

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 55th Ordinary General Meeting of Shareholders

Date and time

10 a.m. on Tuesday, March 19, 2024

*Reception starts at 9:30 am

Venue

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

Matters to be resolved

Proposal No. 1: Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee Members)

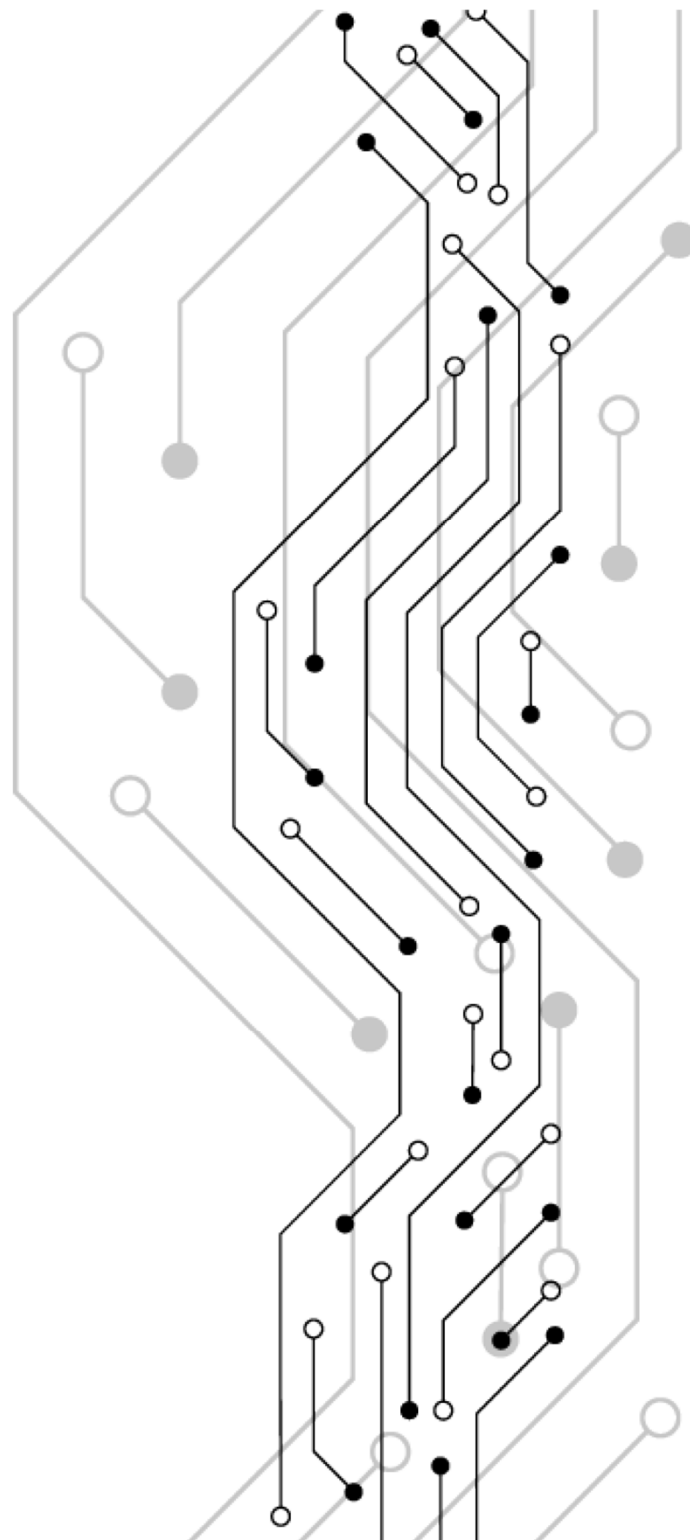
Proposal No. 2: Appointment of three Directors who are Audit and Supervisory Committee Members

Proposal No. 3: Appointment of one substitute Director who is an Audit and Supervisory Committee Member

MEC COMPANY LTD.



Securities Code: 4971



To Our Shareholders

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

MEC COMPANY LTD.

CEO & President Kazuo Maeda

Notice of 55th Ordinary General Meeting of Shareholders

We would like to thank you for your continued support.

We extend our deepest sympathies to all those affected by the Noto Peninsula earthquake in January of this year and hope for the earliest possible recovery.

We are pleased to announce that the 55th Ordinary General Meeting of Shareholders of MEC COMPANY LTD. will be held as detailed below.

The Company has adopted an electronic method for providing the Notice of Convocation of the 55th Ordinary General Meeting of Shareholders, which is available on the following website.

The Company's website <https://www.mec-co.com/en/ir/general-meeting/>



In addition to the above, the information is also posted on the Internet at the following websites.

TSE website (TSE Listed Company Information Service)

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



Please access the above website, enter and search for our company name or securities code and select "Basic information" and "Documents for public viewing/PR information" in that order.

[If you do not attend the meeting on the day, you can exercise your voting rights via the Internet, etc. or in writing. Please examine the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:20 p.m. on Monday, March 18, 2024, in accordance with the guidance provided below.](#)

Details

1. Date & Time 10 a.m. on Tuesday, March 19, 2024 (reception starts at 9:30 a.m.)
2. Venue 2-7-1, Showadori, Amagasaki City, Hyogo Prefecture
HO-OH, 3rd floor, Miyako Hotel Amagasaki
(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 55th business period (January 1, 2023 to December 31, 2023)
 2. The non-consolidated financial statements for the 55th business period (January 1, 2023 to December 31, 2023)

Matters to be Resolved

- Proposal No. 1 Appointment of four Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 2: Appointment of three Directors who are Audit and Supervisory Committee Members
- Proposal No. 3: Appointment of one substitute Director who is an Audit and Supervisory Committee Member

4. Guidance for the Exercise of Voting Rights

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

Please see the “Guidance for the Exercise of Voting Rights via the Internet” on page 5, and exercise your voting rights by 5:20 p.m. on Monday, March 18, 2024.

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.

(2) 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 Monday, March 18, 2024. If no indication of approval or disapproval of an agenda item is made on the voting form, it will be treated as an indication of approval.

(3) If you wish to exercise your voting rights in a non-uniform manner, please notify us in writing or by electronic means 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.
 - ◎ Any modifications to the measures for electronic provision will be posted on the respective websites on which they are posted.
 - ◎ Among the items to be provided electronically, the following matters are not included in the written documents delivered to shareholders who have requested delivery of written documents, in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation. Accordingly, the documents to be delivered to shareholders who have requested the delivery of written documents are a portion of the documents audited by the Audit Committee members and the Accounting Auditor in preparing the Audit Report.
 - 1) From the Business Report: "2. Matters concerning the Company's shares," "3. Matters concerning new share subscription rights in the Company, etc.," and "6.(3) Basic policy on control of the Company"
 - 2) From the consolidated financial statements: "Consolidated Statement 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"

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.,
Tuesday, March 19, 2024**

If you are unable to attend the meeting:



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 pages 5.

Deadline for arrival

**5:20 p.m.,
Monday, March 18, 2024**



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 entry

**5:20 p.m.,
Monday, March 18, 2024**

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 the Exercise of Voting Rights via the Internet, etc.

How to scan the QR code “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 one time 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 | <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 the bottom left on the back of the voting form.



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

- 3 Enter the “password” indicated at the 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: 0120-652-031 (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

0120-782-031 (hours of operation: 9:00 am - 5:00 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.

To Our Shareholders

Shareholder Return

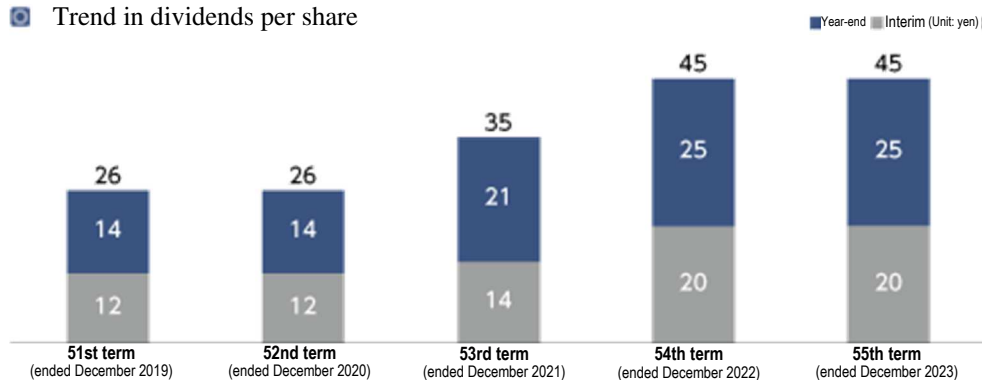
Shareholder return policy

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

Situation of dividends

The annual dividend for the 55th business period has been set at 45 yen, the same amount as the 54th 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 as of 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: 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 Chief Executive Officer
2	Re-appointment Toshiko NAKAGAWA	Director, Managing Executive Officer Chief Financial Officer
3	Re-appointment Sadamitsu SUMITOMO	Director, Managing Executive 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="border: 1px solid black; padding: 2px; display: inline-block; background-color: #e0e0e0;">Re-appointment</div> Kazuo MAEDA (April 15, 1962)	January 2000 Joined the Company April 2000 General Manager of the President's Office June 2000 Director and General Manager of the President's Office April 2001 Managing Director June 2002 Representative Director and President April 2011 Representative Director and President, and Head of the 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
<p>[Reason for nomination for Director]</p> <p>Since Mr. Kazuo Maeda assumed the position of Representative Director and President of the Company in June 2002, he has committed himself to the appropriate operation and revitalization of the Board of Directors as its Chairman and the strengthening of corporate governance. In addition, as chief executive, he has provided strong leadership for many years in directing the Company's management, and has lead the development of the Company's group. Therefore, we have determined that he is a suitable candidate and have nominated him 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
2	<p style="text-align: center;">Re-appointment</p> <p style="text-align: center;">Toshiko NAKAGAWA (August 3, 1961)</p>	<p>April 1984 Joined the Company</p> <p>April 2004 Head of the Research and Development Center</p> <p>June 2004 Executive Officer and Head of the Research and Development Center</p> <p>June 2010 Managing Executive Officer and Head of the 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 the Business Support Office</p> <p>April 2012 Managing Executive Officer, Head of Business Headquarters, and Head of the Business Planning Office</p> <p>April 2013 Managing Executive Officer, Head of the Research and Development Division, and Head of the Planning Office</p> <p>June 2014 Director, Managing Executive Officer, Head of the Research and Development Division, and Head of the 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</p> <p>March 2023 Director, Managing Executive Officer, Chief Financial Officer, and Head of Corporate Planning Division</p> <p>January 2024 Director, Managing Executive Officer and Chief Financial Officer (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>	62,000 shares
<p>[Reason for nomination for Director]</p> <p>Ms. 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 focused on improving the foundation of the Company's group management, human resources strategy, and the strengthening of ESG infrastructure. Furthermore, she has also been in charge of the Administration, Accounting & Finance, and Quality Assurance Divisions, and assumed the position of CFO in March 2023, working to create a more 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	<div style="border: 1px solid black; padding: 2px; display: inline-block; background-color: #4a69bd; color: white; font-weight: bold;">Re-appointment</div> Sadamitsu SUMITOMO (July 9, 1964)	<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>	20,700 shares
<p>[Reason for nomination for Director]</p> <p>As a Director of the Company, Mr. Sadamitsu Sumitomo has many years of experience in managing overseas subsidiaries and broad knowledge of overseas business, which has helped to invigorate discussions at the Board of Directors meetings from a global perspective. In addition, as Head of Business Headquarters, he oversees all sales divisions, including overseas subsidiaries, and contributes to the promotion of the Company's growth strategy. 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
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)</p> <p>[Important concurrent position] CEO of Precious Solution Company “SUBARU” Co., Ltd.</p>	300 shares
<p>[Reason for nomination for Outside Director and outline of expected role]</p> <p>Leveraging his extensive experience and deep insight as an independent Outside Director of the Company and as a corporate manager for many years, 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 three 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 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 to renew 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 “(4) Outline of liability for damages of Officers, etc.” under “2. Matters Concerning Officers” in the Business Report.

