the amount of compensation, etc. for each individual Director

The ratio of compensation by category for Directors who are also Executive Officers is determined using companies of similar business scale to the Company and global standards as benchmarks.

- e. Matters concerning the determination of the details of compensation, etc. for each individual Director

Compensation amounts for each individual Director is determined by the Board of Directors, which calculates the amount of compensation using the rules and regulations for each position based on the deliberations and reports of the Nomination and Compensation Advisory Committee and the opinions of the Audit and Supervisory Committee.

2) Matters related to resolutions of the General Meeting of Shareholders regarding compensation, etc. for Directors

At the 47th General Meeting of Shareholders held on June 21, 2016, it was resolved that the maximum amount of monetary compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee members) shall be 170 million yen per year (Of this amount, no more than 20 million yen for Outside Directors. not including employee salaries for employees who are Directors), and the amount of compensation for Audit and Supervisory Committee members shall be no more than 50 million yen per year. The number of Directors as of the close of this General Meeting of Shareholders is four Directors (excluding directors who are Audit and Supervisory Committee members) (including one Outside Director) and three Directors who are Audit and Supervisory Committee members.

The Company has introduced a medium- to long-term performance-based share compensation plan and a fixed share compensation plan for Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors), separately from the maximum amounts of compensation described above. Regarding the medium- to long-term performance-based share compensation plan, a resolution was passed at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016, that the amount of compensation shall be no more than 55 million yen per year. The number of Directors (excluding Directors who are Audit Committee members and Outside Directors) as of the close of this General Meeting of Shareholders is three. In addition, regarding the fixed share compensation plan, a resolution was passed at the 51st Ordinary General Meeting of Shareholders held on March 24, 2020, that the amount of compensation shall be no more than 13 million yen per year. The number of Directors (excluding Directors who are Audit Committee and Outside Directors members) as of the close of this General Meeting of Shareholders is three.

(4) Total compensation, etc. of Directors

Category	Total amount of compensation (million yen)	Total Compensation, etc. by type (million yen)			Number of recipient Directors and other officers (persons)
		Basic compensation, etc.	Performance-based compensation	Non-monetary compensation, etc.	
Directors (excluding Audit and Supervisory Committee Members) (of whom, independent Outside Directors)	137 (7)	88 (7)	41 (-)	7 (-)	5 (1)
Directors (Audit and Supervisory Committee Members) (of whom, independent Outside Directors)	30 (30)	30 (30)	- (-)	- (-)	3 (3)
Total	167	118	41	7	8

Notes: 1. The above includes one Director serving as a non-Audit and Supervisory Committee Member, who retired at the conclusion of the 52nd Ordinary General Meeting of Shareholders held on March 24, 2021.

2. The compensation for independent Outside Directors is a fixed monthly compensation.

3. Performance-based compensation, etc. is a single-year performance-based monetary compensation.

4. Non-monetary compensation, etc. consists of medium- to long-term performance-based share compensation and fixed share compensation.

5. Indicators for single-year performance-based monetary compensation are consolidated ordinary income for the relevant fiscal year, and indicators for medium- to long-term performance-based share compensation are consolidated ROE, consolidated operating margin, and consolidated sales. The reason for choosing these indicators is that they have been established as medium- to long-term target indicators in the medium-term management plan. The actual performance-based monetary compensation for the fiscal year under review was 4,104 million yen in comparison to consolidated ordinary income of 2,500 million yen, which is used as the target indicator. Since there is no medium-term management plan for the current fiscal year, there were no payments of medium- to long-term performance-based share compensation.

(5) Matters concerning Outside Officers

1) Establishment of criteria to identify Outside Officers who are not independent

We have established the following strict criteria to identify Outside Officers who are not independent from the Company. The criteria enable us to verify that all Outside Officers are independent.

- a. Has worked for an organization that is our major shareholder with voting rights of 5% or more or that is a major shareholder.
- b. Has worked for the main bank or major creditor of the Company.
- c. Has worked for a major business counterparty of the Company or an organization for which the Company is a major business counterparty.
- d. Has worked for the Company's audit corporation, law firm, or main securities firm.
- e. There have been cases where compensation such as consulting fees, attorneys' fees and tax accountant compensation have been paid by the Company in addition to executive compensation.
- f. The corresponding period for the above a through e is within the past 5 years from the present time.
- g. Is next of kin to a person listed in either of the following:
 - A) Persons listed in a through f.
 - B) Person who executes business, person who does not execute business, or employee at the Company or its subsidiaries or affiliates.

2) Relationship between organizations in which important concurrent positions are held and the Company

As a general rule for concurrent directorates of all Officers, the number of companies is limited to four including the Company for Non-Executive Officers, and two including the Company for Executive Officers. Officers with concurrent positions are as follows:

Category	Name	Important Concurrent Positions	Relationship with the Company
Independent Outside Director	Toshihiko HOJO	CEO of Precious Solution Company "SUBARU" Co., Ltd.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Auditor of TechnoPro Holdings, Inc.	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Kaoru HASHIMOTO	Outside Auditor of Oie Sangyo Co., Ltd. Representative, Attorney-at-law, and Certified Public Accountant at Rui Law & Accounting Office	No special relationship
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsuo HAYASHI	Chairperson of Amagasaki City Equity Commission Visiting Professor, School of Economics and Management, University of Hyogo Advisor to the Amagasaki Employers' Association	No special relationship

3) Main activities during the fiscal year under review and summary of professional duties carried out in connection with expected roles

The attendance rate required of each Outside Director at Board of Directors meetings and the attendance rate required of each Outside Director who is an Audit and Supervisory Committee Member at Audit and Supervisory Committee meetings is at least 85%.

