

Condensed Transcript of Q&A Session at MGC's FY2025 1H Results Briefing

Date/time: November 10, 2025 (Monday), 5:00–6:00 pm (webcast/teleconference)

Presenters:

Yoshinori Isahaya, Representative Director, President

Motoyasu Kitagawa, Director, Senior Executive Officer, in charge of Finance & Accounting Division and CSR & IR Division

Hideaki Akase, Director, Managing Executive Officer, in charge of Green Energy & Chemicals Business Sector

Kosei Kondo, General Manager of Finance and Accounting Division

(Note about this transcript)

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. This transcript was edited for clarity and brevity at the Company's discretion. Additionally, forward-looking statements, including plans and targets, contained herein, like those in the briefing's presentation materials, are judgments based on information in the Company's possession as of the briefing's date and certain assumptions deemed reasonable by the Company. Forward-looking statements involve uncertainty. Actual outcomes may differ substantially from such forward-looking statements as a result of various factors.

Q1: Roughly what monetary amounts do you expect to obtain as a result of each of the short-term intensive improvement measures? Also, my understanding is that, due to your focus on the Uniqueness & Presence (U&P) businesses, other businesses have contracted. What businesses will you target as you make your business portfolio more resilient going forward?

A1: The short-term intensive improvement measures are immediate measures we can carry out for the short term. We're examining details of measures right now and discussing various matters, including whether the fiscal scale of the measures will suffice. Please understand that it is hard to show specific figures right now. We're also considering moving in directions other than those we have taken to date on PC, MXDA, and other businesses.

Q2: My understanding is that your basic position—to focus on the U&P businesses—remains unchanged and that you continue to identify medium- to long-term measures while proceeding with short-term intensive improvement measures. Is that accurate?

A2: Exactly. We're proceeding with discussions with related parties on moving in different directions than we have through now. We cannot disclose specifics at this time, but we believe the time has come to revise the directions in which we have moved up to this point.

Q3: Do the impairment losses of 50.2 billion yen recorded on the MXDA Plant in Europe include damages for breach of contract in addition to impairment of all fixed assets?

A3: We impaired all fixed assets that had been recorded, but damages for breach of contract aren't included in the impairment loss amount. Moving forward, we will proceed with discussions with the construction contractor and ascertain whether there are any additional costs involved.

Q4: Since 1Q, I understand electronic materials have performed well, with both sales and profit increasing. What explains this? Also, you project lower sales and profit in the second half due to a reactionary decline from the first half. Have any specific signs of this decline appeared? In BT materials, I believe prices for both upstream glass cloth and downstream products are expected to rise. How have you incorporated price increases on BT materials?

A4: In response to the trend in 1Q, demand for BT materials remained strong in 2Q. Sales were up in 2Q compared to both the previous year and the previous quarter, and profit was up slightly from the previous forecasts. Viewed by use, both general-purpose products and low thermal expansion products performed well. Booming demand over the past half-year exceeded actual needs, which we mainly attribute to the trend toward securing inventories among customers with fears over a glass cloth shortage. As we enter the second half, demand for BT materials has begun to show signs of leveling off and we see a reactionary decline approaching. Profit will also decrease in the second half as we begin depreciation of the Thailand site in the second half.

The price increases are intended mainly to shift rising manufacturing costs to selling prices. We also raise prices to restrain receipt of excess orders. The price increases are limited to certain products and, given the balance of orders received, we expect the profit effect of the price increases to be limited.

Q5: What is the status of your initiatives regarding products for AI server use?

A5: New products in this area are currently undergoing customer evaluation. We expect it to take some time to secure share of the market for AI-related products. In addition, since glass cloth supply restrictions are expected to continue for some time, we expect the new products to come into full-fledged use beginning in FY2027. We want to capture some share of the rapidly growing BGA field in the near future by steadily gaining acceptance from customers.

Q6: For what uses of BT materials was demand especially strong? For what uses did demand start to slow? What product uses are subject to price increases? If you announce the price hikes, wouldn't a spike in demand have a mediating effect on the reactionary decline in the second half?

A6: Orders received for general-purpose and low thermal expansion uses were positive. While the price increases have an effect against excessive ordering, ordering for general-purpose uses already has started to slow. In consideration of current trends, we consider our forecasts for the second half to be valid.

Q7: Is the trend in demand for EL chemicals (chemicals for use in semiconductor manufacturing) similar to that for BT materials?

A7: While both product lines are used in connection with semiconductors, trends related to EL chemicals differ from those for BT materials due to the differences in customers and how they are used. Trends in the EL chemicals business continue to differ from plant to plant.

Q8: Roughly what percentage of BT materials overall will be subject to price increases? By how much will their prices increase?

A8: I can't comment on the specifics of price increases because they involve negotiations with customers. But since the products subject to price increases are centered on low thermal expansion products, they account for a certain share of BT materials.

Q9: Regarding impairment losses on the MXDA plant in Europe, you had planned to double the sales of the MXDA business. But the amount of the investment appears very high compared to the projected sales. Was the investment plan too optimistic from the start?