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. 2: Appointment of three Directors who are Audit and Supervisory Committee Members

The terms of office of all three Directors who are Audit and Supervisory Committee Members 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.

Please note that we have obtained the consent of the Audit and Supervisory Committee with regard to this proposal.

The candidates for Directors who are Audit and Supervisory Committee Members 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	New appointment Eiji MIYASHITA	-

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
1	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Re-appointment</div> Mitsutoshi TAKAO (April 1, 1950)	April 1972 Joined Kawasaki Heavy Industries, Ltd. June 2008 Representative Director and Manager of Finance & Accounting Dept. April 2012 Executive Vice President and Representative Director Assistant to the President, in charge of Planning Headquarters, Finance Headquarters, CSR Promotion Headquarters, Personnel Affairs Headquarters, and General Affairs Headquarters April 2014 Outside Corporate Auditor of TechnoPro Holdings, Inc. March 2018 Director of the Company (Audit and Supervisory Committee Member) (current) September 2022 Outside Director of TechnoPro Holdings, Inc. (Audit and Supervisory Committee Member) September 2023 Outside Director of TechnoPro Holdings, Inc. (current) [Important concurrent position] Outside Director of TechnoPro Holdings, Inc.	3,000 shares
<p>[Reason for nomination for Outside Director who is an Audit and Supervisory Committee Member, and outline of expected role]</p> <p>Mr. Mitsutoshi Takao, as an independent outside director who is an Audit and Supervisory Committee Member, audits and supervises the execution of duties of the Company from an objective perspective based on his abundant experience as a corporate manager and extensive expertise in finance and accounting, and, as Chairman of the Audit and Supervisory Committee, leads the operation of the Committee. Furthermore, he uses his extensive knowledge of corporate governance to provide appropriate advice for the continuous improvement of the Company's governance. He is nominated as a candidate to continue in the position of Independent Outside Director who is a member of the Audit and Supervisory Committee in the expectation that he will continue to provide appropriate advice, auditing, supervision, etc. regarding the Company's management, business execution, and sustainable improvement of 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="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Re-appointment</div> Kaoru HASHIMOTO (October 16, 1975)	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-at-law Joined Osaka Semba Law Office (now Osaka Semba Law Office Legal Professional Corporation) June 2016 Outside Auditor of Oie Sangyo Co., Ltd. (current) September 2016 Partner in Osaka Semba Law Office March 2019 Director of the Company March 2020 Director of the Company (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	400 shares
<p>[Reason for nomination for Outside Director who is an Audit and Supervisory Committee Member, and outline of expected role]</p> <p>As an independent outside director who is a member of the Company's Audit and Supervisory Committee, Ms. Kaoru Hashimoto has utilized her extensive experience and advanced and specialized knowledge cultivated as an attorney and certified public accountant to provide appropriate advice, auditing, and supervision of the execution of the Company's duties from a legal and accounting perspective. She is nominated as a candidate to continue in the position of Independent Outside Director who is a member of the Audit and Supervisory Committee in the expectation that she will continue to provide appropriate advice, auditing, supervision, etc. regarding the Company's execution of duties from a professional and objective viewpoint.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position, Responsibility & Important Concurrent Positions	Number of Shares of the Company Owned
3	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">New appointment</div> Eiji MIYASHITA (August 8, 1956)	April 1980 Joined Matsushita Electric Works, Ltd. (now Panasonic Holdings Corp.) April 2009 General Manager, Business Management Dept., Control Equipment Division Concurrently, General Manager, Procurement and Production Control Department June 2009 Part-time Auditor, Honda Tsushin Kogyo Co., Ltd. June 2010 Panasonic Industrial Devices SUNX Co., Ltd. Part-time Auditor June 2013 Managing Director, in charge of Business Administration June 2014 Managing Director, in charge of Business Administration, Personnel & General Affairs, and Legal Affairs December 2017 Director (Audit and Supervisory Committee Member) (full-time), Nitto FC Co., Ltd. September 2019 Auditor of the Company [Important concurrent positions] There are no significant concurrent positions.	-
[Reason for nomination for Outside Director who is an Audit and Supervisory Committee Member, and outline of expected role] Mr. Eiji Miyashita has abundant experience in corporate management at other companies and a deep knowledge of finance and accounting. In addition, he has served as a corporate auditor at several companies and has broad insight into corporate auditing. He is nominated as a candidate for the position of Independent Outside Director who is a member of the Audit Committee in the expectation that he will utilize his experience and insight to advise, audit, and supervise the overall management of the Company's Group from an independent and objective standpoint.			

- Notes: 1. There are no special interests between any of the candidates and the Company.
2. Mitsutoshi Takao, Kaoru Hashimoto, and Eiji Miyashita are candidates for Independent Outside Directors, and their candidacies have been reported based on the regulations of the Tokyo Stock Exchange.
3. Mr. Mitsutoshi Takao is currently acting as an independent Outside Director of the Company who is a member of the Audit Committee, and his term of office will have been six years at the conclusion of this General Meeting of Shareholders. Ms. Kaoru Hashimoto is currently acting as an independent Outside Director of the Company who is a member of the Audit Committee, and her term of office will have been four years at the conclusion of this General Meeting of Shareholders. She will have been in office as an independent Outside Director of the Company for five years at the conclusion of this General Meeting of Shareholders.
4. The Company has entered into limited liability agreements with Mitsutoshi Takao and Kaoru Hashimoto, 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 their appointments are approved, the Company plans to continue the limited liability agreements with them. If Eiji Miyashita is elected, the Company will enter into a similar liability limitation agreement with him.
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 to renew the contract. When each candidate is reappointed or elected, they will become the insured under this contract. An outline of the contract is given in "(4) Outline of liability for damages of Officers, etc." under "2. Matters Concerning Officers" in the Business Report.

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

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			•	•				•
Eiji MIYASHITA	•		•	•		•		•

Proposal No. 3: 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)	<p>April 1996 Registered with Osaka Bar Association Joined Kitahama Partners</p> <p>October 2002 Founded Okuda Kinoshita Law Firm Co-Representative Lawyer</p> <p>October 2005 Renamed to Minami-morimachi Law Firm Co-Representative Lawyer (current)</p> <p>May 2015 Auditor of the Company</p> <p>June 2015 Resigned from the position of Auditor of the Company</p> <p>June 2017 Outside Director of FueTrek Co., Ltd.</p> <p>May 2020 Part-time Executive Director of Ashiya Gakuen (current)</p> <p>June 2021 Outside Director (Audit and Supervisory Committee member) of FueTrek Co., Ltd. (current)</p> <p>[Important concurrent positions] Co-Representative Lawyer of Minami-morimachi Law Firm Outside Director (Audit and Supervisory Committee member), FueTrek Co., Ltd.</p>	-

[Reason for nomination for Substitute Outside Director who is an Audit and Supervisory Committee Member, 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 a substitute Audit and Supervisory Committee member because of his familiarity with corporate legal affairs and his abundant insight into 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 "(4) Outline of liability for damages of etc." under "2. Matters Concerning Officers" in the Business Report.

Business Report
(From January 1, 2023 to
December 31, 2023)

1. Matters Concerning the Current State of the Group

(1) Progress and results of business

The consolidated fiscal year under review (January 1, 2023 to December 31, 2023) was marked by global inflation, continued monetary tightening, and ongoing geopolitical risks that were still highly strained.

In the electronics industry, although inventory adjustments for electronic devices such as PCs and smartphones appears to have progressed and reached bottom, the pace of recovery was slow and demand remained sluggish against the backdrop of weak consumer spending. In addition, in response to the shift to cloud computing, the IoT, and advances in AI, investment in cutting-edge fields was prioritized over conventional fields in data centers.

The electronic circuit board and components industry, a market related to our Group, was affected by the electronics industry in general, and orders for our related products also remained low. Although inventory adjustment has progressed and the industry appears to have entered a recovery phase, the pace of recovery has been slow.

Under this environment, our Group has engaged in business activities under the guiding principle of “Create and Transform” to achieve the first phase of our “Phase 1 Medium-Term Management Plan (FY2022-FY2024),” which is aimed at realizing our 2030 Vision: “Create new value through original technology and work with customers to create a sustainable society” In particular, amidst societal changes and transformations toward digitalization and green technology, we focused on the development and sales of products for high-density electronic substrates.

Regarding the Company’s business performance in the consolidated fiscal year under review, we saw a gradual recovery trend after hitting bottom during the first quarter. In terms of sales trends for major products compared to the previous term, sales of the "EXE Series" for displays increased slightly due to inventory adjustments in related electronic equipment. Sales of the "V-Bond series" of adhesion improvers for multilayer substrates decreased, although production of related automobiles showed signs of recovery. The “CZ Series” of super-roughening adhesion improvers, which have a high market share for use in package substrates that house semiconductors, showed a gradual but steady recovery, despite a decline due to the impact of the electronics industry. Sales of the “SF Series” for displays declined significantly due to weak demand for related electronic components.

As a result, total consolidated sales for the consolidated fiscal year under review amounted to 14,020 million yen, down 14.1% by 2,309 million yen from the previous term. Selling and general and administrative expenses were 5,824 million yen, up 0.4% by 24 million yen from the previous term. Operating income amounted to 2,492 million yen, down 37.7% by 1,511 million yen from the previous term and the operating profit margin was 17.8%, down 6.7 points from 24.5% in the previous fiscal year. Ordinary income came to 2,683 million yen, down 36.8% by 1,563 million yen from the previous term. Income before income taxes amounted to 3,219 million yen, down 23.8% by 1,005 million yen from the previous term, and net income attributable to the owners of the parent was 2,304 million yen, down 24.8% by 759 million yen from the previous term.

A breakdown of sales showed that sales of chemicals were 13,764 million yen, down 14.2% by 2,277 million yen from the previous term, sales of machinery were 112 million yen, down 34.1% by 58 million yen from the previous term, sales of materials were 139 million yen, up 28.6% by 30 million yen from the previous term, and other sales were 3 million yen, down 56.0% by 4 million yen from the previous term.