Category	Name	Summary of professional duties carried out in connection with expected roles
Independent Outside Director	Toshihiko HOJO	<p>He attended all 17 meetings of the Board of Directors held during the fiscal year under review, and also attended 16 of the 17 meetings of the Audit and Supervisory Committee as an observer.</p> <p>Using his extensive knowledge as a corporate manager and deep insight into overseas business management, he supervises and makes proposals, etc. on overall management.</p> <p>In addition, as a member of the ESG Committee, he actively provided recommendations on promotion of corporate governance and other matters.</p> <p>As a result, he fulfills the role expected by the Company, which is to supervise and make proposals, etc. from an independent and objective standpoint to ensure that management decision-making is valid and appropriate.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	<p>He attended all of the 17 Board of Directors meetings and the 17 Audit and Supervisory Committee meetings held during the fiscal year under review.</p> <p>In addition to managing the Audit and Supervisory Committee as its Chairman, he uses his knowledge of overall management practices, including specialized knowledge of accounting and finance, and his wealth of insight cultivated as a manager of other companies to actively engage in identifying and making proposals on a wide range of management issues, as well as carrying out auditing and supervision.</p> <p>In addition, as a member of the Nomination and Compensation Advisory Committee and the ESG Committee, he actively provided recommendations on issues concerning executive compensation systems and promotion of corporate governance.</p> <p>As a result, he fulfills the role expected by the Company by providing appropriate advice, auditing, and supervision for the continuous improvement of the Company's management, business execution, and governance.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Kaoru HASHIMOTO	<p>She attended all of the 17 Board of Directors meetings and the 17 Audit and Supervisory Committee meetings held during the fiscal year under review.</p> <p>She actively provided recommendations, along with carrying out supervision and auditing, from legal and accounting perspectives by utilizing her professional knowledge as a lawyer and a certified public accountant.</p> <p>In addition, as a member of the Nomination and Compensation Advisory Committee and the ESG Committee, she actively provided recommendations on issues concerning executive compensation systems and promotion of corporate governance.</p> <p>As a result, she fulfills the role expected by the Company by providing advice, auditing, and supervision of the Company's business execution from a legal and accounting perspective.</p>
Independent Outside Director (Audit and Supervisory Committee Member)	Mitsuo HAYASHI	<p>He attended all of the 17 Board of Directors meetings and the 17 Audit and Supervisory Committee meetings held during the fiscal year under review.</p> <p>He actively provided recommendations, along with carrying out supervision and auditing, on a wide range of managerial issues based on his extensive knowledge and expertise as a corporate manager.</p> <p>In addition, as a member of the ESG Committee, he actively provided recommendations on promotion of corporate governance and other matters.</p> <p>As a result, he fulfills the role expected by the Company by providing management advice, auditing, and supervision from an independent and impartial standpoint.</p>

3. Matters concerning the Accounting Auditor

(1) Name of accounting auditor: Deloitte Touche Tohmatsu LLC

(2) Compensation, etc. for the accounting auditor

Category	Compensation, etc.
Compensation, etc. to be paid by the Company	32 million yen
Total amount of money to be paid by the Company and its subsidiaries and other economic benefits	32 million yen

Notes: 1. In the audit contract entered into between the Company and the accounting auditor, the fees for an audit based on the Companies Act and an audit based on the Financial Instruments and Exchange Law are not clearly distinguished and cannot be distinguished in practice. Therefore, the compensation, etc. stated above that is to be paid by the Company is indicated as the total amount of these fees.

2. The Audit and Supervisory Committee has given consent to the compensation, etc. for the accounting auditor after obtaining the necessary documents and reports from Directors, the relevant departments of the Company and the accounting auditor, and then reviewing the appropriateness and validity of the detailed audit plan performed by the accounting auditor, execution of the accounting auditor's duties, and the basis for the calculation of compensation estimates.

3. Of the Company's subsidiaries, the financial statements of MEC EUROPE NV., MEC (HONG KONG) Ltd. and MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD. were audited by an audit firm that is outside the network of the Company's accounting auditor. As audit fees for audits of other subsidiaries, the total amount to be paid to the accounting auditor in the same network as the Company's accounting auditor, Deloitte Touche Tohmatsu, is 13 million yen.

(3) Contents of non-audit services

N/A

(4) Policy for determining the dismissal or non-reappointment of the accounting auditor

