

Corporate Governance

MEC COMPANY LTD.

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MEC COMPANY LTD.

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

The status of the Company's corporate governance is as follows.

I. Basic approach to corporate governance, and basic information on capital structure, corporate attributes and other matters

1. Basic Approach and Structure

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

Under the policy of promoting diversity in management, we actively invite and appoint outside officers and women. We are also working on establishing rules to provide strict decision-making criteria in case management lacks independence.

Moreover, aiming to gain value from diversity, the Group has a policy to encourage the activities of diverse competent personnel. We will continue to support promotion of diverse personnel to executive or management positions and enhance various systems to enable all those who take childcare leave to return to work.

[Reasons for Not Implementing the Principles of the Corporate Governance Code]

[Supplemental Principle 2-4-1. Ensuring Diversity within the Company, Including the Promotion of Women's Initiatives Activities]

When recruiting managers and other core personnel, the Company recruits talented individuals without distinction as to whether they are women, non-Japanese, or mid-career hires. For this reason, no specific target figures have been set. Although the Company does not have a policy for human resource development and internal environment improvement, we have established a system to accept diverse human resources.

The following table shows the status of recruitment to management positions as of July 31, 2023.

Women: 16 (31.4%)

Foreigners: 0 (0%)

Mid-career hires: 40 (78.4%)

[Principle 4-2-2. Roles and Responsibilities of the Board of Directors (2)]

We position the MEC Group's Charter of Corporate Behavior as the basic policy for our efforts in the area of sustainability.

In addition, we will provide effective supervision to ensure that the allocation of management resources and the implementation of strategies related to the business portfolio in accordance with the medium-term management plan contribute to the sustainable growth of the company.

[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

[Principle 1-4. Strategically Held Shares]

The Company holds the minimum number of shares necessary, mainly for the purpose of improving its corporate value over the medium to long term. This is to be achieved by maintaining and developing business relationships with major business partners. If the Company does not have a strong rationale to hold shares, they will be sold after discussions between the two companies.

For shares held and for each individual stock, the Company comprehensively considers quantitative aspects such as trading performance with the Company and dividends, and qualitative aspects such as the viewpoint of long-term improvement of corporate value. The Company also comprehensively considers the risks associated with holding the shares. The Accounting and Finance Department analyzes whether or not it is suitable to hold the shares, and the results of the analysis are reported and verified at the Board of Directors' meeting at the end of each fiscal year. On the other hand, in order to promote the sustainable growth of investee companies from the viewpoint of shareholders, voting rights are exercised by determining how to handle proposals related to investment destinations after fully considering each proposal as a fair shareholder, and we never give people carte blanche to do as they please. We have developed this as our in-house basic policy. Also, every year we regularly analyze returns and risks for each stock holding to examine whether there is rationality in holding them from the viewpoint of long-term improvement of our corporate value. After consultation between the parties, we sell stocks that we deem to have less rationality.

[Principle 1-7. Related Party Transactions]

When performing transactions with directors and major shareholders, the Board of Directors Regulations and the Board of Directors Agenda Criteria stipulate that they are matters that require discussion by the Board of Directors, and the Board of Directors appropriately monitors and supervises them from an independent and objective standpoint.

[Principle 2-6. Functioning as a Corporate Pension Asset Owner]

The Company has subscribed to the defined-benefit corporate pension plan, and its operation status is monitored by the General Affairs Department and reported at the Board of Directors' meetings at appropriate times. Matters including the exercise of voting rights are entrusted to a corporate pension management company and hence there is no conflict of interest between the beneficiaries of the corporate pension and the Company. In addition, we have introduced a defined-contribution corporate pension plan to create employee assets. (Adoption of DC Plan)
In addition to providing educational institutions regarding the selection of operating companies and investment products as well as educational institutions related to asset management for employees, we also explain the relevant matters to employees when they join the Company.

[Principle 3-1. Enhancement of Information Disclosure]