The overseas sales ratio was 62.0%, up 1.3 points from 60.7% of the previous term. The overseas sales ratio became 77.4%, down 1.4 points from 78.8% in the previous term if sales to overseas customers through domestic agencies in Japan are included.

Sales by segment were as follows:

In Japan, we were affected by the electronics industry, and orders for our related products were also slow, but after hitting bottom in the first quarter, the market showed a gradual recovery trend. Regarding sales to Korea, where we sell our products via a Japanese distributor, inventory adjustments at the customer and the distributor are almost complete, and orders for our products are on the road to recovery. As a result, net sales for the consolidated fiscal year under review amounted to 5,544 million yen, down 16.6% by 1,102 million yen from the previous term, and segment income was 1,216 million yen, down 54.8% by 1,477 million yen from the previous term.

In Taiwan, the external environment is similar to that in Japan, but the recovery has faltered, and as a result, total consolidated sales for the consolidated fiscal year under review amounted to 2,620 million yen, down 25.0% by 872 million yen from the previous term, and segment income was 308 million yen, down 34.5% by 162 million yen from the previous term.

In Hong Kong (Hong Kong and Zhuhai), although orders for the Company's products are on a gradual recovery trend, demand for electronic substrates and components related to smartphones and automobiles is still weak. As a result, consolidated net sales for the year amounted to 1,717 million yen, down 13% by 255 million yen from the previous term, and segment income was 240 million yen, down 27.3% by 90 million yen from the previous term.

In China (Suzhou), although some customers are showing signs of recovery, demand for electronic substrates and components related to PCs and smartphones is still weak. As a result, net sales for the consolidated fiscal year under review amounted to 2,671 million yen, down 5.0% by 141 million yen from the previous term, and segment income was 358 million yen, up 11.3% by 36 million yen from the previous term.

In Europe, amid high inflation, customers' production activities showed some signs of fluctuation, and as a result, net sales for the consolidated fiscal year under review amounted to 896 million yen, up 11.2% by 90 million yen from the previous term, and segment income was 59 million yen, down 25.2% by 20 million yen from the previous term.

In Thailand, although electronic circuit board (PCB) makers were active in capital investment in Southeast Asia, delays in the ramp-up of production by new customers and declining production and inventory adjustments by customers continued. As a result, net sales for the consolidated fiscal year under review amounted to 570 million yen, down 4.5% by 26 million yen from the previous term, and segment income was 6 million yen, down 92.2% by 75 million yen from the previous term.

Regarding cash flows, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 6,690 million yen, down 1,086 million yen from the end of the previous term. This was because net cash gained from operating activities came to 1,941 million yen, net cash used for investing activities of 1,397 million yen, and net cash used for financial activities of 1,773 million yen.

As a result, ROE was 9.6%.

For the return to shareholders, the annual dividend is 45 yen, bringing the consolidated dividend payout ratio to 36.8%.

Sales by product category are as follows:

Category	54th term (previous consolidated fiscal year)		55th term (consolidated fiscal year under review)		
	Net sales (millions of yen)	Composition ratio (%)	Net sales (millions of yen)	Composition ratio (%)	Year-on-year comparison (%)
C h e m i c a l s f o r e l e c t r o n i c s u b s t r a t e s a n d e l e c t r o n i c c o m p o n e n t s	16,042	98.2	13,764	98.2	85.8
M a c h i n e r y f o r e l e c t r o n i c s u b s t r a t e s	170	1.0	112	0.8	65.9
M a t e r i a l s f o r e l e c t r o n i c s u b s t r a t e s	108	0.7	139	1.0	128.6
O t h e r	8	0.0	3	0.0	44.0
Total	16,329	100.0	14,020	100.0	85.9

Note: Composition ratios are rounded to the first decimal place, so the total is not necessarily 100.0.

(2) Capital investment

The Company made a total capital investment of 1,870 million yen in the facilities below during the consolidated fiscal year under review:

1) Major facilities completed during the fiscal year under review

Land for new plants

Amagasaki Plant: Amagasaki Plant manufacturing facilities, research facilities, and laboratory equipment

Nagaoka Plant: Manufacturing facilities

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

Laboratory, Experimental facilities,

MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. manufacturing facilities

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

Sale: Nishinomiya Plant Land and buildings

(3) Financing

N/A

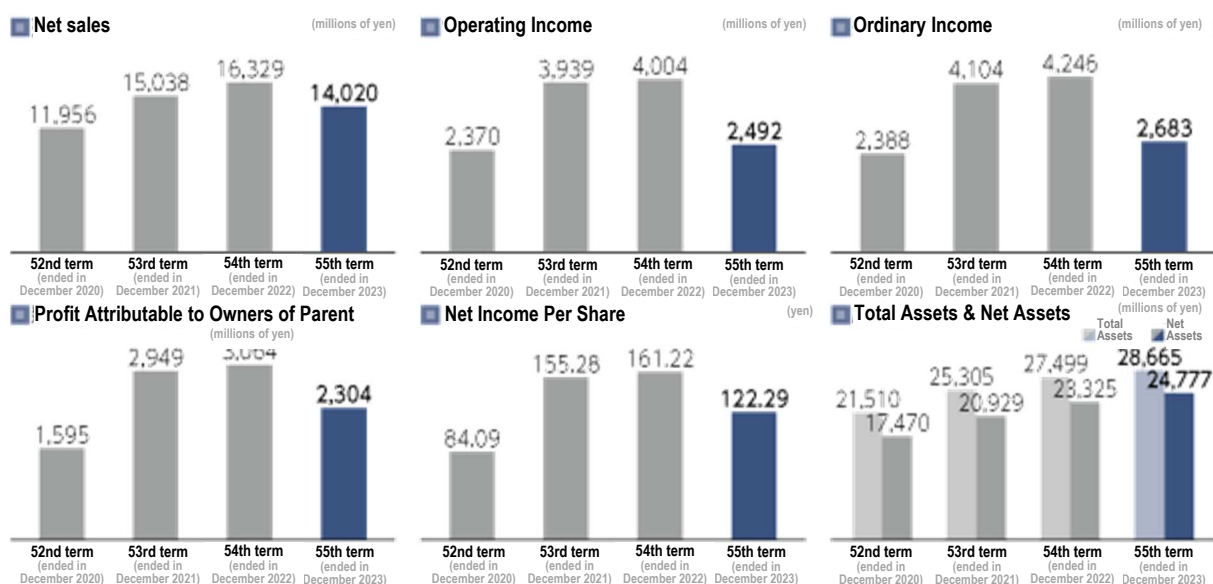
(4) Changes in assets, profits, and losses

Category		52nd Term (Fiscal year ended December 2020)	53rd Term (Fiscal year ended December 2021)	54th Term (Fiscal year ended December 2022)	55th Term (Consolidated fiscal year under review) (Fiscal year ended December 2023)
Net sales	millions of yen)	11,956	15,038	16,329	14,020
Operating income	millions of yen)	2,370	3,939	4,004	2,492
Ordinary income	millions of yen)	2,388	4,104	4,246	2,683
Profit attributable to owners of parent	millions of yen)	1,595	2,949	3,064	2,304
Net Income Per Share	(yen)	84.09	155.28	161.22	122.29
Total Assets	millions of yen)	21,510	25,305	27,499	28,665
Net Assets	millions of yen)	17,470	20,929	23,325	24,777
Net assets per share	(yen)	920.60	1,101.30	1,226.98	1,323.24
ROE (%)		9.5	15.4	13.8	9.6
Number of Employees	(persons)	367	381	402	419

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. “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 dated March 31, 2020) was adopted from the 54th business period, and each figure for the 54th business period is the figure after the application of these accounting standards.



(5) Issues to be addressed

Electronics, which is our group's main market, is characterized by the progress of technological innovation against the background of the growth of technologies such as IoT, AI, 5G, the electrification, automation, and connectedness of cars, and progress in DX (Digital Transformation) and GX (Green Transformation), and we believe that the markets in which we operate will expand.

The Group is a research and development entity that provides high 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

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) Interconnection between 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 human value 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.

Based on our 2030 Vision of "creating new value through creative technologies and taking on the challenge of realizing a sustainable society together with our customers," the Group has formulated six CSR materialities (key issues) that are important for our business operations in order to contribute to the creation of a prosperous and enriched society and environment by realizing the creation of interface value through our business activities. We are promoting CSR initiatives with consideration of the SDGs, which are relevant to our business operations. We believe that the results of our initiatives concerning the six material issues of "R&D for the Future," "Appropriate Procurement, Production, and Logistics," "Environmental Preservation," "Quality and Safety," "Utilization of Diverse Human Resources," and "Strengthening our Management Foundation" will also lead to customer profits and production improvements.

Furthermore, we have identified the issue of climate change as a management priority and will further strengthen our efforts to address environmental issues, including climate change.

As a chemical company, we will steadily promote ESG goals through our efforts to address these materialities and contribute to the sustainable development of society and the industry as a whole, as well as our customers.

The Group will overcome these challenges to become a one-and-only company or the 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, 2023)

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, Other surface processing agents
	Machinery for electronic substrates	Machinery for chemical treatment Various types of machinery for use before and after chemical treatment
Merchandise	Materials for electronic substrates	Copper foils Dry films
Other		Machinery repair

(8) Main offices and factories (as of December 31, 2023)

Name	Location
Head Office, R&D Center, and Amagasaki Factory of MEC COMPANY LTD.	Amagasaki, Hyogo
Higashi-hatsushima Office of MEC COMPANY LTD.	Amagasaki, 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, 2023)

1) Employees of the Group

Number of Employees	Change from the End of the Previous Fiscal Year
419 persons	17 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
229 persons (164 men) (65 women)	An increase of 11 people	41.2 years old	12.1 years

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

(10) Major borrowings (as of December 31, 2023)

N/A

2. Matters Concerning Company Shares (As of December 31, 2023)

- (1) Total number of authorized shares 80,000,000 shares
 (2) Total number of authorized shares 20,071,093 shares (Including 1,181,912 shares of treasury stock)
 (3) Number of shareholders 12,872 persons
 (4) Major shareholders

Shareholder name	Number of shares held	Shareholding ratio
Custody Bank of Japan, Ltd. (Trust Account)	2,612,729shares	13.83%
The Master Trust Bank of Japan Ltd. (Trust Account)	2,324,100shares	12.30%
SSBTC CLIENT OMNIBUS ACCOUNT	1,538,477shares	8.14%
M a e d a H o l d i n g s L t d .	1,199,000shares	6.34%
K a z u o M a e d a	726,900shares	3.84%
K o s a k u M a e d a	555,304shares	2.93%
MEC Customers' Shareholding Association	542,500shares	2.87%
The Nomura Trust and Banking Co., Ltd. (Investment Trust A c c o u n t)	499,600shares	2.64%
Sumitomo Life Insurance Company	345,200shares	1.82%
HSBC-FUND SERVICES CLIENTS A/C 006	326,600shares	1.72%

Notes: 1. The Company holds 1,181,912 shares of treasury stock but is excluded from the above major shareholders.