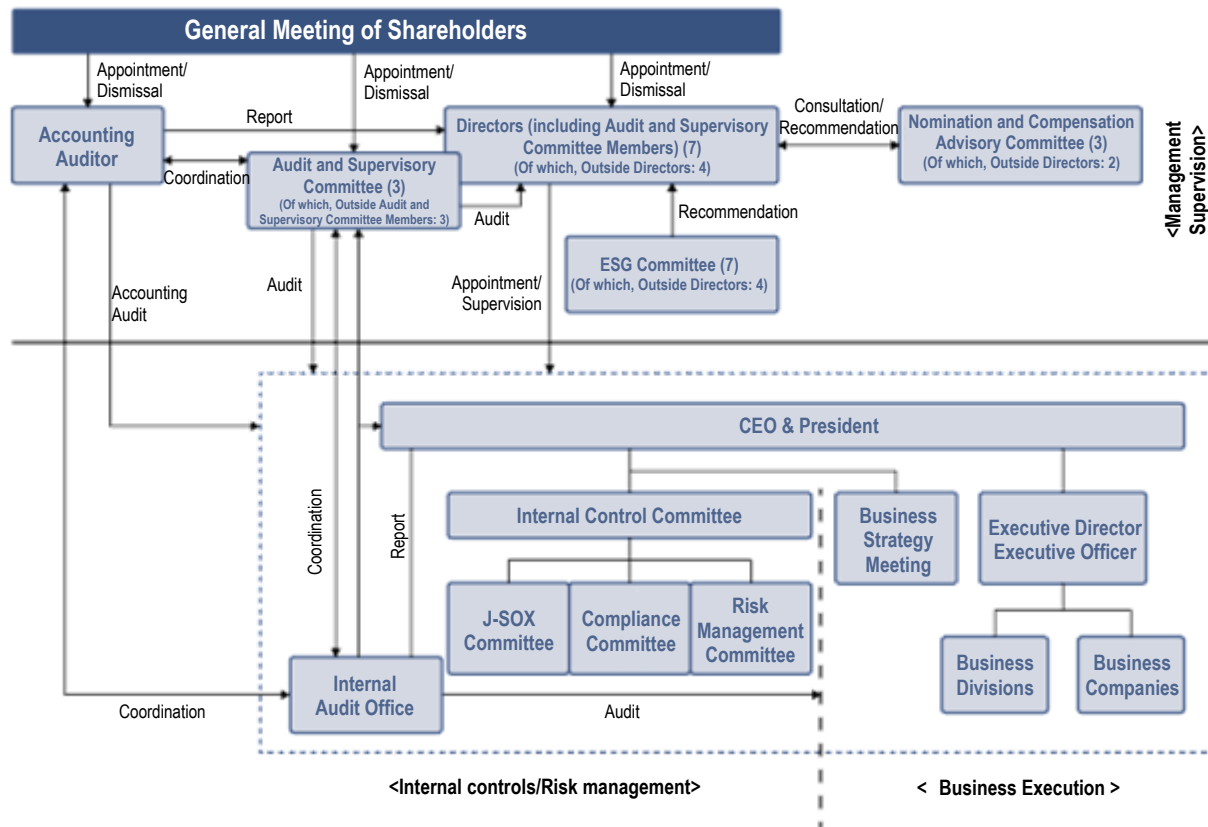
The Audit and Supervisory Committee has appointment criteria and evaluation standards for the accounting auditor, and confirms the independence and expertise of such Auditor each term. If a change in the accounting auditor is deemed desirable, the Committee determines the content of the proposal for the dismissal or non-reappointment of the accounting auditor that is to be submitted to the General Meeting of Shareholders in response to a report from the Review Committee.

In addition, if the Audit and Supervisory Committee deems that the accounting auditor falls under any of the items listed in paragraph 1 of Article 340 of the Companies Act, it will dismiss the accounting auditor with the consent of all Audit and Supervisory Committee Members. In this case, an Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee shall, at the first General Meeting of Shareholders to be convened after the dismissal, report the fact that the accounting auditor has been dismissed and the reasons therefor.

(5) Overview of the content of liability limitation agreements

N/A

4. Systems and Policies of the Company [Group corporate governance]



(1) Systems to ensure the appropriateness of business operations of the Company and its subsidiaries and affiliates (hereinafter, referred to as the “MEC Group”)

An overview of the system to ensure Directors’ performance of their duties 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.

- 1) System to ensure that the performance of duties of the MEC Group's Directors and employees complies with laws and regulations and the Articles of Incorporation
 - (i) 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.
 - (ii) 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.
 - (iii) 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 to audit the development and operation of the internal control system so that it prevents fraud before it occurs.

The Internal Audit Office shall conduct internal audits according to the annual plan and report on the audit results to the Audit and Supervisory Committee, Directors and other relevant organs.
 - (iv) As the MEC Group's whistleblowing system for reporting facts relating to acts in violation of laws and regulations, acts in violation of internal rules such as work rules, and inhumane acts such as sexual harassment, the Company shall establish a whistleblowing system. With it, one person from the Outside Directors, the head of the Internal Audit Office and external lawyers shall be the direct recipients of information. The Company ensures that it prevents disadvantageous treatment of any whistleblower or other persons due to their reporting or cooperating with investigations.
 - (v) If the Audit and Supervisory Committee finds that there is a problem with the operation of the Company's legal compliance system and internal reporting system, they shall give their opinion to the CEO & President and at the same time request the development of improvement measures.
 - (vi) The Audit and Supervisory Committee shall hold meetings by requesting Outside Directors who are not Audit and Supervisory Committee Members and the Internal Audit Office to attend as observers at the Audit and Supervisory Committee meetings once a month, in principle, to report on audit results and other matters and exchange opinions.
 - (vii) The Company shall never engage in transactions with anti-social forces and organizations that threaten the social order and safety, and shall coordinate with police-related administrative organs and our legal counsels, etc. where necessary, and take appropriate measures.
- 2) System to ensure that the duties of MEC Group's Directors are performed efficiently
 - (i) In order to ensure that the duties of MEC Group's Directors are performed efficiently in accordance with basic management policies, the Board of Directors shall meet monthly and on an ad hoc basis as the occasion demands. With regard to important matters relating to the business strategy of the Company, discussions shall be held and results shall be made known to all at the business strategy meeting held once a month and composed of Directors and Executive Officers, etc., and at the company-wide policy meetings held twice a year and consisting of managers.
 - (ii) In order to enhance the supervisory function over the performance of duties by the Directors, Outside Directors appointed will account for a majority or half of the Board of Directors. At the same time, the Company shall enhance the Executive Officer System with the aim of separating supervision and execution.
 - (iii) The Company shall establish the Nomination and Compensation Advisory Committee and the ESG Committee, the majority of whose members are Outside Directors. These Committees shall nominate candidates and provide various recommendations to the Board of Directors based on multifaceted discussions.
 - (iv) In principle, the Outside Directors shall hold a meeting with the President and other Directors and senior executives twice a year to exchange opinions and information.