1. With its management philosophy of "Visionary Technology," "Reliable Quality" and "Meticulous Service" and its mission statement "Enjoy your work," the type of organization the Company aims to be are communicated through company briefings and the website. The management strategies and plans are also outlined in the Medium-term Management Plan "2030 Vision Phase 1" announced on February 14, 2022, with specific details of the initiatives in the "Issues to be addressed" and "Basic policy on control of the Company" in the Notice of Convocation, available on our website.
2. The MEC Group believes that to maximize stakeholder return, continuous initiatives toward reinforcing corporate governance, thereby enhancing corporate value, are crucial. Specifically, we place the ESG Committee (the majority of whose members are outside persons) at the center; promote initiatives for fair and transparent management, speedy and accurate information disclosure, and thorough accountability; and act in accordance with the concept of the Corporate Governance Code.
3. The remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) consists of fixed monthly monetary remuneration, performance-linked remuneration, and fixed stock remuneration. Performance-linked remuneration includes performance-linked monetary remuneration linked to consolidated operating income and performance-linked stock remuneration as medium- to long-term remuneration, and our policy is to allocate weights according to each position. The remuneration of directors and outside directors who are Audit and Supervisory Committee members is only fixed monthly remuneration. As a procedure, the remuneration of directors (excluding directors who are Audit and Supervisory Committee members) is determined by a resolution of the Board of Directors based on the report of a majority of the Nomination and Remuneration Advisory Committee and based on the opinions of the Audit and Supervisory Committee. I have decided. The remuneration of directors who are Audit and Supervisory Committee members is determined by the Audit and Supervisory Committee based on the report of the majority of the Nomination and Remuneration Advisory Committee by independent outside members.
4. In addition to providing statutory qualification requirements, the Company elects Directors pursuant to the recommendations of the Nomination and Remuneration Advisory Committee from among those who meet the election criteria, and elects members of the Audit and Supervisory Committee based on the recommendations of the Audit and Supervisory Committee. Candidates are nominated by the Board of Directors. The election standards are as follows: 1. high level of ethics, integrity and values as a management expert, 2. practical insights and mature judgment, 3. very inquiring mind and mental independence, 4. extensive knowledge and experience in management decision-making, and 5. intention to maximize shareholder value. In addition, election criteria for Outside Officers are for them to be consistent with the independence requirement. Meanwhile, we have stipulated reasons for non-qualification under the Officers' Regulations and they can be dismissed by resolution at the General Meetings of Shareholders.
5. The reason for appointing Directors is explained in a short career summary of the candidates, shown in the "Reference Materials for the General Meeting of Shareholders" section of the convocation notice on our website.

[Principle 3-1-3. Enhancement of Information Disclosure]

1. Our company's sustainability initiatives
The Company discloses its sustainability initiatives in its sustainability Report.
<https://www.mec-co.com/en/sustainability/report/>
2. Investment in human capital and intellectual property, etc.
The Company believes our employees are "one of the most important assets for sustainable growth through the realization of the Company's management strategy." With the goal of developing human resources to become autonomous human resources who embody the Company's motto, "Enjoy your work," we respect individuals and are promoting the creation of a rewarding work environment by providing opportunities for diverse human resources to play an active role. In order to ensure that our customers can safely use our products, we are striving to secure intellectual property rights as part of our measures to protect our technology.
3. Climate change issue
In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have considered various future scenarios, including a below 2°C scenario, and disclosed them on our website.
<https://www.mec-co.com/en/sustainability/esg/environment/tcf/tcf20230214.pdf>

[Supplementary Principle 4-1-1. Roles and Responsibilities of the Board of Directors (1)]

The Company has established Board of Directors Agenda Criteria pertaining to matters to be resolved at the Board of Directors that must be held in accordance with laws and regulations and also matters of high importance pursuant to them. Furthermore, in order to improve the efficiency of management and make quick decisions, all or some of the important business execution decisions are delegated to the CEO & President. Management strategies and policies of management plans are discussed and resolved at the Board of Directors and delegated to the Company's management team involved in executing operations.

[Principle 4-9. Criteria for Independence and Qualification of Independent Outside Directors]

The Company has established strict criteria for use if Outside Directors have no independence from the Company.

If a person applies to any of the below, we determine that they do not have independence.

1. Has work experience in an organization that is our major shareholder which holds 5% or more of the voting rights, or is a major shareholder.
2. Has work experience in the Company's main bank or major lender.
3. Has work experience in our major trading partner or an organization that we position as our major trading partner.
4. Has work experience in our audit corporation, law firm, or main securities firm.
5. There have been cases where compensation in the form of consulting fees, attorneys' fees and tax accountant remuneration has been paid by the Company in addition to executive compensation.
6. The corresponding period for 1 to 5 is within the past 5 years from the present time.
7. Person who is next of kin to a person listed in 1 to 6 above.
8. Person who is a close relative of someone who executes business, non-executive person who does not execute business, or employee at the Company or its subsidiaries or affiliates.

When selecting candidates for such independent Outside Directors, it is determined in cooperation with other directors whether the candidate has the required knowledge, experience and ability to contribute to frank, lively and constructive studies which he or she can be expected to make as a member of the Board of Directors. This is done in the Nomination and Compensation Advisory Committee in the course of reviewing the structure or organizational design of bodies like the Board of Directors, and the result is reported to the Board of Directors.

[Principle 4-10-1. Use of Voluntary Mechanisms]

The Company's independent outside directors constitute a majority of the Board of Directors. The Company has also established the Nomination and Compensation Advisory Committee, in which the majority of the members are independent outside directors, to obtain appropriate involvement and advice from the independent outside directors in considering particularly important matters such as nominations and compensation. The structure, authority and roles of the members of the Nomination and Compensation Advisory Committee are disclosed in the Annual Securities Report.