2. Treasury stocks are excluded when calculating the shareholding ratio.

(5) Shares issued to corporate officers as compensation for the execution of their duties during the fiscal year under review

N/A

3. Matters Concerning Subscription Rights to Company Shares, Etc.

N/A

4. Matters Concerning Officers

(1) Directors (as of December 31, 2023)

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	Chief Financial Officer 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 Director 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	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.
Since October 2022, the Company has been holding monthly meetings of Independent Directors composed of four Outside Directors.
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. 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 with an insurance company an insurance contract for liability for damages of Officers, etc. under paragraph 1 of Article 430-3 of the Companies Act. The amount of insurance premiums to be borne by the insured under this insurance contract covers damages suffered by the insured in the case of a claim for damages as a result of an act of the insured in their services as Officers of the Company during the coverage period. 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- and long-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

The compensation limit for Directors (excluding Audit and Supervisory Committee Members) was resolved to be an annual amount of 300 million yen (including no more than 50 million yen for Outside Directors; not including employee salaries for employees who are Directors) at the 53rd Ordinary General Meeting of Shareholders held on March 23, 2022. The number of Directors (excluding Directors who are Audit Committee members) as of the close of this General Meeting of Shareholders is four (including 1 Outside Director).

The compensation limit for Directors who are members of the Audit Committee was resolved to be an annual amount of no more than 50 million yen at the 47th Ordinary General Meeting of Shareholders held on June 21, 2016. The number of Directors who are members of the Audit Committee as of the close of this General Meeting of Shareholders is three.

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 and the fixed share compensation plan, a resolution was passed at the 53rd Ordinary General Meeting of Shareholders held on March 23, 2022, that the amount of annual compensation shall be no more than 53 million yen under the medium- to long-term performance-based share compensation plan and no more than 17 million yen under the fixed share compensation plan. 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.

(4) Total compensation, etc. of Directors

Category	Total Compensation, etc. (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)	147 (8)	102 (8)	37 (-)	7 (-)	4 (1)
Directors (Audit and Supervisory Committee Members) (of whom, independent Outside Directors)	31 (31)	31 (31)	- (-)	- (-)	3 (3)
Total	179	134	37	7	7

Notes: 1. The compensation for independent Outside Directors is a fixed monthly compensation.

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

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

4. Indicators for single-year performance-based monetary compensation are consolidated operating 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 performance indicator related to performance-based monetary compensation for the fiscal year under review was consolidated operating income of 2,492 million yen. In addition, the performance indicators related to performance-linked stock-based compensation were a consolidated ROE of 9.6%, consolidated operating margin of 17.8%, and consolidated net sales of 14,020 million yen.

(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 of 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) A person who executes business, a person who does not execute business, or an employee at the Company or its subsidiaries or affiliates.

2) a 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
Director (Audit and Supervisory Committee Member)	Mitsutoshi TAKAO	Outside Director of TechnoPro Holdings, Inc.	No special relationship
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
Director (Audit and Supervisory Committee Member)	Mitsuo HAYASHI	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 all 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 attended all four ESG Committee meetings held during the fiscal year under review, and actively provided recommendations on the promotion of sustainability, improvement 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 all of 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 attended all four meetings of the Nomination and Compensation Committee and all four meetings of the ESG Committee held during the fiscal year under review, and actively provided recommendations on issues concerning executive compensation, promotion of sustainability, and improvement 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 all of 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 attended all four meetings of the Nomination and Compensation Committee and all four meetings of the ESG Committee held during the fiscal year under review, and actively provided recommendations on issues concerning executive compensation, promotion of sustainability, and improvement 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>

Category	Name	Summary of professional duties carried out in connection with expected roles
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 attended all four ESG Committee meetings held during the fiscal year under review, and actively provided recommendations on the promotion of sustainability, improvement 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>

5. 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	33 million yen
Total amount of money to be paid by the Company and its subsidiaries and other economic benefits	33 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 17 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 a policy of establishing the criteria for selecting and evaluating accounting auditors in advance to confirm their independence and expertise and to receive reports from the Review Committee, which is chaired by the head of the Internal Audit Office.

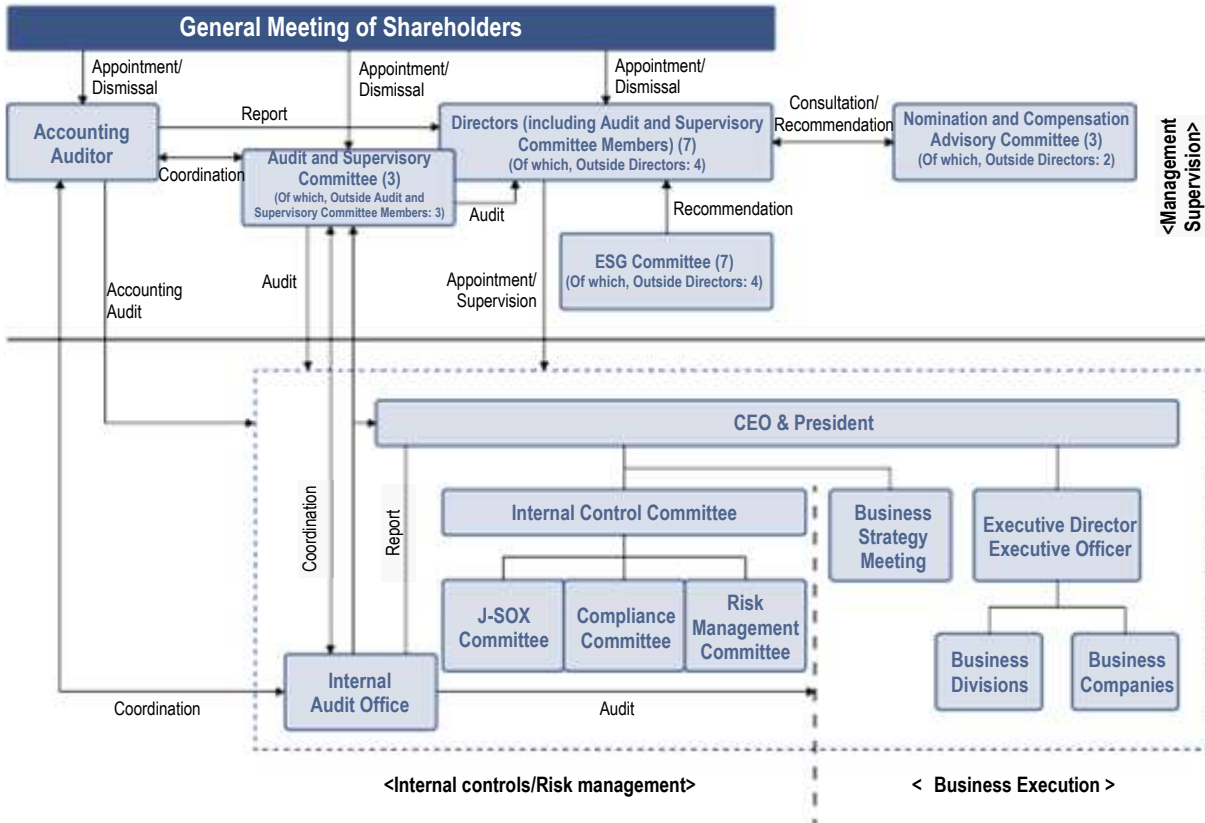
In addition, if the Audit and Supervisory Committee deems that the accounting auditor falls under any of the items listed in paragraph 1 of Article 340 of the Companies Act, it will dismiss the accounting auditor with the consent of all Audit and Supervisory Committee Members. In this case, an Audit 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 for the dismissal.

(5) Overview of the content of liability limitation agreements

N/A

6. 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 complies 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 as 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 the information. The Company ensures that it prevents the 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 the 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 the 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 the 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 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 in the Audit and Supervisory Committee Regulations.

- 9) Matters concerning the 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) The Company operated a global whistle-blowing system for the MEC Group to further enhance the whistle-blowing system. The operational status of the whistle-blowing system was reported at the Compliance Committee meeting.
- (iii) Outside Directors who are not Audit and Supervisory Committee Members and the head of the 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 new domestic production sites, overseas subsidiary projects, and enhancement of corporate governance.
- (ii) The Nomination and Compensation Advisory Committee held four meetings and the ESG Committee held four meetings and made effective recommendations to the Board of Directors, focused on the deliberation of proposals for the election of directors, etc., and on issues such as executive compensation, sustainability-related matters, and compliance with the Corporate Governance Code.
- (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 the 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

The Audit and Supervisory Committee Members and the Internal Audit Office conducted audits of Group companies and exchanged information with local accounting auditors.

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 the 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 six times with the Accounting Auditor and 17 times with the Internal Audit Office during the fiscal year under review, 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 publishes the convening notice of the general shareholders meeting electronically on the Company's website four weeks in advance in an effort to provide accurate information promptly and fairly.

The Company also introduced electronic voting in consideration of shareholders' convenience. Furthermore, for institutional investors, we participate in the voting platform operated by ICJ, Inc.

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 having all Directors conduct self-assessments. 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 Sustainability Report, which is available on the Company's website.

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

5) Disclosure of information in line with TCFD recommendations

The Company has expressed its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure) and discloses information in line with the TCFD recommendations.

<https://www.mec-co.com/sustainability/esg/environment/tcf/tcfid.php>

(3) Basic Policy on Company Control

1) Basic Policy Approach and Details

The Company believes that if an acquisition of a large number of the Company's shares is to be made for the purpose of controlling decisions on the Company's financial and business policies, the acceptance or rejection of such an acquisition should essentially be based on the judgment of individual shareholders. Therefore, the Company is not in a position to dismiss the significance or effect of the activation of corporate activities through the transfer of management control.

However, in the event of a corporate takeover by a party with an improper objective, such as the sole intention of selling out at a high price, we recognize that it is the responsibility of our Board of Directors to prevent damage to the Company's corporate value in order to protect the interests of our shareholders and other stakeholders. Therefore, we believe that, in the event of an acquisition for the purpose of large-scale acquisition of shares or a takeover proposal, it is necessary to fully examine the impact such an acquisition or takeover proposal would have on our corporate value and the common interests of shareholders, taking into consideration the details of the acquiring party's business plan, past investment activities, etc., and to disclose the results of the Board of Directors' assessment to shareholders.

In addition, the Company has not established in advance any measures (so-called "takeover defense measures") to prepare for specific threats posed by large-scale acquisitions of the Company's shares. However, it is the responsibility of the Board of Directors, entrusted by shareholders, to monitor the trading of the Company's shares and changes in shareholders. If a party planning a large-scale acquisition of the Company's shares appears, the Company will evaluate the acquisition proposal and business plan of the acquiring party with outside experts, and if the Company determines that the acquisition proposal or share purchase would be detrimental to the Company's corporate value and the common interests of shareholders, the Company may determine whether countermeasures are necessary and the specifics of such countermeasures and implement such countermeasures.