- (v) In order to ensure the decisions made by the Board of Directors are carried out efficiently, the Company shall establish relevant internal regulations, and stipulate the details of the responsible persons, decision-making authorities and enforcement procedures of each business.
- 3) System for the storage and management of information related to the performance of duties by Directors of the MEC Group
- (i) The MEC Group shall establish matters concerning creating, storing and managing minutes of important meetings such as the Board of Directors' meetings and approval documents in the relevant internal regulations, based on which business processes shall be carried out.
 - (ii) In accordance with relevant internal regulations such as Information Security Management Regulations, the MEC Group shall protect information assets including personal information, and hold training on information security for all officers and employees on a regular basis.
- 4) Regulations and other systems for management of risk of loss in the MEC Group
- (i) The Company shall recognize the following risks as the main risks that arise in the Company's business activities: A. risk of violation of laws, regulations or the Articles of Incorporation; B. quality risk; C. environmental risk; D. personal information protection and risk of lack of protection of specific personal information; E. information leakage and security risk; F. disaster risk; G. supply-chain risk; and other risks. Based on this recognition, it shall develop an internal system in order to capture and manage the risks.
 - (ii) As the basic framework of risk management, the Company shall establish the Risk Management Committee chaired by the President which is a subordinate organization of the Internal Control Committee, as well as MEC Group Risk Management Regulations and related regulations, and establish a system where management responsibilities are set out for each individual risk.
 - (iii) The Company shall formulate a business continuity plan (BCP) and, if unforeseen circumstances arise, shall act quickly by setting up a task force headed by the President and obtaining support of external experts where necessary, to prevent or minimize any damage.

5) System to ensure the appropriateness of business in each Group company

(i) In order to ensure the proper operation of business in each Group company, relevant internal regulations shall be shared throughout the Group such as the group-wide management philosophy, the mission statement and the Group Charter of Corporate Behavior. In addition, each company in the MEC Group shall formulate relevant regulations, rules and guidelines, and implement employee training.

(ii) In order to manage the business of each Group company, the Company shall establish the Regulations on Affiliate Management, based on which each Group company makes decisions and reporting. For important matters, group companies are managed by requiring resolution of the Company's Board of Directors for such matters.

In addition, domestic business divisions including the Business Headquarters shall oversee, and coordinate/cooperate with, business divisions of each Group company in their respective business areas.

(iii) If the Directors discover an important matter about legal violations or other compliance issues in a Group company, they shall report immediately to the Audit and Supervisory Committee and other Directors.

(iv) If a Group company recognizes there is a violation of laws or other compliance issues in the business management and management guidance provided by the Company, it shall report to the Audit and Supervisory Committee and the Internal Audit Office, which shall give their opinion to the CEO & President or request the development of improvement measures.

(v) To enhance the MEC Group's audit and internal control, the Company shall make it a policy whereby the Auditor and Supervisory Committee and the Internal Audit Office both survey all business offices and divisions both in Japan and abroad. When conducting a survey on overseas Group companies, information shall be exchanged not only with the Group's Accounting Auditor but also with local accounting auditors.

6) System for Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the MEC Group to report to the Audit and Supervisory Committee, and other systems for reporting to the Audit and Supervisory Committee

(i) With regard to the matters that Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees should report to the Audit and Supervisory Committee and the timing of such reporting, the said Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall report the Audit and Supervisory Committee on important matters that affect the Company's business or financial performance each time they arise in accordance with relevant internal regulations. In addition, the Company shall ensure that the person who has submitted the report will not be treated disadvantageously as a result of his or her reporting.

(ii) Notwithstanding the preceding paragraph, the Audit and Supervisory Committee may, whenever necessary, request reports from Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees.

- 7) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
- (i) The Audit and Supervisory Committee and the Internal Audit Office, in principle, shall hold four meetings per year with the Accounting Auditor to exchange opinions and information in order to achieve cooperation and mutual checks and balances.
 - (ii) The Audit and Supervisory Committee may, when they deem it necessary in the practice of an audit, independently appoint a lawyer, certified public accountant or other external experts. Any prepayment or reimbursement of expenses arising from the execution of each Audit and Supervisory Committee Member's duties shall be properly treated upon request from the Audit and Supervisory Committee Member.

- 8) Matters relating to the corresponding employee in cases where the Audit and Supervisory Committee requests the stationing of an employee (auxiliary employee) to assist them in their duties

The Company shall establish regulations on assistance to the Audit and Supervisory Committee that set for the procedures for appointing an auxiliary employee upon request by the Audit and Supervisory Committee.

The secretariat to which such auxiliary employee belongs will be established in the Audit and Supervisory Committee in accordance with the provisions on assistance of the Audit and Supervisory Committee Regulations.

- 9) Matters concerning independence of auxiliary employees from Directors (excluding Directors who are Audit and Supervisory Committee Members)

To ensure the independence of auxiliary employees from Directors (excluding Audit and Supervisory Committee Members), the Board of Directors shall make decisions on personnel affairs (e.g., transfer, compensation) of auxiliary employees after obtaining the consent of the Audit and Supervisory Committee. Auxiliary employees who have received necessary orders for their auditing work from Audit and Supervisory Committee Members shall not receive orders or instructions related to the Audit and Supervisory Committee Members' orders from any Director (excluding Audit and Supervisory Committee Members) or employee.

(2) Overview of the operational status of the system to ensure the appropriateness of the MEC Group's business operations

- 1) Operational status regarding the system to ensure compliance with laws and regulations and the Articles of Incorporation

- (i) The Company held meetings of the Internal Control Committee twice and the Compliance Committee twice semiannually during the fiscal year under review, and all Directors attended them. In either meeting, there was no identification of significant deficiencies that required disclosure.

The Internal Audit Office has reported the annual audit plan approved by the Audit and Supervisory Committee to the Board of Directors, as well as the results of internal audits to the Audit and Supervisory Committee, the Board of Directors and other organs on a case by case basis.

- (ii) In order to further enhance the whistle-blowing system, the Company has developed a global whistle-blowing system for the MEC Group. The operational status of the whistle-blowing system was reported in the Compliance Committee.
- (iii) Outside Directors who are not Audit and Supervisory Committee Members and the head of Internal Audit Office attend meetings of the Audit and Supervisory Committee held monthly, in principle, as observers and exchange opinions effectively with Directors who are Audit and Supervisory Committee Members.
- (iv) To ensure employees' understanding and compliance with the MEC Group's management policy and the Corporate Code of Conduct so that they can act as good corporate citizens, the Company provides thorough compliance education to all newly joined employees (including contract and temporary workers) with "Labor and Ethics Guidelines."
- (v) To encourage Directors, Operating Officers and employees of Group companies to understand and act on the MEC Group's management philosophy and the medium-term management plan with shared values, we provided dissemination and training programs to have them penetrate.
- (vi) The Company conducts monitoring surveys on a regular basis for the purpose of understanding the compliance status of the entire company, and reports to the Compliance Committee.