[Supplementary Principle 4-11-1. Prerequisite for Securing Viability of the Board of Directors]

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

The basic approach is as follows.

4. Constantly have a number of Directors that is appropriate for the Company's scale.
5. The Board of Directors takes in the idea of reviewing the central concept of the management board and strengthening supervision, but on the other hand substantially revises the Operating Officer system.
6. The Company appoints Outside Directors who have the knowledge, experience and ability that are required in terms of the structure of the Board of Directors, in a number that constitutes half or a majority of the Board of Directors.

The Board of Directors is creating a skills matrix that lists the knowledge, experience, and capabilities of each director, which have been identified in light of the management strategy. This matrix will be included in the reference materials for the General Meeting of Shareholders.

[Supplementary Principle 4-11-2. Prerequisite for Securing Viability of the Board of Directors]

The number of Directors that can concurrently serve at other companies is decided regardless of whether the other companies are listed or unlisted, and regardless of whether they are Outside Officers or Inside Officers. Non-Executive Officers must serve at no more than four companies including the Company, in principle, and Executive Officers must serve at no more than two companies including the Company in principle.

The status of important concurrent posts by directors is disclosed each year in the notice of convocation of the General Meeting of Shareholders.

[Supplementary Principle 4-11-3. Prerequisite for Securing Viability of the Board of Directors]

Each year, the Company conducts an assessment questionnaire for all Directors to further ensure the effectiveness of the Board of Directors and improve its functionality, reporting the results to the Board of Directors to address areas for improvement in the future.

In FY2022, based on the assessment of the effectiveness of the Board of Directors, we promoted the effective operation of the Board of Directors by strengthening their key issues for deliberation and enhancing the exchange of views with Outside Directors and Executive Officers.

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

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

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

[Supplementary Principle 4-14-2. Training of Directors]

The Company's policy for training the Directors is as follows.

At the time of taking office, we have developed a training program that centers on the roles and responsibilities that a person is expected to play or fulfill as a Director.

We have developed a training program for officers after they have taken office, and it focuses on the training necessary to gather information such as changes in the environment surrounding the business or institutional changes.

In addition, we also have Outside Directors attend major conferences so that they can deepen their understanding of the Company's business and industry environment as soon as possible, regardless of the area they specialize in.

In addition to the above, Directors who are members of the Audit and Supervisory Committee become members of the Japan Audit & Supervisory Board Members Association and participate in various meetings and training and lecture programs. At the same time, they receive reports from

participating members of the Audit and Supervisory Committee on the content of the courses when they meet at the Audit and Supervisory Committee.

In addition to training that allows Directors to sufficiently fulfill their responsibilities, the Company also has training that incorporates its own specific programs, and is working to enhance the contents.

[Principle 5-1. Policy on Constructive Dialog with Shareholders]

In response to applications from shareholders for dialogue (an interview), the Company has established the Corporate Communications Office (CC Office). The CC Office sets up a system that allows matters to be promptly reported to the Board of Directors. We have set the basic requirements of information as transparency, fairness, and business continuity. And based on the recognition that quick and accurate information disclosure is extremely important, all members of the Company are working together and with a sincere attitude to provide company information to all stakeholders. In particular, we are building good relationships with capital markets so that people can properly assess our enterprise value with information we disclose. The Company sees bi-directional communication as being a pillar of its organization. It places great importance on communication with active shareholders while sincerely and fairly disclosing information, so that all shareholders and investors can make investment decisions after obtaining a proper understanding of the business.

[Measures to achieve management keeping capital costs and share prices in mind]

After accurately understanding the cost of shareholders' equity from an efficiency perspective, we have set a goal of achieving an ROE (return on equity) of 10% or more in our medium-term management plan "2030 Vision Phase 1," and are aiming to achieve business growth and increase corporate value.

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan (Trust Account)	2,982,700	15.79
Custody Bank of Japan (Trust Account)	2,944,329	15.58
Maeda Holdings	1,199,000	6.34
Maeda Kazuo	726,900	3.84
Maeda Kosaku	555,304	2.93
MEC Trading-Partner Shareholding Association	554,400	2.93
SUMITOMO LIFE INSURANCE COMPANY	546,900	2.89
The Nomura Trust & Banking (Investment Trust Account)	543,100	2.87
SMBC Nikko Securities Inc.	359,300	1.90
HSBC-FUND SERVICES CLIENTS A/C 006	326,600	1.72

Controlling Shareholder (except for Parent Company)	-----
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Parent Company	N/A
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Supplementary Explanation

- The above-mentioned "Major Shareholders" are described based on the list of shareholders as of June 30, 2023.
- With respect to the number of shares held by Custody Bank of Japan (Trust Account) mentioned above, the number of shares relating to the trust business is 164,329.
- Although the Company holds 1,181,842 treasury shares, these shares are excluded from the above "Major Shareholders."
- The shareholding ratio is calculated after deducting treasury shares.
- A change shareholding report available for public inspection on June 7, 2023 states that Mizuho Bank, Ltd. and its joint holder Asset Management One Co., Ltd. holds 1,559,900 shares as of May 31, 2023. However, the Company could not confirm the number of shares actually owned as of June 30, 2023, so it is not included in the status of the above major shareholders.