2) Specific Details of Countermeasures

- (i) Special initiatives to contribute to the realization of the Basic Policy, such as effective utilization of the Company's assets, formation of an appropriate corporate group, and others

The Company is taking the following measures to realize the above Basic Policy and to contribute to the common interests of shareholders.

A. Enhancement of corporate value through the promotion of the Medium-Term Management Plan

- a. Strengthening of sales capabilities in major world markets
- b. Improvement and strengthening of product lineup from cutting-edge substrates to general-purpose substrates
- c. Expansion of business opportunities by reducing environmental impact
- d. Cultivation of new business fields by refining technologies for bonding metals and resins, etc.
- e. Continuous improvement of consolidated ROE based on 10%

B. Proactive return of profits to shareholders, medium- and long-term investment for sustainable growth

- a. Proactive return of profits to shareholders with a medium-term target of a consolidated dividend payout ratio of 30%
- b. Investment of approximately 10% or more of net sales in up-front R&D expenses
- c. Investment in production facilities, etc. to achieve the same level of quality worldwide in response to demand in various markets around the world

- (ii) Efforts to prevent decisions concerning the Company's financial and business policies from being controlled by parties deemed inappropriate in light of the Basic Policy

The Company will take appropriate measures against parties who intend to acquire large quantities of shares of the Company's stock to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations, such as requesting the provision of necessary and sufficient information to enable shareholders to judge whether a large-scale acquisition is appropriate, disclosing the opinions of the Board of Directors, and ensuring that shareholders have sufficient time to consider the acquisition.

3) Judgment and Reasoning of the Board of Directors Concerning the Initiatives Set Forth in the Preceding Item

Each of the initiatives mentioned in the previous item is being implemented to sustainably enhance the Company's corporate value and the common interests of shareholders. Therefore, the Company's Board of Directors has determined that each of them meets the following requirements.

- (i) It is in line with the Basic Policy described in Item 1.
- (ii) It is not detrimental to the common interests of shareholders.
- (iii) Its purpose is not to maintain the status of the Company's officers

(4) 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 3,147,885,961 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, 2024, the year-end per share dividend was set at 25 yen per share. Adding this to the interim dividend of 20 yen that has already been paid, the annual dividend comes to 45 yen per share. The total amount of the year-end dividend to be paid will be 472,229,525 yen. In addition, we have added 1,000,000,000 yen of funds to a separate reserve, and the balance of 1,675,656,436 yen will be retained earnings carried over to the next term.

Consolidated Balance Sheet

(As of December 31, 2023)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	15,492,870	Current liabilities:	2,872,195
Cash and deposits	8,755,863	Notes and accounts payable – trade	722,187
Notes and accounts receivable – trade	4,766,168	Electronically recorded monetary obligations	597,301
Electronically Recorded Monetary Claims	278,458	Accounts payable – other	466,996
Merchandise and finished goods	620,262	Accrued expenses	143,590
Work in process	127,880	Income taxes payable	181,148
Raw materials and supplies	772,256	Provision for bonuses	289,944
Other	177,695	Provision for directors' bonuses	37,822
Allowance for doubtful accounts	-5,714	Accounts payable – facilities	202,342
Non-current assets:	13,172,336	Other	230,863
Property, plant and equipment	9,820,269	Non-current liabilities:	1,015,603
Buildings and structures	4,514,315	Deferred tax liabilities	853,602
Machinery, equipment and vehicles	920,755	Net defined benefit liability	4,813
Tools, furniture and fixtures	408,671	Provision for share compensation	102,167
Land	3,646,812	Other	55,019
Right-of-use assets	61,590		
Construction in progress	268,124	Total liabilities	3,887,799
Intangible assets	160,182	NET ASSETS	
Investments and other assets	3,191,884	Shareholders' equity:	21,826,187
Investment securities	1,866,609	Capital	594,142
Retirement benefit assets	1,193,849	Capital surplus	541,273
Deferred tax assets	11,345	Retained earnings	22,722,374
Other	120,079	Treasury stock	-2,031,602
		Total of other comprehensive income:	2,951,220
		Valuation difference on available-for-sale securities	658,010
		Foreign currency translation adjustment	2,033,161
		Remeasurements of defined benefit plans	260,048
		Total net assets	24,777,408
Total assets	28,665,207	Total liabilities and net assets	28,665,207

Consolidated Statement of Income

(From January 1, 2023 to
December 31, 2023)

(Thousands of yen)

Item	Amount	
Net sales		14,020,085
Cost of sales		5,703,298
Gross profit		8,316,786
Selling, general and administrative expenses		5,824,007
Operating income		2,492,779
Non-operating income		
Interest income	53,388	
Dividend income	13,338	
Trial products income	6,377	
Foreign exchange gains	110,018	
Other	23,825	206,948
Non-operating expenses		
Interest expenses	510	
Loss on investments in investment partnerships	12,977	
Other	3,023	16,511
Ordinary income		2,683,216
Extraordinary income		
Gain on sales of non-current assets	557,058	
Gain on sale of investment securities	344	557,403
Extraordinary losses		
Loss on retirement of non-current assets	21,543	21,543
Income before income taxes		3,219,076
Income taxes – current	719,150	
Income taxes – deferred	194,978	914,128
Net income		2,304,947
Profit attributable to owners of parent		2,304,947

Consolidated statement of changes in net assets

(From January 1, 2023 to
December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity:
Balance at the beginning of the current period	594,142	541,273	21,274,593	-1,131,394	21,278,614
Change during the current period					
Dividend of surplus	-	-	-857,166	-	-857,166
Profit attributable to owners of parent	-	-	2,304,947	-	2,304,947
Acquisition of treasury stock	-	-	-	-900,207	-900,207
Changes in items other than shareholders' equity (net amount)	-	-	-	-	-
Total change during the current period	-	-	1,447,780	-900,207	547,573
Balance at the end of the current period	594,142	541,273	22,722,374	-2,031,602	21,826,187

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the current period	336,141	1,514,627	196,595	2,047,364	23,325,978
Change during the current period					
Dividend of surplus	-	-	-	-	-857,166
Profit attributable to owners of parent	-	-	-	-	2,304,947
Acquisition of treasury stock	-	-	-	-	-900,207
Changes in items other than shareholders' equity (net amount)	321,868	518,534	63,453	903,856	903,856
Total change during the current period	321,868	518,534	63,453	903,856	1,451,429
Balance at the end of the current period	658,010	2,033,161	260,048	2,951,220	24,777,408

Notes to Consolidated Financial Statements

1. Notes to Basis for Presenting Consolidated Financial Statements

(1) Matters concerning the scope of consolidation

Number and name of consolidated subsidiaries

- Number of consolidated subsidiaries: 7 companies

- Names of consolidated subsidiaries:

MEC TAIWAN COMPANY LTD.

MEC (HONG KONG) LTD.

MEC FINE CHEMICAL (ZHUHAI) LTD.

MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.

MEC EUROPE NV.

MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.

MEC INDIA SPECIALTY CHEMICALS PRIVATE LTD.

MEC INDIA SPECIALTY CHEMICALS PRIVATE LTD. was included in the scope of consolidation following the completion of investment by the Company and its consolidated subsidiary MEC EUROPE NV.

(2) Matters concerning the fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, MEC INDIA SPECIALTY CHEMICALS PRIVATE LTD. has a fiscal year ending March 31. In preparing the consolidated financial statements, the Company uses financial statements based on a provisional settlement of accounts conducted as of the consolidated balance sheet date.

The fiscal year end of other consolidated subsidiaries is the same as the consolidated fiscal year end.

(3) Matters concerning accounting policy

1) Valuation standards and methods for significant assets

A. Valuation standards and methods for securities

Bonds held to maturity ··· Amortized cost method (straight-line method)

Other investment securities

- Securities other than non-marketable stocks etc.

Fair value method based on market prices, etc. as of the closing date (unrealized gains and losses are accounted for as a component of net assets, and the cost of sales is determined by the moving-average method)

- Non-marketable stocks etc.

Cost method using the moving average method

Investments in investment partnerships are accounted for based on the most recent financial statements of the partnerships, taking into account the net value of the Company's interest in the partnerships.

B. Derivatives ······· Market value method

C. Valuation standards and methods for inventories

- Products, manufactured goods (chemicals), work in process, raw materials, and supplies

The cost method using the weighted-average method is used (the amount on the balance sheet is calculated based on the method of book value devaluation based on a decline in profitability).

Manufactured goods (machinery) ······· The cost method using the specific identification method is used (the amount on the balance sheet is calculated based on the method of book value devaluation based on a decline in profitability).

2) Depreciation and amortization method for significant depreciable assets

- A. Property, plant and equipment The straight-line method is used.
The main service lives are as follows.
 - Buildings and structures Between 7 and 50 years
 - Machinery, equipment and vehicles Between 4 and 10 years
 - Tools, furniture, and fixtures Between 3 and 10 years
- B. Intangible assets The straight-line method is used.

3) Basis for significant provisions

- A. Allowance for doubtful accounts In order to prepare for losses on bad debts such as accounts receivable, the estimated noncollectable amount is recorded based on the actual rate of bad debts for general receivables and the possibility of collection of specific receivables such as loans with the possibility of default.
- B. Provision for bonuses To provide for the payment of bonuses to employees and executive officers who are not directors, an amount accrued for the consolidated fiscal year under review out of the estimated amount to be paid is recorded.
- C. Provision for directors' bonuses To provide for the payment of bonuses to Directors of the Company, an amount is recorded based on the estimated amount to be paid in the consolidated fiscal year under review.
- D. Provision for share compensation To provide for the payment of bonuses to directors and executive officers of the Company, an amount accrued for the consolidated fiscal year under review is recorded based on the estimated amount of payment as of the end of the consolidated fiscal year under review.

4) Basis for recording revenues and expenses

The Group's main business is the sale of products and goods, mainly chemicals for electronic substrates and components, machinery for electronic substrates, and materials for electronic substrates.

For sales of products (chemicals) and merchandise (materials), the Company considers the customer to have acquired control over the products and the performance obligation to be satisfied once the products have been delivered to the customer in accordance with the terms of the contract or when the risk burden is transferred to the customer in accordance with the terms of trade stipulated in international trade agreements such as Incoterms, etc. The Company recognizes revenue when such performance obligations have been satisfied. However, in accordance with the alternative treatment in Paragraph 98 of the "Guidelines on the Accounting Standard for Revenue Recognition," the Company recognizes revenue at the time of shipment for domestic transactions involving products and other goods if there is a normal period from the time of shipment to the time when control of the products and other goods is transferred to the customer.

For sales of products (machinery), revenue is recognized when the products have been received and inspected by the customer.

Regarding sales of goods (materials) where the Group has determined that it is acting as an agent, revenue is recognized at the net amount of the gross consideration received from the customer minus the amount paid to the supplier.

The consideration for transactions is received primarily within one year of satisfaction of the performance obligation and therefore does not include a significant financial component.