2) Operational status regarding the system to ensure efficient execution of duties by Directors

- (i) The Company held 17 Board of Directors meetings during the fiscal year under review, and actively deliberated and discussed the formulation of a new medium-term management plan, revisions to the Companies Act, the personnel system, enhancement of corporate governance, overseas subsidiary projects, and other matters.
- (ii) The Nomination and Compensation Advisory Committee held six meetings and the ESG Committee held five meetings, to provide useful recommendations to the Board of Directors. The meetings focused on the deliberation of the proposal for appointing Directors, compensation system, assessment of the Board of Directors, responding to Japan's Corporate Governance Code, and other matters.
- (iii) Opinion exchange meetings are held twice a year between Outside Directors, the CEO & President and senior executives where active discussions take place mainly on themes relating to the basics of management.
- (iv) The Company has delegated decisions on the execution of important operations to the CEO & President, and delegated authority properly to execute duties to contribute to prompt execution of duties.

3) Operational status regarding the storage and management of information

The Company has established record-keeping periods for the minutes of the General Meeting of Shareholders, minutes of the Board of Directors meetings, financial statements, and the like, in accordance with laws and regulations, and stores archived records appropriately.

4) Operational status of risk management

Being engaged in an industry where chemicals are handled, the Company particularly focuses on safety and the risk assessment of chemicals. In addition, management risks are reviewed annually and verified at the Company-wide policy meetings held twice a year. Furthermore, the Risk Management Committee shares information and identifies and confirms faults.

5) Operational status regarding the system to ensure the appropriateness of Group companies' business operations

As a result of the spread of COVID-19 infection, the appointed Audit and Supervisory Committee Member and the Internal Audit Office conducted remote audits of Group companies and remotely exchanged opinions with local accounting auditors as necessary.

6) Operational status regarding audits by the Audit and Supervisory Committee

- (i) Audit and Supervisory Committee Members attended discussions held by important bodies such as the Business Strategy Meeting and company-wide policy meetings, and confirmed the status of design and operation of the internal control system together with the results of on-site audits.
- (ii) The Audit and Supervisory Committee held opinion and information exchange meetings five times a year with the Accounting Auditor and 17 times a year with the Internal Audit Office, as well as attending meetings with the Accounting Division. The Audit and Supervisory Committee reports to the Board of Directors on the details of discussions with the Accounting Auditor each time a meeting takes place.

<Reference>

Major initiatives regarding Japan's Corporate Governance Code

1) Early disclosure of convening notices for general shareholder meetings and electronic voting

The Company strives to effectively secure shareholder rights including voting rights at general shareholder meetings.

In order to allow sufficient time for shareholders to exercise their voting rights, the Company sent the convening notice of the general shareholders meeting three weeks in advance of the meeting and disclosed it electronically on the Company's website one week earlier, in an effort to provide accurate information promptly and fairly.

The Company also introduced electronic voting in consideration of shareholders' convenience.

2) Introduction of a share compensation system

The Company introduced a share compensation system for Directors and Executive Officers to further align interests with shareholders, to contribute to enhancing medium- to long-term performance and to increase the corporate value of the Company.

3) Assessment of the Board of Directors and the Audit and Supervisory Committee

The Company has assessed the Board of Directors and the Audit and Supervisory Committee to ensure the effectiveness of these organs.

With regard to the assessment of the Board of Directors, the Company ensures the effectiveness of the Board of Directors by conducting self-assessment of all Directors. The results are used to improve subsequent operations and contents of the Board of Directors.

With regard to the assessment of the Audit and Supervisory Committee, self-assessment by Audit and Supervisory Committee Members as well as outside assessment by independent Outside Directors (excluding Audit and Supervisory Committee Members) and the head of the Internal Audit Office are conducted on selected items concerning auditing and supervision.

4) Sustainability initiatives

The Company has compiled information on its sustainability initiatives in its CSR Report, which is available from the Company's website.

<https://www.mec-co.com/en/csr/env-report/>

(3) Policy related to determining dividend of surplus

1) Policy on determining dividend of surplus

Regarding the allocation of a surplus, the Company's policy is to allocate the surplus after taking into account the business performance for the corresponding term and the future, based on a balance between re-investing profits in business activities for long-term corporate value expansion and returning profits to stakeholders such as shareholders. As examples of re-investment of profits in business activities, at the Company we will strive to build up internal reserves to establish a stable financial structure that can support our ongoing business activities, with a focus on investment in R&D to maintain and strengthen competitiveness, investment in production facilities, and international strategic investment. With regard to dividends, the Company intends to reflect the profits of the period in dividends while maintaining the concept of paying stable dividends.

2) Appropriation of surplus for the term under review

With regard to the appropriation of retained earnings brought forward of 3,276,707,367 yen, we based our decision on the above-mentioned basic policy and set the dividend to thank our shareholders for their daily support. By a resolution of the Board of Directors meeting held on February 14, 2022, the year-end per share dividend was set at 21 yen per share. Adding this to the interim dividend of 14 yen that has already been paid, the annual dividend comes to 35 yen per share. The total amount of the year-end dividend to be paid will be 402,681,720 yen. In addition, we have added 1,500,000,000 yen of funds to a separate reserve, and the balance of 1,374,025,647 yen will be retained earnings carried over to the next term.