A9: The European plant project was impacted strongly by the fact that we had no expectations initially of the impact of the Russia-Ukraine conflict. In addition to high natural gas prices and rising labor costs, overall costs exceeded our plan. The investment amount increased by about 1.5 times on a euro basis, which also coincided with further yen depreciation. But we don't believe the strategy of establishing an MXDA production base in Europe itself is mistaken. Rather, we were too optimistic about costs and risks. That's what we regret.

Q10: Did you plan to export MX, a raw material for MXDA, from Japan, or to procure it locally in the Netherlands? If the first, will suspending plant construction lead to lower MX plant utilization and further impairment of MX equipment?

A10: We had expected to export MX from Japan, but we were also considering procurement in Europe as a BCP measure. Anyway, we didn't expect to launch full-scale operations of the European plant immediately after completion but to develop the MXDA market gradually. For this reason, we don't see an immediate impact on MX plant utilization from suspending plant construction.

Q11: Do you think there's a good chance of a reactionary decline in demand for BT materials? Do you expect the adjustment period in orders received to end during this period? Or do you think demand will spike before you raise prices? Regarding sales expansion for BGA use, while you already have secured a share of the BGA market for laptops, the primary customers appear to anticipate considerable growth in BGA for ASIC and other users through 2026. Given these trends, will your share of the BGA market grow even without waiting on the mass production of new products?

A11: A certain level of demand persists for smartphones and PCs. Growth in demand due to short supplies of T glass alone isn't enough to generate positive performance. But we still believe demand exceeds actual needs, and we've announced price increases to curtail excessive orders. While there are various perspectives on a reactionary decline, the short supply of T glass is a serious issue. We're exploring alternative materials, but we expect that to take time. We would prefer to produce other grades at the expanded Thailand plant. Despite results in the BGA market for laptops, customer evaluations for servers are currently underway. We expect some server-related sales in FY2027 and beyond.

Q12: Regarding BT materials, since you communicate with not only primary customers but also downstream customers, it must be fairly easy for you to ascertain the degree of gap from actual needs. To what extent do you think demand exceeds actual needs? Also, do you expect conditions to return to normal next fiscal year after completing demand adjustments this fiscal year?

A12: The supply chain for BT materials is extremely long and includes areas where final uses are unclear. For this reason, it's hard to show how much demand exceeds actual needs in quantitative terms. But considering the status of BT sales in this fiscal year and the balance of orders received, based on factors like semiconductor production forecasts, we believe demand may be too high. We also expect supply restrictions on glass cloth to be resolved in FY2027 or later.

Q13: Regarding shareholder returns, can you explain why on this announcement of the financial results you decided that dividends would remain unchanged and no treasury shares would be purchased? You posted an impairment loss on the MXDA business, but that was a non-cash loss, and free cash flow has improved YoY. The D/E ratio is approaching the minimum limit of the range, and PBR remains less than one. What's your response to these conditions? Could you explain your thinking on returns to shareholders?

A13: We expect to record a loss attributable to owners of the parent this fiscal year, but no KPIs have reached problematic levels. We believe it's appropriate to maintain the existing policy on shareholder returns.

Q14: The Consolidated Financial Results presentation refers to short-term intensive improvement measures. Does this point to additional investments to promote additional measures at some point in the future?

A14: A chemicals manufacturer can't move forward without investing in growth. We plan to respond appropriately when identifying prospective investments in growth.

Q15: What were the conditions in the polycarbonate business in the first half compared to the first half of previous fiscal year, including the business environment and sales strategies? What's the current outlook for the second half?

A15: We've been able to maintain sales volumes for high-added-value products, but profitability has declined due to falling market prices for general-purpose products. In the second half, we expect market prices to continue to decline while fixed costs increase at sites in Japan. We do expect profit/loss to improve in the second half at certain sites—for example, in Thailand—but we project lower profit for the PC business overall.

Q16: Is the increase in fixed costs at sites in Japan due to scheduled maintenance?

A16: While I can't go into the details, the increase in fixed costs may include factors other than scheduled maintenance.

Q17: Are you considering any far-reaching decisions—for example, shrinking the scale of the PC business—as you promote measures to improve business performance? Given market conditions remain sluggish, won't that business further deteriorate next year if you don't move to make capacity reductions now?

A17: Our Chinese competitors have adopted the strategy of increasing capacity even if it leads to oversupply. We believe we've reached a crossroads—we need to review the production structure and target scope of our PC business, and we're currently studying what kind of structure would be optimal. But whatever the case, simply staying on the current track isn't a solution. We will consider various options, including the possibility of a drastic change of course.

Q18: I'd like to ask about the increase and decrease factors of operating profit vs. the previous forecast shown on slide 12. Specialty Chemicals, including EL chemicals, account for a negative quantity factor. Is this due to inventories accumulated in the supply chain? Or does it reflect production on the customer side? What are the background reasons for the revision of the forecast?

A18: The recovery in demand for EL chemicals on the customer side is delayed. Lower polycarbonate market prices also contributed to the lower profits.

Q19: Looking at the former specialty chemicals segment on slide 29, why is the decrease in ordinary profit just 100 million yen while operating profit fell by 1.5 billion yen from the previous forecast?

A19: Ordinary profit declined only slightly due to improvements in non-operating items other than equity in earnings of affiliates.

Q20: Is the outlook for optical materials unchanged from previous forecasts?

A20: There have been no major changes in the profit outlook from previous forecasts.