5) Other significant matters that form the basis for the preparation of Consolidated Financial Statements

A. Accounting method for retirement benefit plans

The method of attributing estimated retirement benefit plans to the consolidated fiscal year under review is based on the retirement benefit calculation standard.

Prior service cost is amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the cost is incurred.

Actuarial gains and losses are amortized using the declining-balance method over a fixed number of years (10 years) within the average remaining years of service of the employees at the time the gains or losses are recognized, starting from the following consolidated fiscal year.

B. Conversion of significant assets or liabilities denominated in foreign currencies to Japanese currency

Monetary assets and liabilities denominated in foreign currencies are converted into Japanese yen at the spot exchange rate prevailing on the consolidated balance sheet date, with exchange differences recognized as gains or losses. Assets and liabilities of foreign consolidated subsidiaries are converted into Japanese yen at the spot exchange rate in effect on the balance sheet date of each consolidated subsidiary, while revenues and expenses are converted at the average exchange rate over the period.

2. Notes on changes to accounting policies

The Company adopted the Guidance on the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as the "Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the consolidated fiscal year under review, and, in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value, the new accounting policies prescribed by the Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. There is no impact on the consolidated financial statements.

3. Notes on significant accounting estimates

N/A

4. Notes on the consolidated balance sheet

(1) Assets pledged as collateral

Buildings and structures	103,524thousand yen
Land	33,003thousand yen

Total	136,527thousand yen
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There are no liabilities corresponding to the above assets pledged as collateral.

(2) Accumulated depreciation of tangible noncurrent assets 7,284,337thousand yen

5. Notes on the consolidated statement of changes in net assets

(1) Class and total number of shares issued and outstanding at the end of the consolidated fiscal year under review

Common shares 20,071,093shares

(2) Matters concerning dividends

1) Dividends paid

Resolution	Class of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
February 14, 2023 Board of Directors Meeting	Common shares	479,381	Retained earnings	25	December 31, 2022	March 2, 2023
August 9, 2023 Board of Directors Meeting	Common shares	377,785	Retained earnings	20	June 30, 2023	September 5, 2023

Notes: 1. The total amount of dividends resolved by the Board of Directors on February 14, 2023 includes dividends of 4,108 thousand yen for the Company's shares held by the "Stock Grant Trust Account for Directors" and the "Stock Grant Trust Account for Executive Officers".

2. The total amount of dividends resolved by the Board of Directors on August 9, 2023 includes dividends of 3,286 thousand yen for the Company's shares held by the "Stock Grant Trust Account for Directors" and the "Stock Grant Trust Account for Executive Officers".

2) Dividends whose record date falls in the consolidated fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
February 14, 2024 Board of Directors Meeting	Common shares	472,229	Retained earnings	25	December 31, 2023	February 28, 2024

Note: The total amount of dividends resolved by the Board of Directors on February 14, 2024 includes dividends of 4,108 thousand yen for the Company's shares held by the "Stock Grant Trust Account for Directors" and the "Stock Grant Trust Account for Executive Officers".

6. Notes to Financial Instruments

1. Matters concerning the status of financial instruments

(1) Policy regarding financial instruments

The Company group's policy is to limit the management of funds to short-term deposits, etc., and to borrow funds from banks and other financial institutions for financing. Derivative transactions are forward exchange contracts for the purpose of avoiding risk from future exchange rate fluctuations within the scope of the balance of receivables and payables denominated in foreign currencies, and the Group has a policy of not engaging in speculative transactions.

(2) Description of financial instruments and their risks

Trade receivables such as notes and accounts receivable - trade and electronically recorded receivables are exposed to customer credit risk.

Investment securities are exposed to the risk of market price fluctuations.

Trade payables such as notes and accounts payable - trade, electronically recorded obligations, accounts payable - other, income taxes payable, and accrued expenses, as well as non-trade payables such as accounts payable - facilities are mostly due within four months. Although some are denominated in foreign currencies and are exposed to foreign exchange risk, most of those are due within two months.

Trade payables, non-trade payables, and borrowings are exposed to liquidity risk, but the Group manages this risk by preparing monthly funding plans for each company.

Derivatives are forward exchange contracts for the purpose of hedging the risk of foreign currency exchange fluctuations related to receivables and payables denominated in foreign currencies.

(3) Risk management system for financial instruments

1) Credit risk management

In accordance with credit management rules, the Group manages due dates and remaining balances for each business partner and monitors the credit status of major business partners every fiscal year.

Derivative transactions are conducted by the Company's Accounting and Finance Division, and the results of each transaction are reported to the officer in charge of the transaction. The results of derivative transactions are also reported to the officer in charge at the time of each transaction.

2) Market risk management

Regarding investment securities, the Company periodically monitors the market value and financial conditions of the issuer (counterparty company), and for those other than bonds held to maturity, the Company continuously reviews its holdings taking into account the Company's relationship with the counterparty company.

Derivatives are managed in accordance with the investment guidelines and are reported every six months at the Board of Directors' meeting.

3) Management of liquidity risk related to the procurement of funds

The Group manages this risk by preparing and updating monthly funding plans for each company.

(4) Supplementary explanation of matters concerning the market value of financial instruments

Variable factors are incorporated in calculating the fair value of financial instruments, therefore the fair value may fluctuate as a result of the adoption of different assumptions.

2. Matters concerning the market value of financial instruments

Amounts reported on the consolidated balance sheet, market values, and the difference between the two as of December 31, 2022 (the consolidated balance sheet date for the consolidated fiscal year under review) are as follows.

(Thousands of yen)

	Amount reported on the consolidated balance sheet	Market value	Difference
Investment securities			
Bonds held to maturity	300,000	297,800	-2,200
Other investment securities (*2)	1,295,784	1,295,784	-
Total assets	1,595,784	1,593,584	-2,200

(*1) Cash and deposits, notes and accounts receivable - trade, electronically recorded receivables, notes and accounts payable – trade, electronically recorded payables, accounts payable - other, income taxes payable, accrued expenses, accounts payable - facilities are omitted because they are cash items and their fair value approximates their book value due to their short maturities.

(*2) Non-marketable stocks, etc. are not included in "Investment securities other securities".

The amounts reported in the consolidated balance sheets for such financial instruments are as follows.

(Thousands of yen)

Category	Consolidated fiscal year under review
Unlisted stocks	0
Investments in investment partnerships	270,824

Investments in investment partnerships are not subject to market value method disclosure in accordance with paragraph 24-16 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

3. Matters concerning the breakdown, etc. of the fair value of financial instruments by level

The fair value of financial instruments is broken down into the following three levels based on the observability and materiality of the inputs used to calculate their fair value.

Level 1 fair value: The fair value calculated based on quoted market prices for the assets or liabilities in question that are formed in an active market, which are among the inputs used to calculate the observable fair value

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs to the calculation of observable fair value

Level 3 fair value: Fair value calculated using inputs related to the calculation of unobservable fair value

When multiple inputs that have a significant effect on the calculation of fair value are used, of the levels to which each of those inputs belongs, the fair value is classified into the level with the lowest priority in the calculation of fair value.

(1) Financial instruments recorded on the consolidated balance sheets at fair value

Category	Fair value (thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investment securities				
Shares	1,295,784	-	-	1,295,784
Total assets	1,295,784	-	-	1,295,784

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

Category	Fair value (thousands of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity				
Government bonds, municipal bonds, etc.	-	197,820	-	197,820
Other	-	99,980	-	99,980
Total assets	-	297,800	-	297,800

Note: Explanation of valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Investment securities

Listed stocks are valued using quoted market prices. Because listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, because the bonds held by the Company are traded infrequently and are not considered quoted prices in an active market, their fair value is classified as Level 2 fair value.

7. Notes on tax effect accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by major cause

Deferred tax assets	
Provision for bonuses	87,817thousand yen
Business tax payable	10,736thousand yen
Social insurance premiums	13,559thousand yen
Loss on valuation of inventories	19,900thousand yen
Unrealized gains on inventories	149,140thousand yen
Directors' retirement benefits payable	4,379thousand yen
Tax loss carried forward (Note)	149,645thousand yen
Provision for share compensation	24,989thousand yen
Impairment loss	176,806thousand yen
Other	29,635thousand yen
Subtotal	<u>666,609thousand yen</u>
Valuation provision for tax loss carryforwards	-149,645thousand yen
Valuation provision for total future deductible temporary differences	-176,986thousand yen
Total deferred tax assets	<u>339,978thousand yen</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-289,858thousand yen
Retained earnings of overseas subsidiaries	-497,400thousand yen
Retirement benefit assets	-361,435thousand yen
Other	-33,540thousand yen
Total deferred tax liabilities	<u>-1,182,235thousand yen</u>
Net deferred tax liabilities	-842,256thousand yen

Net deferred tax liabilities of -842,256 thousand yen are included in the following items of the consolidated balance sheets.

Non-current assets - deferred tax assets	11,345 thousand yen
Long-term liabilities - deferred tax liabilities	-853,602 thousand yen

Note: Tax loss carryforwards and their deferred tax assets by carryforward period

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Tax loss carryforwards (a)	31,979	45,468	13,898	-	2,421	55,877	149,645 thousand yen
Valuation provision	-31,979	-45,468	-13,898	-	-2,421	-55,877	-149,645 thousand yen
Deferred tax assets	-	-	-	-	-	-	-

(a) Tax loss carryforwards are multiplied by the statutory tax rate.

(2) Breakdown of the difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

	Consolidated fiscal year under review (December 31, 2023)
Statutory tax rate	30.6%
(adjustments)	
Perpetual differences such as entertainment expenses, etc.	0.9%
Residential tax on a per capita basis	0.2%
Tax credit for testing and research expenses, etc.	-4.1%
Foreign withholding tax	1.4%
Retained earnings tax on overseas subsidiaries	-0.2%
Increase or decrease in valuation provision	0.4%
Retained earnings of overseas subsidiaries	1.0%
Difference in foreign tax rates	-2.2%
Other	0.4%
Effective income tax rate after tax effect accounting is applied	28.4%

8. Notes on revenue recognition

(1) Information breaking down revenue from contracts with customers

Consolidated fiscal year under review (January 1, 2023 through December 31, 2023)

(thousands of yen)

	Reportable segments						Total
	Japan	Taiwan	Hong Kong	China	Thailand	Europe	
Pharmaceuticals	5,410,142	2,619,699	1,717,431	2,670,959	570,286	776,327	13,764,847
Machinery	108,551	327	-	257	32	3,350	112,520
Materials	22,133	-	-	-	-	117,050	139,183
Other	3,357	158	-	-	-	18	3,534
Revenue from contracts with customers	5,544,184	2,620,186	1,717,431	2,671,217	570,319	896,746	14,020,085
Revenues from external customers	5,544,184	2,620,186	1,717,431	2,671,217	570,319	896,746	14,020,085

(2) Information that provides a basis for understanding revenue from contracts with customers

Information that forms the basis for understanding revenues from contracts with customers is described in "1. Notes to Basis for Presenting Consolidated Financial Statements, (3) Matters concerning accounting policy, 4) Basis for recording revenues and expenses.