Consolidated Balance Sheet

(As of December 31, 2021)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	13,839,489	Current liabilities:	3,791,366
Cash and deposits	7,152,812	Notes and accounts payable – trade	987,823
Notes and accounts receivable – trade	4,858,183	Electronically recorded monetary obligations	748,762
Electronically Recorded Monetary Claims	288,325	Accounts payable – other	404,291
Merchandise and finished goods	589,951	Accrued expenses	157,453
Work in process	223,120	Income taxes payable	748,939
Raw materials and supplies	580,226	Provision for bonuses	332,347
Other	150,840	Provision for directors' bonuses	41,760
Allowance for doubtful accounts	-3,969	Accounts payable – facilities	93,926
Non-current assets:	11,465,872	Other	276,061
Property, plant and equipment	8,891,606	Non-current liabilities:	584,888
Buildings and structures	4,570,352	Deferred tax liabilities	477,768
Machinery, equipment and vehicles	799,384	Net defined benefit liability	2,038
Tools, furniture and fixtures	399,551	Provision for share compensation	64,487
Land	3,008,363	Other	40,594
Right-of-use assets	42,115		
Construction in progress	71,838	Total liabilities	4,376,254
Intangible assets	147,248	NET ASSETS	
Investments and other assets	2,427,017	Shareholders' equity:	18,990,595
Investment securities	1,303,230	Capital	594,142
Retirement benefit assets	956,448	Capital surplus	541,273
Deferred tax assets	9,354	Retained earnings	18,996,261
Other	157,984	Treasury stock	-1,141,081
		Total of other comprehensive income:	1,938,512
		Valuation difference on available-for-sale securities	584,363
		Foreign currency translation adjustment	1,119,580
		Remeasurements of defined benefit plans	234,568
		Total net assets	20,929,107
Total assets	25,305,362	Total liabilities and net assets	25,305,362

Consolidated Statement of Income

(From January 1, 2021 to
December 31, 2021)

(Thousands of yen)

Item	Amount	
Net sales		15,038,440
Cost of sales		5,715,049
Gross profit		9,323,391
Selling, general and administrative expenses		5,383,499
Operating income		3,939,891
Non-operating income		
Interest income	28,665	
Dividend income	11,871	
Trial products income	5,897	
Gain on investments in investment partnerships	23,467	
Foreign exchange gains	80,556	
Other	19,735	170,193
Non-operating expenses		
Interest expenses	842	
Sales discounts	3,858	
Other	894	5,595
Ordinary income		4,104,489
Extraordinary income		
Gain on sales of non-current assets	1,694	1,694
Extraordinary losses		
Loss on sales of non-current assets	312	
Loss on retirement of non-current assets	13,518	13,830
Income before income taxes		4,092,353
Income taxes – current	1,153,253	
Income taxes – deferred	-10,360	1,142,893
Net income		2,949,459
Profit attributable to owners of parent		2,949,459

Non-consolidated Balance Sheet

(As of December 31, 2021)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	7,823,718	Current liabilities:	2,843,402
Cash and deposits	4,179,503	Notes payable – trade	58,933
Notes receivable – trade	91,856	Electronically recorded obligations	748,762
Electronically Recorded Monetary Claims	288,325	Accounts payable – trade	365,519
Accounts receivable – trade	2,616,844	Accounts payable – other	253,749
Merchandise and finished goods	213,400	Accrued expenses	138,829
Raw materials and supplies	338,583	Income taxes payable	640,290
Prepaid expenses	11,040	Deposits received	90,778
Accounts receivable – other	58,173	Provision for bonuses	329,849
Other	25,991	Provision for directors' bonuses	41,760
Non-current assets:	10,538,836	Notes payable – facilities	25,500
Property, plant and equipment	6,802,482	Electronically recorded obligations related to facilities	65,077
Buildings	3,569,165	Accounts payable – facilities	79,077
Structures	146,834	Other	5,276
Machinery and equipment	486,548	Non-current liabilities:	300,189
Vehicles	16,399	Deferred tax liabilities	211,238
Tools, furniture and fixtures	246,918	Asset retirement obligations	587
Land	2,274,036	Provision for share compensation	64,487
Construction in progress	62,579	Other	23,877
Intangible assets	130,452	Total liabilities	3,143,592
Leasehold rights	29,380	NET ASSETS	
Software	100,921	Shareholders' equity:	14,634,599
Other	151	Capital	594,142
Investments and other assets	3,605,901	Capital surplus	541,273
Investment securities	1,303,230	Legal capital surplus	446,358
Shares of subsidiaries and affiliates	1,057,492	Other capital surplus	94,914
Investments in capital	5	Retained earnings	14,640,264
Long-term loans receivable from subsidiaries and associates	516,000	Legal retained earnings	63,557
Long-term prepaid expenses	108,300	Other retained earnings	14,576,707
Prepaid pension cost	604,824	General reserve	11,300,000
Other	16,048	Retained earnings brought forward	3,276,707
		Treasury stock	-1,141,081
		Valuation and translation adjustments:	584,363
		Valuation difference on available-for-sale securities	584,363
Total assets	18,362,554	Total net assets	15,218,962
		Total liabilities and net assets	18,362,554

Non-consolidated Statement of Income

(From January 1, 2021 to
December 31, 2021)

(Thousands of yen)

Item	Amount	
Net sales		10,556,738
Cost of sales		3,821,988
Gross profit		6,734,750
Selling, general and administrative expenses		3,647,071
Operating income		3,087,678
Non-operating income		
Interest and dividend income	438,811	
Trial products income	5,897	
Foreign exchange gains	88,842	
Other	32,966	566,517
Non-operating expenses		
Interest expenses	199	
Other	292	491
Ordinary income		3,653,704
Extraordinary income		
Gain on sales of non-current assets	8	8
Extraordinary losses		
Loss on retirement of non-current assets	2,449	2,449
Income before income taxes		3,651,262
Income taxes – current	831,755	
Income taxes – deferred	21,352	853,107
Net income		2,798,154

Independent Auditor's Report

February 10, 2022

MEC COMPANY LTD.
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Kobe Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shoichi ITO
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuya IKEDA

Auditor's Opinion

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and notes to consolidated financial statements of MEC Co., Ltd. for the year from Friday, January 1, 2021 to Friday, December 31, 2021, in accordance with Article 444, paragraph 4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with accounting standards that are generally accepted in Japan, present fairly, in all material respects, the status of profit and loss of MEC Co., Ltd. and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared.