6. A change shareholding report available for public inspection on June 21, 2023 states that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder Nikko Asset Management Co., Ltd. holds 1,070,900 shares as of June 15, 2023. However, the Company could not confirm the number of shares actually owned as of June 30, 2023, so it is not included in the status of the above major shareholders.
7. A change report available for public inspection on July 5, 2023 states that JP Morgan Asset Management Co., Ltd. and four others owner holds 1,442,290 shares as of June 30, 2023. However, the Company could not confirm the number of shares actually owned as of June 30, 2023, so it is not included in the status of the above major shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	100 or more but less than 500
Net sales (consolidated) for the Previous Fiscal Year	10 billion yen or more and less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with audit and supervisory committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k

Toshihiko HOJO	From other companies																			
Mitsutoshi TAKAO	From other companies																			
Kaoru HASHIMOTO	Lawyer																			
Mitsuo HAYASHI	From other companies																			

* Categories for “Relationship with the Company”

* “○” when the Director presently falls or has recently fallen under the category; “△” when the Director fell under the category in the past

* “○” when the Director presently falls or has recently fallen under the category; “△” when the Director fell under the category in the past

- a Executive of the Company or its subsidiaries
- b Executive or Non-executive Director of a parent company of the Company
- c Executive of a fellow subsidiary company of the Company
- d A party whose major client or supplier is the Company or an executive thereof
- e Major client or supplier of the Company or an executive thereof
- f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to remuneration as a Director/Auditor
- g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Outside Director himself/herself only)
- i Executive of a company, with which Outside Directors/Auditors are mutually appointed (the Outside Director himself/herself only)
- j Executive of a company or organization that receives a donation from the Company (the Outside Director himself/herself only)
- k Others

Directors' Relationship with the Company (2)

Name	Member of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Toshihiko HOJO		○		As an Independent Outside Director of the Company, he has supervised and made recommendations on the Company's overall management from an independent and objective standpoint. He has done so based on his extensive experience and deep insight acquired as a corporate manager over many years and his broad knowledge of overseas business management. He has been appointed again as an independent outside director with the expectation that he will continue to supervise and make recommendations to ensure the validity and appropriateness of management decision-making. The Company expects him to do so from an independent and objective standpoint, leveraging his experience and insight as a corporate manager and his knowledge of overseas business management. In addition, since the criteria that are determined by the Company for judging the absence of independence do not apply to him, he is judged to be an independent Outside Director.
Mitsutoshi TAKAO	○	○	-----	As an independent outside director who is a member of the Audit and Supervisory Committee of the Company, he has audited and supervised the execution of duties at the Company. He has done so from an objective perspective based on his rich experience as a corporate manager and his expertise in finance, accounting and other areas, and as the Chairperson of the Audit and Supervisory Committee, he has led the operations of the committee. In addition, with his extensive knowledge of corporate governance he provides sound advice regarding ways to sustainably improve governance in the Company. We expect him to continue to make use of his experience as a corporate manager, his expertise in finance and accounting, and his knowledge of corporate governance to provide appropriate advice, audits, and supervision to sustainably improve the Company's management, business execution, and governance. Hence, we have appointed him as an independent outside director who serves as an Audit and Supervisory Committee member. In addition, since the criteria that are determined by the Company for judging the absence of independence do not apply to him, he is judged to be an independent Outside Director.
Kaoru HASHIMOTO	○	○	-----	As an independent outside director who is a member of the Audit and Supervisory Committee of the Company, she has utilized her wealth of experience and advanced professional knowledge cultivated as a lawyer and certified public accountant to provide appropriate advice, audit and supervision regarding the execution of duties at the Company from a legal and accounting perspective. We expect her to continue to use her experience and advanced professional knowledge as an attorney and certified public

				accountant to advise, audit and supervise the execution of the Company's duties from a legal and accounting perspective. Hence, we have appointed her as an independent outside director who serves as an Audit and Supervisory Committee member. In addition, since the criteria that are determined by the Company for judging the absence of independence do not apply to her, she is judged to be an independent Outside Director.
Mitsuo HAYASHI	○	○	-----	As an independent outside director who is a member of the Audit and Supervisory Committee of the Company, he has advised, audited and supervised the Company's overall management from a neutral standpoint. He has done so based on his wealth of experience and high level of insight as a corporate manager and his knowledge and rich expertise in the establishment of stable business management and economic growth acquired through his experience as president of the Amagasaki Management Association. We expect him to continue to advise, audit and supervise management from an independent and impartial standpoint by leveraging his experience and insight in corporate management and his knowledge and insight in the establishment of stable business management and economic growth. Hence, we have appointed him as an independent outside director who serves as an Audit and Supervisory Committee member. In addition, since the criteria that are determined by the Company for judging the absence of independence do not apply to him, he is judged to be an independent Outside Director.