(3) Information concerning the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the consolidated fiscal year under review to be recognized in the following fiscal year or later

1) Contract liabilities consist primarily of payments received from customers prior to the delivery of products and are included in other current liabilities in the consolidated balance sheet.

The breakdown of contract liabilities for the consolidated fiscal year under review is as follows.

Contract liabilities (balance at the beginning of the period) 15,649 thousand yen

Contract liabilities (balance at the end of the period) 9,080 thousand yen

There were no contract assets in the current consolidated fiscal year.

2) Transaction price assigned to remaining performance obligations

This information is omitted because there are no material contracts whose initially anticipated contract terms exceed one year.

9. Notes on retirement benefit plans

(1) Outline of retirement benefit plan used

The Company has a defined benefit corporate pension plan (cash balance plan), a defined contribution pension plan under the Defined Benefit Corporate Pension Law.

Some of the Company's consolidated subsidiaries have defined contribution plans and defined benefit plans. Under these defined benefit plans, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

(2) Defined benefit plans

1) Adjustment sheet for the beginning and ending balance of the projected retirement benefit liabilities (excluding plans to which the simplified method is applied as stated in 3) above)

Balance of projected retirement benefit liabilities at the start of the period	923,891thousand yen
Service expenses	73,730thousand yen
Interest expenses	15,706thousand yen
Total actuarial gain or loss	56,197thousand yen
Retirement benefit plan payments	-75,563thousand yen
<u>Balance of projected retirement benefit liabilities at the end of the period</u>	<u>993,961thousand yen</u>

2) Adjustment sheet for the beginning and ending balance of pension assets (excluding plans to which the simplified method is applied as stated in 3) above)

Balance of pension plan at the start of the period	1,905,909thousand yen
Expected investment income	5,717 thousand yen
Total actuarial gain or loss	205,941 thousand yen
Employer's contribution	111,289 thousand yen
Retirement benefit plan payments	75,563 thousand yen
<u>Balance of pension plan at the end of the period</u>	<u>2,153,293thousand yen</u>

3) Adjustment sheet for the balance of liabilities for retirement benefits at the beginning of the period to the balance at the end of the period for plans that use the simplified method

Balance of retirement benefit liabilities at the start of the period	-22,560thousand yen
Retirement benefit plan expenses	-2,200thousand yen
Retirement benefit plan payments	-3,336thousand yen
Other	-1,605thousand yen
<u>Balance of retirement benefit liabilities at the end of the period</u>	<u>-29,703thousand yen</u>

4) Adjustment sheet for liabilities for retirement benefits and retirement benefit plan assets recorded in the consolidated balance sheet to the balance of retirement benefit obligations and retirement benefit plan assets at the end of the fiscal year	
Retirement benefit obligations for savings-type plans	1,027,556thousand yen
Pension plan assets	-2,221,405thousand yen
	<hr/>
	-1,193,849thousand yen
Retirement benefit obligations for non-savings-type plans	4,813thousand yen
Net liabilities and assets recorded in the consolidated balance sheet	-1,189,035thousand yen
	<hr/>
Retirement benefit liabilities	4,813thousand yen
Retirement benefit assets	-1,193,849thousand yen
Net liabilities and assets recorded in the consolidated balance sheet	-1,189,035thousand yen
5) Retirement benefit expenses and their breakdown	
Service expenses	73,730thousand yen
Interest expenses	15,706thousand yen
Expected operating profit/loss	-5,717thousand yen
Amortization of actuarial gain or loss	-58,338thousand yen
Retirement benefit plan expenses calculated by the simplified method	-2,200thousand yen
Net periodic benefit cost related to retirement benefit plan expenses	23,179thousand yen
6) Adjustments for retirement benefit plans	
The breakdown of items recorded as adjustments to retirement benefits (before tax effect deductions) is as follows.	
Actuarial gain or loss	-91,405thousand yen
Total	-91,405thousand yen
7) Cumulative adjustment for retirement benefits	
The breakdown of items recorded as accumulated adjustments for retirement benefits (before tax effect deductions) is as follows	
Unrecognized actuarial gain or loss	-374,602thousand yen
Total	-374,602thousand yen

8) Matters concerning pension plan assets

- Breakdown of major components of pension plan assets

The following is a breakdown of the major categories as a percentage of total pension plan assets

Bonds	31 %
Shares	40 %
General account	21 %
Other	8 %
<hr/>	
Total	100 %

- Method for setting the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the current and projected allocation of plan assets and the current and expected long-term rates of return for the various assets that make up the plan assets are considered.

9) Matters concerning the basis of actuarial calculations

Main actuarial assumptions (shown as a weighted average) as of the end of the consolidated fiscal year under review

Discount rate	1.6 %
Expected long-term rate of return	0.3 %

(3) Defined contribution system

The required contribution to the defined contribution plan of the Company and its consolidated subsidiaries is 134,004 thousand yen.

10. Notes on Per Share Information

(1) Net assets per share	1,323.24yen
(2) Net Income Per Share	122.29yen

11. Significant subsequent events

N/A

Non-consolidated Balance Sheet

(As of December 31, 2023)

(Thousands of yen)

ASSETS		LIABILITIES	
Current assets:	7,952,902	Current liabilities:	2,053,224
Cash and deposits	4,388,877	Notes payable – trade	43,818
Notes receivable – trade	34,943	Electronically recorded monetary obligations	597,301
Electronically Recorded Monetary Claims	278,458	Accounts payable – trade	266,976
Accounts receivable – trade	2,345,027	Accounts payable – other	286,913
Merchandise and finished goods	255,822	Accrued expenses	123,182
Raw materials and supplies	555,167	Income taxes payable	88,274
Prepaid expenses	13,567	Deposits received	59,883
Accounts receivable – other	42,658	Provision for bonuses	287,173
Other	38,378	Provision for directors' bonuses	37,822
Non-current assets:	11,873,971	Notes payable – facilities	4,477
Property, plant and equipment	7,326,116	Electronically recorded obligations related to facilities	47,819
Buildings	3,461,119	Accounts payable – facilities	201,225
Structures	177,751	Other	8,355
Machinery and equipment	552,354	Non-current liabilities:	500,382
Vehicles	18,946	Deferred tax liabilities	373,707
Tools, furniture and fixtures	249,572	Asset retirement obligations	587
Land	2,821,838	Provision for share compensation	102,167
Construction in progress	44,533	Other	23,920
Intangible assets	139,968	Total liabilities	2,553,606
Leasehold rights	29,380	NET ASSETS	
Software	110,467	Shareholders' equity:	16,615,257
Software in progress	121	Capital	594,142
Other	4,407,886	Capital surplus	541,273
Investments and other assets	1,866,609	Legal capital surplus	446,358
Investment securities	1,057,563	Other capital surplus	94,914
Shares of subsidiaries and affiliates	5	Retained earnings	17,511,443
Investments in capital	621,000	Legal retained earnings	63,557
Long-term loans receivable from subsidiaries and associates	62,947	Other retained earnings	17,447,885
Long-term prepaid expenses	784,730	General reserve	14,300,000
Prepaid pension cost	15,031	Retained earnings brought forward	3,147,885
Other		Treasury stock	-2,031,602
		Valuation and translation adjustments:	
		Valuation difference on available-for-sale securities	658,010
		Total net assets	17,273,267
Total assets	19,826,874	Total liabilities and net assets	19,826,874

Non-consolidated Statement of Income

(From January 1, 2023 to
December 31, 2023)

(Thousands of yen)

Item	Amount	
Net sales		8,410,169
Cost of sales		3,302,825
Gross profit		5,107,344
Selling, general and administrative expenses		3,890,995
Operating income		1,216,349
Non-operating income		
Interest and dividend income	589,057	
Trial products income	6,377	
Foreign exchange gains	117,964	
Other	8,692	722,091
Non-operating expenses		
Loss on investments in investment partnerships	12,977	
Other	1,815	14,793
Ordinary income		1,923,646
Extraordinary income		
Gain on sales of non-current assets	549,243	
Gain on sale of investment securities	344	549,588
Extraordinary losses		
Loss on retirement of non-current assets	7,786	7,786
Income before income taxes		2,465,448
Income taxes – current	460,347	
Income taxes – deferred	69,338	529,686
Net income		1,935,761

Statement of Changes in Shareholder's Equity

(From January 1, 2023 to
December 31, 2023)

(Thousands of yen)

	Shareholders' equity							
	Capital	Capital reserves			Legal retained earnings	Earned surplus		Total earned surplus
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of the current period	594,142	446,358	94,914	541,273	63,557	12,800,000	3,569,291	16,432,848
Change during the current period								
Provision for general reserve	-	-	-	-	-	1,500,000	-1,500,000	-
Dividend of surplus	-	-	-	-	-	-	-857,166	-857,166
Net income	-	-	-	-	-	-	1,935,761	1,935,761
Acquisition of treasury stock	-	-	-	-	-	-	-	-
Changes in items other than shareholders' equity (net amount)	-	-	-	-	-	-	-	-
Total change during the current period	-	-	-	-	-	1,500,000	-421,405	1,078,594
Balance at the end of the current period	594,142	446,358	94,914	541,273	63,557	14,300,000	3,147,885	17,511,443

	Shareholders' equity		Valuation and translation adjustments:		Total net assets
	Treasury stock	Total shareholders' equity:	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of the current period	-1,131,394	16,436,870	336,141	336,141	16,773,011
Change during the current period					
Provision for general reserve	-	-	-	-	-
Dividend of surplus	-	-857,166	-	-	-857,166
Net income	-	1,935,761	-	-	1,935,761
Acquisition of treasury stock	-900,207	-900,207	-	-	-900,207
Changes in items other than shareholders' equity (net amount)	-	-	321,868	321,868	321,868
Total change during the current period	-900,207	178,387	321,868	321,868	500,255
Balance at the end of the current period	-2,031,602	16,615,257	658,010	658,010	17,273,267

Individual Notes

1. Notes on significant accounting policies

(1) Valuation standards and methods for assets

1) Valuation standards and methods for investment securities

Shares of subsidiaries Cost method using the moving average method

Bonds held to maturity Amortized cost method (straight-line method)

Other investment securities

- Securities other than non-marketable stocks etc.

Fair value method based on market prices, etc. as of the fiscal year end (unrealized gains and losses are accounted for as a component of net assets, and the cost of sales is determined by the moving-average method)

- Non-marketable stocks etc.

Cost method using the moving average method

Investments in investment partnerships are accounted for based on the most recent financial statements of the partnerships, taking into account the net value of the partnership's equity interest

2) Valuation standards and methods for inventories

- Products, manufactured goods (chemicals), raw materials, and supplies

The cost method using the weighted-average method is used (the amount on the balance sheet is calculated based on the method of book value devaluation based on a decline in profitability).

- Manufactured goods (machinery)

The cost method using the specific identification method is used (the amount on the balance sheet is calculated based on the method of book value devaluation based on a decline in profitability).

(2) Depreciation and amortization method for noncurrent assets

- (i) Property, plant, and equipment

The straight-line method is used.