Basis of Audit Opinion

Our audit was conducted in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan. Our responsibility under auditing standards is described in "Auditor's Responsibility in an Audit of Consolidated Financial Statements." Our audit is independent of the Company and its consolidated subsidiaries in accordance with the ethical standards of the profession in Japan, and have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's and Audit Committee's Responsibility for the Consolidated Financial Statements

Management is responsible for the general preparation and fair presentation of consolidated financial statements in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan. This includes putting in place and managing internal control that the management deems to be necessary in order to properly prepare and present consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the basis of the going concern assumption and for disclosing, if necessary, matters related to going concern in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan.

Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting processes.

Auditor's Responsibility in an Audit of Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to express an opinion on the consolidated financial statements from an independent position in the auditor's report based on our audit as independent Auditor. A material misstatement is considered to exist when it is reasonably likely that the misstatement was caused by fraud or error and, individually or in the aggregate, would affect the decisions of users of the consolidated financial statements.

The auditor, in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan, exercises professional judgment throughout the audit process and maintains professional skepticism in performing the following.

- The auditor identifies and assesses the risks of material misstatement due to fraud or error. The auditor also develops and implements audit procedures to address the risk of material misstatement. The selection and application of audit procedures shall be at the auditor's discretion. In addition, the auditor obtains sufficient appropriate audit evidence to provide a basis for expressing an opinion.
- The audit purpose of consolidated financial statements is not to express an opinion on the effectiveness of internal control. However, in making those risk assessments, the auditor considers internal control relevant to the audit in order to draft audit procedures that are appropriate in the circumstances.
- The auditor evaluates the appropriateness of accounting policies and their application methods adopted by management and the reasonableness of the accounting estimates made by management and the related notes.
- The auditor concludes whether it is appropriate for management to prepare the consolidated financial statements on the basis of the going concern assumption, and based on the audit evidence obtained, whether there is any material uncertainty regarding events or conditions that might raise critical questions about the validity of the going concern assumption. If there is a material uncertainty about the validity of the going concern assumption, the auditor is required to draw attention to the notes to the consolidated financial statements in the auditor's report or, if the notes to the consolidated financial statements regarding the material uncertainty are inappropriate, to express a qualified opinion on the consolidated financial statements. Although the auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report, it is possible that future events or circumstances may affect the company's ability to continue as a going concern.
- The auditor evaluates whether the presentation of the consolidated financial statements and the notes thereto are in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan, and also evaluates the presentation, composition, and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements present fairly the underlying transactions and accounting events.
- The auditor obtains sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and implementation of the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Committee on the scope of the planned audit and the timing of its implementation, and significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor reports to the Audit and Supervisory Committee on the auditor's compliance in accordance with the ethical standards of the profession in Japan regarding independence, as well as any matters that could reasonably be considered to affect the auditor's independence, and the nature of any safeguards taken to remove or mitigate any disincentive.

Interest

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditor's Report

February 10, 2022

MEC COMPANY LTD.
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Kobe Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shoichi ITO
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuya IKEDA

Auditor's Opinion

We, the Auditing Firm have audited the financial statements, namely, the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements, and related supplementary schedules (hereinafter, the "financial statements, etc.") of MEC Co., Ltd. for the 53rd fiscal year from January 1, 2021 to December 31, 2021, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

In our opinion, the non-consolidated financial statements referred to above, which were prepared in accordance with accounting standards that are generally accepted in Japan, present fairly, in all material respects, the status of profit and loss of the non-consolidated financial statements for the period for which the non-consolidated financial statements were prepared.

Basis of Audit Opinion

Our audit was conducted in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan. Our responsibility under auditing standards is described in "Auditor's Responsibility in an Audit of Non-consolidated Financial Statements." Our audit is independent of the Company in accordance with the ethical standards of the profession in Japan, and have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's and Audit Committee's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the general preparation and fair presentation of non-consolidated financial statements in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan. This includes putting in place and managing internal control that the management deems to be necessary in order to properly prepare and present consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements on the basis of the going concern assumption and for disclosing, if necessary, matters related to going concern in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan.

Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors in the development and operation of the financial reporting processes.

Auditor's Responsibility in an Audit of Non-consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent position in the auditor's report based on our audit as independent Auditor. A material misstatement is considered to exist when it is reasonably likely that the misstatement was caused by fraud or error and, individually or in the aggregate, would have an effect on the decisions of users of the non-consolidated financial statements.

The auditor, in accordance with auditing standards that are generally accepted as being fair and reasonable in Japan, exercises professional judgment throughout the audit process and maintains professional skepticism in performing the following.

- The auditor identifies and assesses the risks of material misstatement due to fraud or error. In addition, the auditor drafts and performs audit procedures that address the risks of material misstatement. The selection and application of audit procedures shall be at the auditor's discretion. In addition, the auditor obtains sufficient appropriate audit evidence to provide a basis for expressing an opinion.
- The audit purpose of non-consolidated financial statements is not to express an opinion on the effectiveness of internal control. However, in making those risk assessments, the auditor considers internal control relevant to the audit in order to draft audit procedures that are appropriate in the circumstances.
- The auditor evaluates the appropriateness of accounting policies and their application methods adopted by management and the reasonableness of the accounting estimates made by management and the related notes.
- The auditor concludes whether it is appropriate for management to prepare the non-consolidated financial statements on the basis of the going concern assumption, and based on the audit evidence obtained, whether there is any material uncertainty regarding events or conditions that might raise critical questions about the validity of the going concern assumption. If there is a material uncertainty about the validity of the going concern assumption, the auditor is required to draw attention to the notes to the non-consolidated financial statements in the auditor's report or, if the notes to the non-consolidated financial statements regarding the material uncertainty are inappropriate, to express a qualified opinion on the non-consolidated financial statements. Although the auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report, it is possible that future events or circumstances may affect the company's ability to continue as a going concern.
- The auditor evaluates whether the presentation of the non-consolidated financial statements and the notes thereto are in conformity with the corporate accounting standards that are accepted as fair and reasonable in Japan, and also evaluates the presentation, composition, and content of the non-consolidated financial statements, including the related notes, and whether the non-consolidated financial statements present fairly the underlying transactions and accounting events.