[Audit and Supervisory Committee]

Composition of members and attributes of the chairperson

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

Are there any the Directors that should assist the duties of the members of the Audit and Supervisory Committee and employees to assist them?

Yes

Matters pertaining to the independence of the corresponding Directors and employees to assist them

We have established the office of Audit and Supervisory Committee under the direct control of the Audit and Supervisory Committee. Its purpose is to assist with the duties of the members of the Audit and Supervisory Committee and ensure that work is carried out smoothly. It should be noted that there are no Directors that should assist the members of the Audit and Supervisory Committee in their duties.

The staff of the Audit and Supervisory Committee act according to the commands of the members of the Audit and Supervisory Committee, and also make personnel changes, evaluation, etc. after obtaining the consent of the members of the Audit and Supervisory Committee. We also ensure there is independence from the executive department and ensure effective instructions are given by the members of the Audit and Supervisory Committee to the staff of the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditor and the Internal Audit Department

The Audit and Supervisory Committee members and the Internal Audit Office, which is the internal audit department, exchange information and opinions with Deloitte Touche Tohmatsu LLC, the accounting auditor of the Company, in principle four times a year to enhance the effectiveness of audits. Further, the Audit and Supervisory Committee and the Internal Audit Office conduct audits on the business execution of all business offices and departments in Japan and abroad in a planned manner; in addition, they exchange views on matters such as the audit results.

[Voluntary committees]

Are there any voluntary committees that correspond to the Nomination Committee or the Compensation Committee?

Yes

Establishment, composition of members and attributes of head of the committee (chairperson) with regards to voluntary committees

	Name of committee	Total number of committee members (persons)	Full-time committee members (persons)	Inside Directors (persons)	Outside Directors (persons)	Outside experts (persons)	Others (persons)	Head of Committee (Chairperson)
Voluntary committee that corresponds to the Nomination Committee	Nomination and Compensation Advisory Committee	3	1	1	2	0	0	Inside Director
Voluntary committee that corresponds to the Compensation Committee	Nomination and Compensation Advisory Committee	3	1	1	2	0	0	Inside Director

Supplementary explanation

We have established a Nomination and Compensation Advisory Committee, the majority of whose members are independent Outside Directors. The aim is to have the members give advice and recommendations to the Board of Directors or Audit and Supervisory Committee with regards to the appointment, dismissal and compensation of the Company's Directors and Executive Officers and Chairperson, ensure that the appointment and dismissal of the Company's Directors and Executive Officers and Chairperson are appropriately carried out and ensure that various types of compensation are appropriately set.

[Independent Directors/Auditors Relationship with the Company]

Number of Independent Directors/Auditors

4

Matters related to Independent Directors/Auditors

- The Company has established the following criteria and policy on independence for use when appointing Outside Directors. The current Outside Directors do not correspond to these criteria, and thus they have independence. In addition, as general rules for the interlocking directorates of all officers, the Company has set the figure of up to four companies including the Company for Non-Executive Officers, and up to two companies including the Company for Executive Officers. Further, we have made it a rule that the attendance rate of each Outside Director at Board of Directors meetings and the attendance rate of each Outside Director who is an Audit and Supervisory Committee Member at Audit and Supervisory Committee meetings must be at least 85%.

Judgment criteria in the absence of independence

- Has work experience in an organization that is our major shareholder which holds 5% or more of the voting rights or is a major shareholder.
 - Has work experience in the Company's main bank or major lender.
 - Has work experience in our major trading partner or an organization that we position as our major trading partner.
 - Has work experience in our audit corporation, law firm, or main securities firm.
 - There have been cases where compensation such as consulting fees, attorneys' fees and tax accountant remuneration have been paid by the Company in addition to executive compensation.
 - The corresponding period from a to e is within the past 5 years from the present time.
 - Is next of kin to a person listed in any of the following (A) through (B).
 - Persons listed from a to f.
 - Person who executes business, non-executive person who does not execute business, or employee at the Company or its subsidiaries or affiliates.
- As specialized committees that submit proposals and report to the Board of Directors, the Company has established the Nomination and Compensation Advisory Committee (the majority of whose members are independent outside persons) and the ESG Committee (the majority of whose members are independent outside persons).