Buildings Between 15 and 50 years

Structures Between 7 and 45 years

Machinery and equipment Between 4 and 10 years

Vehicles Between 4 and 6 years

Tools, furniture, and fixtures Between 4 and 6 years

- (ii) Intangible assets

The straight-line method is used.

However, software is amortized over an internal useful life of 5 years.

- (iii) Long-term prepaid expenses

They are amortized equally.

3) Basis for Provisions

- 1) Provision for doubtful accounts In order to prepare for losses on bad debts such as accounts receivable, the estimated noncollectable amount is recorded based on the actual rate of bad debts for general receivables and the possibility of collection of specific receivables such as loans with the possibility of default.
- 2) Provision for bonuses To provide for the payment of bonuses to employees and executive officers who are not directors, an amount accrued for the fiscal year under review out of the estimated amount to be paid is recorded.
- 3) Provision for directors' bonuses To provide for the payment of bonuses to Directors of the Company, an amount is recorded based on the estimated amount to be paid in the fiscal year under review.
- 4) Provision for stock-based compensation To provide for the payment of bonuses to directors and executive officers, an amount accrued for the fiscal year under review is recorded based on the estimated amount of payment as of the end of the fiscal year under review.

(4) Basis for recording revenues and expenses

The Company's main business is the sale of products and goods, mainly chemicals for electronic substrates and components, machinery for electronic substrates, and materials for electronic substrates.

For sales of products (chemicals) and merchandise (materials), the Company considers the customer to have acquired control over the products and the performance obligation to be satisfied once the products have been delivered to the customer in accordance with the terms of the contract or when the risk burden is transferred to the customer in accordance with the terms of trade stipulated in international trade agreements such as Incoterms, etc. The Company recognizes revenue when such performance obligations have been satisfied. However, in accordance with the alternative treatment in Paragraph 98 of the "Guidelines on the Accounting Standard for Revenue Recognition," the Company recognizes revenue at the time of shipment for domestic transactions involving products and other goods if there is a normal period from the time of shipment to the time when control of the products and other goods is transferred to the customer.

For sales of products (machinery), revenue is recognized when the products have been received and inspected by the customer.

Regarding sales of goods (materials) where the Company has determined that it is acting as an agent, revenue is recognized at the net amount of the gross consideration received from the customer minus the amount paid to the supplier.

The consideration for transactions is received primarily within one year of satisfaction of the performance obligation and therefore does not include a significant financial component.

(5) Other significant matters that form the basis for the preparation of Financial Statements

- 1) Hedge accounting procedure The allocation method is applied to forward exchange contracts that meet the requirements for the allocation method.
- 2) Accounting method for retirement benefit plans Unrecognized actuarial gains and losses and unrecognized prior service costs related to retirement benefits are accounted for differently from the accounting methods used in the consolidated financial statements.

2. Notes on changes to accounting policies

The Company adopted the Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as the "Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the fiscal year under review, and, in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value, the new accounting policies prescribed by the Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively. There is no impact on the financial statements.

3. Notes on significant accounting estimates

N/A

4. Notes on the balance sheet

(1) Accumulated depreciation of tangible noncurrent assets	5,075,670thousand yen
(2) Receivables from and payables to subsidiaries and affiliated companies (excluding those shown separately)	
Short-term receivables	510,467thousand yen
Short-term payables	55,949thousand yen
(3) The amount of advance depreciation from government subsidies is as follows.	
Buildings	1,776thousand yen
Machinery and equipment	14,150thousand yen

5. Notes on the statement of profit or loss

(1) Transactions with affiliated companies	
Net sales	2,865,985thousand yen
Operating expenses	111,738thousand yen
Non-operating transactions	574,857thousand yen
(2) Total research and development expenses	1,219,335thousand yen

6. Notes on the statement of changes in net assets

Type and number of treasury shares at the end of the fiscal year under review

Common shares 1,346,241shares

Note: The Company contributed 164,329 shares to The Custody Bank of Japan, Ltd. (Trust Account) as trust assets for the stock compensation plan for directors and the stock compensation plan for executive officers, and these are treated as treasury stock in the financial statements.

7. Notes on tax effect accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Deferred tax assets)

Provision for bonuses	87,817thousand yen
Loss on valuation of inventories	14,355thousand yen
Business tax payable	10,736thousand yen
Social insurance premiums	13,559thousand yen
Directors' retirement benefits payable	4,379thousand yen
Impairment loss	176,238thousand yen
Shares of subsidiaries and affiliates	126,325thousand yen
Provision for share compensation	24,989thousand yen
Overdepreciation	16,292thousand yen
Other	4,921thousand yen
Subtotal	<u>479,616thousand yen</u>
Valuation provision	<u>-303,311thousand yen</u>
Total	<u>176,304thousand yen</u>

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	-289,858thousand yen
Prepaid pension cost	-239,970thousand yen
Other	-20,182thousand yen
Total	<u>-550,011thousand yen</u>
Net deferred tax assets	<u>-373,707thousand yen</u>

(2) Breakdown of major factors in the difference between the statutory tax rate and the effective tax rate after tax effect accounting is applied

Statutory tax rate	30.6%
(adjustments)	
Perpetual differences such as entertainment expenses, etc.	1.0%
Dividend income from foreign subsidiaries	-6.6%
Residential tax on a per capita basis	0.2%
Tax credit for testing and research expenses, etc.	-5.4%
Foreign withholding tax	1.8%
Other	-0.1%
Effective income tax rate after tax effect accounting is applied	<u>21.5%</u>

8. Notes on related-party transactions

Type	Name of company, etc.	Percentage of voting rights, etc. held (%)	Relationship with related parties	Transaction details	Transaction amount (thousand yen)	Item	Balance at the end of period (thousand yen)
Subsidiary	MEC TAIWAN COMPANY LTD.	Ownership Direct 100.0	Manufacture and sale of chemicals for electronic substrates	Sale of chemicals and raw materials for electronic substrates Note 1:	1,187,938	Accounts receivable – trade	240,551
Subsidiary	MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD.	Ownership Direct 100.0	Manufacture and sale of chemicals for electronic substrates	Sale of chemicals and raw materials for electronic substrates (Note 1, Note 2)	921,475	Accounts receivable – trade	77,446
Subsidiary	MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD.	Ownership Direct 100.0 Note 3:	Manufacture and sale of chemicals for electronic substrates	Sale of chemicals and raw materials for electronic substrates (Note 1, Note 4) Receipt of interest on loans (Note 5)	182,643 621,000 16,739	Accounts receivable – trade Long-term loans receivable Accrued income	53,137 621,000 3,427

Transaction terms and policies, etc. for determining transaction terms

Note 1: Prices and other transaction terms are determined by presenting the Company's suggested prices based on market conditions and negotiating prices as necessary.

Note 2: Although some of the sales of chemicals to MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. are technically transactions between the Company and a third party, in effect they are transactions between the Company and MEC CHINA SPECIALTY PRODUCTS (SUZHOU) CO., LTD. through third parties.

Note 3: MEC TAIWAN COMPANY LTD. and MEC (HONG KONG) LTD. have invested 0.009% and 0.005%, respectively.

Note 4: Although some of the sales of chemicals to MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD. are technically transactions between the Company and a third party, in effect they are transactions between the Company and MEC SPECIALTY CHEMICAL (THAILAND) CO., LTD. through third parties.

Note 5: The interest rate for the loan of funds is determined based on market interest rates

9. Notes on revenue recognition

The information that forms the basis for understanding revenues arising from contracts with customers is identical to the information presented in "Notes to Consolidated Financial Statements, 9. Notes on Revenue Recognition," and therefore, notes have been omitted.

10. Notes on Per Share Information

(1) Net assets per share 922.48yen

(2) Net Income Per Share 102.71yen

11. Significant subsequent events

N/A

Map to the venue for the general meeting of shareholders

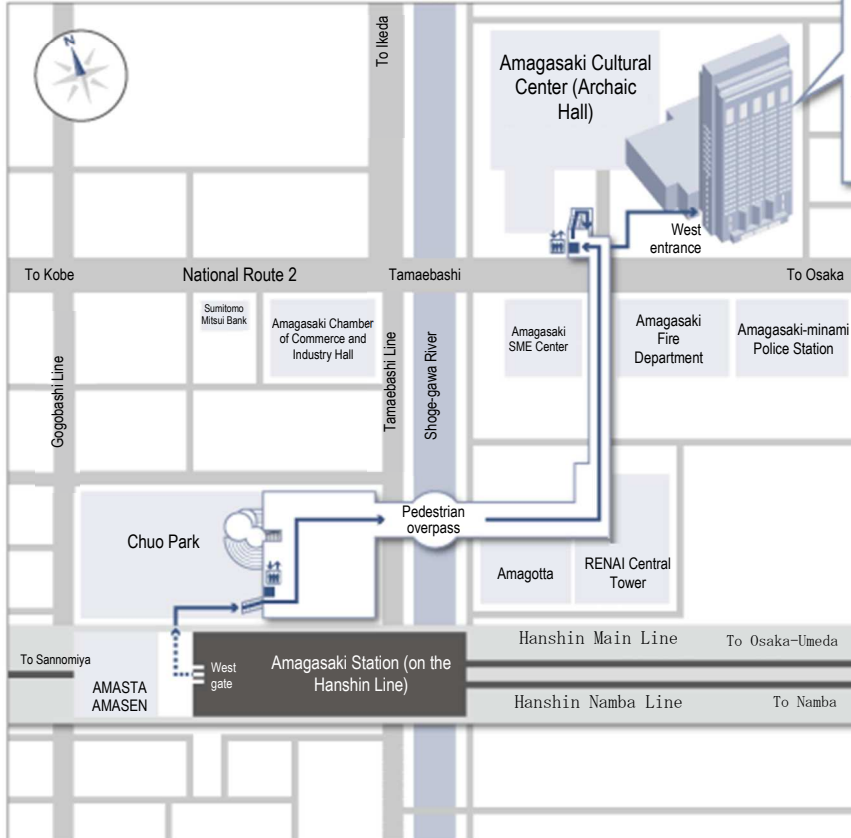
Venue

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

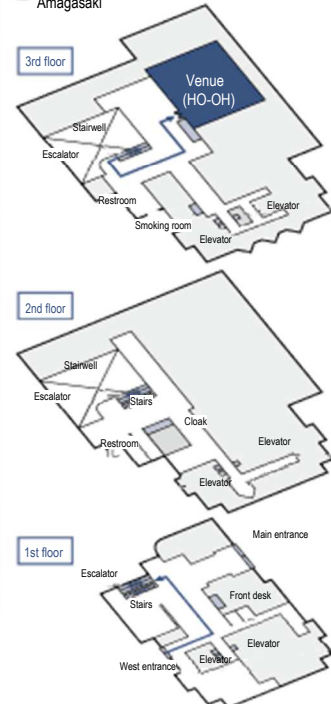
* Please use public transport to get to the venue since there is no parking lot dedicated for the Meeting.



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/>