The auditor reports to the Audit and Supervisory Committee on the scope of the planned audit and the timing of its implementation, significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor reports to the Audit and Supervisory Committee on the auditor's compliance in accordance with the ethical standards of the profession in Japan regarding independence, as well as any matters that could reasonably be considered to affect the auditor's independence, and the nature of any safeguards taken to remove or mitigate any disincentive.

Interest

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

We, the Auditing Firm, have audited the execution of duties by the Directors for the 53rd fiscal year from January 1, 2021 to December 31, 2021. We report on the methods and results of the audits as follows.

1. Method and details of the audit

With regard to the details of the resolution by the Board of Directors on matters listed in Article 399-13, paragraph 1, Item 1, (B) and (C) of the Companies Act and the system established based on said resolution (internal control system), the Audit and Supervisory Committee received regular reports from the Directors, the Internal Audit Office and other employees on the development and operation of the system, sought explanations where necessary, and expressed opinions. In addition, we conducted an audit according to the following method.

In accordance with the audit and supervisory standards set out by the Audit and Supervisory Committee as well as audit policies, audit plans and division of duties, we gathered information and worked to improve the environment for conducting audits in coordination with the Internal Audit Office. We also attended the Board of Directors' meetings, the business strategy meetings and other important meetings, etc., sought explanations as necessary, inspected important decision documents, and examined the status of the business and assets at the head office and all business offices. Outside Directors including the Audit and Supervisory Committee Members had semiannual meetings with the CEO & President and senior executives, and 17 meetings in total with the Internal Audit Office, to exchange opinions. In addition, with respect to subsidiaries, we communicated and exchanged information with the directors and employees of the subsidiaries, and received business reports from the subsidiaries where necessary. We also conducted remote audits, inspected important documents, and investigated the status of their businesses and assets.

With respect to the basic policy presented in the Business Report stipulated in Article 118, Item 3, (A) of the Enforcement Regulations of the Companies Act, and each measure stipulated in Article 118, Item 3, (B) of said act, we examined the content thereof in light of the status of discussions by the Board of Directors and other organs.

We monitored and examined whether the Accounting Auditor had maintained an independent position and had implemented an appropriate audit backed by expertise. At the same time, we received an explanation of the audit plan in advance from the Accounting Auditor, as well as a report on the performance of their duties, and sought explanations where necessary. Furthermore, we received a notice from the Accounting Auditor saying that the "system for ensuring that duties are performed properly [matters set out in each item of Article 131 of the Company Accounting Regulations] is established in accordance with the Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005) and other standards, and sought explanations where necessary. We had five meetings with the Accounting Auditor. In addition, we held meetings and exchanged opinions and information remotely with the accounting auditors of our subsidiaries as necessary.

Based on the above methods, we examined the business report and supplementary schedules thereof, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) as well as the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and supplementary schedules thereof, for the relevant fiscal year.

2. Results of the audit

(1) Results of audit of the business report, etc.

- (i) We acknowledge that the business report and supplementary schedules thereof fairly present the Company's conditions in accordance with laws, regulations and the Articles of Incorporation.
- (ii) Concerning the performance of duties of Directors, no unfair conduct, nor any material breach of laws, regulations or the Company's Articles of Incorporation has been found.
- (iii) The details of resolutions approved by the Board of Directors concerning the internal control system are proper and fair. In addition, no matters that necessitate comment have been found regarding the details defined in the Company's Business Report and performance of duties of Directors both with respect to the internal control system.
- (iv) No matters that necessitate comment have been found regarding the basic policy related to the individuals responsible for determining the financial and business policies presented in the Company's Business Report. As described in the Business Report, we recognize that the measures stated in Article 118, Item 3, (B) of the Enforcement Regulations of the Companies Act are in line with the basic policy and do not detract from the common interests of shareholders; in addition, we recognize that they are not intended for the Directors of the Company to maintain their positions.

(2) Results of audit of the consolidated financial statements

The method and results of audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC are fair and reasonable.

(3) Results of audit of the non-consolidated financial statements and supplementary schedules

The method and results of audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC are fair and reasonable.

February 17, 2022

Audit and Supervisory Committee MEC COMPANY LTD.

Audit and Supervisory
Committee Member

Mitsutoshi TAKAO(Seal)

Audit and Supervisory
Committee Member

Kaoru HASHIMOTO(Seal)

Audit and Supervisory
Committee Member

Mitsuo HAYASHI(Seal)

(Note) All three Audit & Supervisory Board Members are Outside Directors as stipulated in Article 2, Item15 and Article 331, Paragraph 6 of the Companies Act.

Map to the venue for the general meeting of shareholders

Venue 2-7-1, Showa-dori, Amagasaki, Hyogo
3rd floor, HO-OH, Miyako Hotel Amagasaki
 * Please use public transport to get to the venue since there is no parking lot dedicated for the Meeting.



Venue for the General Meeting of Shareholders
Miyako Hotel Amagasaki



Floor map of Miyako Hotel Amagasaki



Access **Amagasaki Station (on the Hanshin Line)**
 Exit the West gate and proceed north. Approx. six minutes on foot via a pedestrian overpass from the Chuo Park

MEC COMPANY LTD.
<https://www.mec-co.com/en/>

UD FONT This material uses universal design font to make it legible and easy to read.