[Incentives]

Status of Implementation of Measures to Grant Incentives to Directors

Introduction of performance-based remuneration system

Supplementary Explanation Relating to These Items

Performance-based monetary remuneration

We pay performance-linked monetary compensation to Directors (excluding Outside Directors) that is based on the consolidated operating income of the corresponding fiscal year and the increase or decrease in consolidated ordinary profit compared with the previous fiscal year.

Performance-based stock remuneration

We establish an evaluation weight for each of the main performance indicators stipulated in the medium-term management plan and pay to Directors (excluding Directors and Outside Directors who are Audit and Supervisory Committee Members

Good.) performance-based stock compensation through a share issue trust scheme in accordance with the level of achievement thereof.

Grantees of Stock Options

Supplementary Explanation Relating to These Items

[Directors' Remuneration]

Disclosure Status (of Individual Directors' Remuneration)

Remuneration of individual Directors is not disclosed

Supplementary Explanation Relating to These Items

Remuneration, etc. for the Company's Directors in the previous fiscal year totaled 201 million yen (of which, 40 million yen was paid to independent Outside Directors).

Policy for Deciding the Amounts or Calculation Method of Remuneration

Yes

Disclosed Policy for Deciding the Amounts or Calculation Method of Remuneration

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, impartial, 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 stock 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 on determining the details and amounts of performance-based compensation, etc. and non-monetary compensation, etc. and the method for calculating the numbers (including the policy for determining the timing and conditions for granting compensation, etc.)

Performance-based compensation, etc. for Company Directors (excluding Directors who are Audit and Supervisory Committee members and Outside Directors) shall consist 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 stock compensation and fixed stock compensation.

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

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

Fixed stock 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.

[Support System for Outside Directors (Outside Auditors)]

The Administration Headquarters is in charge of providing business support to Outside Directors (excluding members of the Audit and Supervisory Committee). But the office of Audit and Supervisory Committee is in charge of such support for Outside Directors who are members of the Audit and Supervisory Committee.

[Status of persons who retired from positions of CEO & President, etc.]

Nominating consultants, advisors, etc. who formerly held positions such as CEO & President

Name	Title/position	Work description	Work form/conditions (full-time/part-time, paid or not paid, etc.)	Date of retiring from post of President, etc.	Term of office
Kosaku MAEDA	Advisor	Giving advice as former president (not involved in management)	Part-time, not paid	June 24, 2002	Renews every year

Total number of consultants, advisors, etc. who formerly held positions such as CEO & President

1

Other matters

We have stipulated internal rules on the roles of consultants and advisors (hereinafter referred to as "Consultants, etc."), appointment standards, and term of office, etc.

The role of Consultants, etc. is to give advice based on their experience as President and they do not have any authority to affect management decisions.

2. Items Relating to Functions of Business Execution, Audit and Supervision, Nomination, and Decision on Remuneration, etc.

(Summary of Current Corporate Governance System)

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

In addition, the Company also makes recommendations to the Board of Directors and makes recommendations. The Nomination and Compensation Advisory Committee (the majority of independent outside members), the ESG Committee (the majority of independent outside members), and the Internal Control Committee and its subordinate organizations has established the J-SOX Committee, Compliance Committee, Risk Management Committee, etc., and has established a governance system.

3. Reason for Adopting the Current Corporate Governance System

The Company has so far continued working on various measures in order to improve the quality of corporate governance. But to have the Company's develop in the future, we must be able to execute business in an efficient and agile way by making quick decisions. At the same time, we must further strengthen our ability to oversee our executives' performance. Therefore, by taking advantage of the wealth of experience and wide range of views of Outside Directors, we will strengthen the supervisory function of the Board of Directors. And simultaneously, we have adopted a structure of a company with a committee system that enables us to proceed with separating supervisory and executive functions, such as by transferring authority to executive directors including representative directors.

III. Status of Implementation of Measures Related to Shareholders and Other Stakeholders

1. Measures Toward Revitalization of the General Meeting of Shareholders and Facilitation of Exercise of Voting Rights

	Supplementary Explanation
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	This year, we posted the convocation notice on our website four (4) weeks prior to the date of the General Meeting of Shareholders (February 22, 2023), and forwarded it by postal mail three (3) weeks (March 1, 2023) prior to the meeting.
Holding the General Meeting of Shareholders while avoiding dates when many other companies' General Meetings of Shareholders are held	We determine the date of our general meeting while avoiding dates when such meetings of many other companies are held. This year, the meeting was held on March 23, 2023.
Exercise of Voting Rights by Electromagnetic Means	As of the 47th Ordinary General Meeting of Shareholders held in 2016, we adopt a system where people can exercise their voting rights by electromagnetic means. In addition, since the 52nd Ordinary General Meeting of Shareholders in 2021, we have adopted the exercise of voting rights using smartphones.
Participation in electronic voting platforms and other initiatives to improve the environment for the exercise of voting rights by institutional investors	Starting from the 53rd Ordinary General Meeting of Shareholders in 2022, the Company has adopted the electronic voting platform for institutional investors (TSE platform) operated by ICJ, Inc.
Provision of English Version of the Convocation Notice (Summary)	We create an English version of our convocation notice and post it on our website.

2. Investor Relations Activities

	Supplementary Explanation	Explanation by Representative
Creating and Announcing a Disclosure Policy	We create a disclosure policy and announce it on our website.	
Holding Regular Briefings for Individual Investors	After the end of shareholders' meetings, we held a company briefing so that individual investors can have a better understanding of the Company. We also hold an annual company information session at the Tokyo site. This year it was held on March 25, 2023.	Yes
Holding Regular Briefings for Analysts and Institutional Investors	We hold quarterly briefings for analysts and institutional investors.	Yes
Posting Investor Relations Materials on the Company Website	We publish press release documentation and briefing materials on a page of our website that is dedicated to IR matters.	

Establishment of Investor Relations Department (Liaison)	Four people are in charge of the Corporate Communication Office.
Others	We put importance on institutional investors that have expressed acceptance of the Japanese version of the stewardship code, and perform IR activities.

3. Measures to Respect the Position of Stakeholders

	Supplementary Explanation
Provisions of Internal Regulations to Respect the Position of Stakeholders	In the Corporate Code of Conduct, we have defined the need to respect all our stakeholders.
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	We publish information on our environmental and social sustainability initiatives on our website.
Establishment of Policy Concerning Disclosure of Information to Stakeholders	In the Corporate Code of Conduct, we stipulate the need to disclose information in a timely and appropriate way.
Others	In order to promote the active participation of women, we have made efforts to promote human resources and enhance various systems, and the results are as follows. <ul style="list-style-type: none"> · Of twelve Directors and Operating Officers, four (33.3%) are women. · Of out the 264 employees of the Company who are based in Japan (as of July 31, 2023), 78 (29.5%) are female employees. · By enhancing our childcare leave system, 95.7% of those who have taken childcare leave in the past five years have returned to work.

IV. Matters related to internal control systems, etc.

1. Basic approach to and development status of internal control system

The outline of matters decided with regard to the structure to ensure that the execution of duties by Directors conforms to laws and regulations, as well as the articles of incorporation, and other structures to ensure proper operations of the Company, is as follows.

1. System to ensure the performance of duties of Directors and employees of the MEC Group complies with laws and regulations and the Articles of Incorporation
 - (1) As the basis for the internal control and compliance systems of the MEC Group, the Company stipulates MEC Group's Charter of Corporate Behavior and Corporate Code of Conduct, as well as MEC Group's Internal Control, Internal Audit and J- SOX Regulations, and Compliance Regulations. The Company shall establish the Internal Control Committee and as its subordinate organization, the Compliance Committee, which are chaired by the President, and while promoting the building, maintenance and improvement of the internal control system, the Company shall also develop the relevant regulations and guidelines, and implement employee education as necessary.
 - (2) If the Directors discover a material fact on serious legal violations or other compliance issues in the MEC Group, they shall report immediately to the Audit and Supervisory Committee Members and other Directors.
 - (3) The Company shall establish the Internal Audit Office, which is an internal audit department, with the aim of carrying out appropriate and efficient operations as well as auditing the development and operation of the internal control system so that it prevents fraud before it occurs.
 - (4) As the MEC Group's whistle-blowing 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 whistle-blowing system. With it, one person from among 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.
 - (5) 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.
 - (6) 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.
 - (7) 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
 - (1) 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' meeting 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 thoroughly made known to all at a business strategy meeting held once a month and composed of Directors and Executive Officers, etc., and at a company-wide policy meeting held twice a year and consisting of managers.

- (2) In order to enhance the supervisory function over the performance of duties by the Directors, Outside Directors shall be appointed so that they 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 supervisory and enforcement functions.
 - (3) 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.
 - (4) Outside directors, in principle, meet twice a year with directors including the president and executives to exchange opinions and information.
 - (5) 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
- (1) The MEC Group shall establish matters concerning creating, storing and managing minutes of important meetings such as the Board of Directors meetings and ringi documents in the relevant internal regulations, based on which business processes shall be carried out.
 - (2) 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
- (1) The Company shall recognize the following risks as the main risks that arise in the Company's business activities: (i) risk of violation of laws, regulations or the Articles of Incorporation; (ii) quality risk; (iii) environment risk; (iv) personal information protection and risk of lack of protection of specific personal information; (v) information leakage and security risk; (vi) disaster risk; (vii) supply-chain risk; and other risks. Based on this recognition, it shall develop an internal system in order to capture and manage the risks.
 - (2) 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.
 - (3) 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
- (1) 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.
 - (2) 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 the Group companies in their respective business areas.
 - (3) 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.
 - (4) 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.
 - (5) 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 audit all business offices, departments and offices in Japan and abroad. When auditing 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
- (1) 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 Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees shall report to 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 made such report will not be treated disadvantageously due to his or her reporting.
 - (2) 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
- (1) 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.
 - (2) 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 forth 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. Basic approach toward elimination of antisocial forces and the situation of its maintenance

The Company has set a basic policy to uncompromisingly stand up against any antisocial forces or groups that threaten the order and safety of civil society. Specifically, the Company has established an organizational response system, and will cooperate with the police or other relevant government organs, company attorney, and industry organizations as necessary to take appropriate action.

V. Others

1. Presence or Absence of Introduction of Takeover Defense

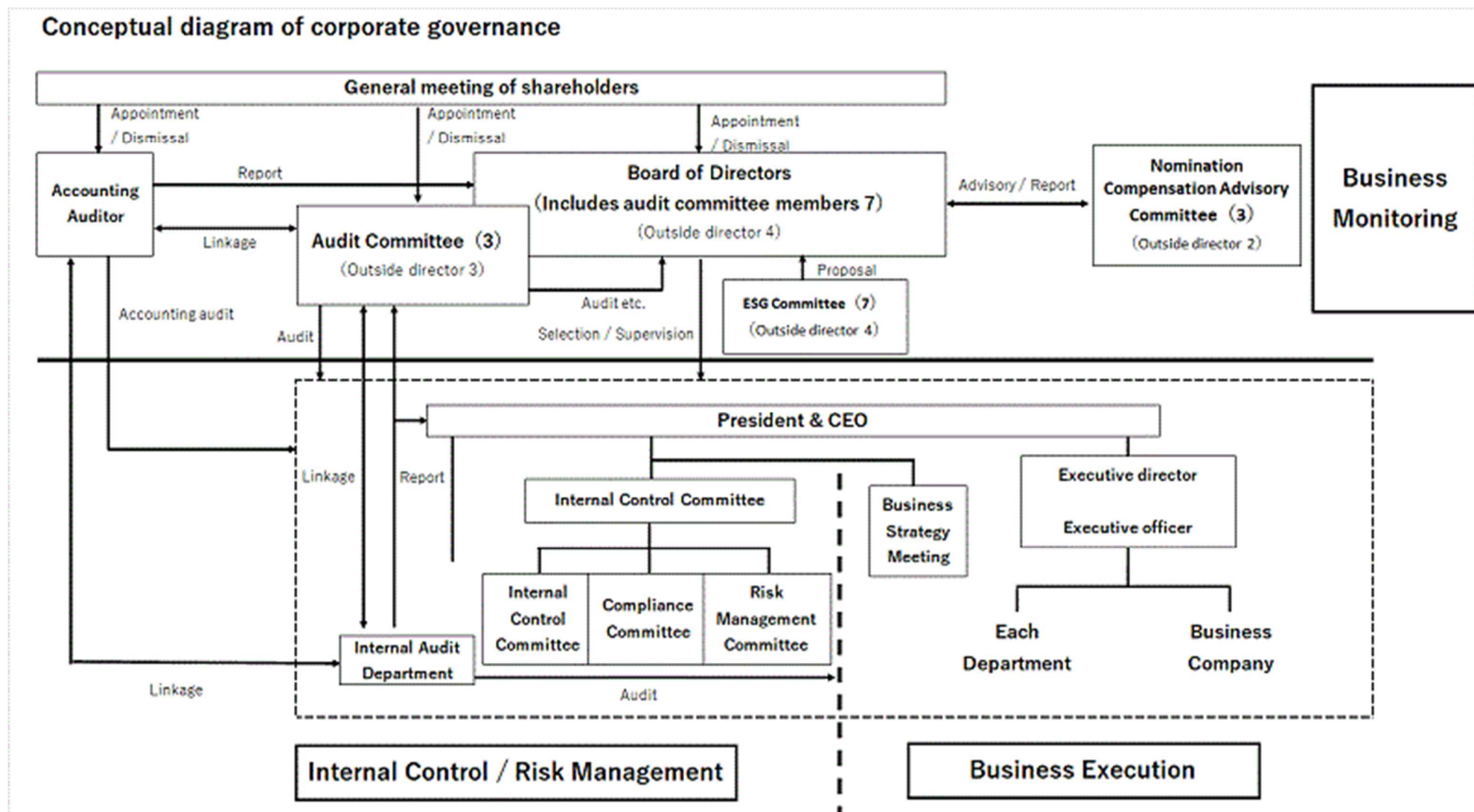
Presence or Absence of Introduction of Takeover Defense	N/A
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Supplementary Explanation Relating to These Items

2. Other Items Relating to Corporate Governance System, etc.

A diagram of our corporate governance system and an overview of our timely disclosure system are attached below as reference materials.

(Schematic diagram of the corporate governance system)



(Schematic diagram of the timely disclosure system)

