

Condensed Transcript of Q&A Session at MGC's Management Overview Presentation

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(Note about this transcript)

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Q1: While demand for semiconductors is slowing for home electronics and other consumer products, demand for AI-related applications appears to be greater than expected. Are you seeing more growth in semiconductor-related businesses than when you formulated the Medium-Term Management Plan? How are you responding to new package structures and cleaning needs?

A1: The electronic materials business, including BT materials, is showing stronger growth than we anticipated. AI market growth seems to be a powerful trend in which AI will be embedded across society as a whole, not a temporary boom. We expect this growth to continue. We're not especially worried about consumer applications, since we expect growth in AI to contribute to demand in that

sector—for example, by resulting in the incorporation of AI features into smartphones. Various technological trends are currently underway regarding new package materials. We're developing and proposing various materials based on ongoing dialogue with customers.

Quality demand is growing for chemicals for use in semiconductor manufacturing (EL chemicals). Due to changing semiconductor types, the balance with other chemicals, and other factors, the quality control requirements are more rigorous than in recent decades, and we're aiming to establish our quality advantages.

Q2: Despite the issue of the glass cloth shortage, amid demand for properties like low thermal expansion and low dielectric dissipation factors, don't you expect growing use of BT materials, since these resins themselves are low-CTE? Would it be possible to propose new materials—for example, build-up films in response to future use of organic interposers?

A2: While it's true that the supply of glass cloth is currently restricted, we expect to be able to respond by offering combinations of our BT materials and glass cloth substitutes in certain fields. We're also making steady progress on developing build-up materials and collecting customer evaluations, and will continue the dialogue with our customers.

Q3: Can you tell us about the technological advantages, customer evaluations, and adoption trends of AI-related applications of the RS materials, a new grade of BT materials? Also, there are expectations for growing demand for CPU applications in addition to your traditional strength of memory applications. Why are your sales forecasts for FY2026 so conservative relative to the projected market growth? Furthermore, can you say something about growth opportunities and future prospects for OPE in AI-related markets?

A3: In forecasting the performance of BT materials, we consider both volume and unit price. In terms of volume, while limited procurement of glass cloth is an issue, use of glass cloth substitutes is boosting production in some areas. With respect to unit price, although we're making progress on price revisions, it will take time for the new prices to roll out due to the effects of back orders. Results for RS materials are in line with expectations in terms of both performance and the high degree of freedom in choice of raw materials, since we can use E glass in addition to low CTE glass. And customer evaluations are favorable. While capturing steady demand for memory applications, we plan to promote growth in BGA market share by expanding sales of RS materials and expanding their use for AI-related applications.

OPE shows continued growth in connection with growing AI-related markets. We believe we can meet market needs amid ever higher requirements for quality and performance. Going forward, we anticipate growth in the wireless telecommunications infrastructure field in addition to AI applications. We plan to take action to benefit from growing demand in this field as well.

Q4: The reorganization of Mitsubishi Engineering-Plastics Corporation (MEP) still has some way to go. Can you tell us about its current issues and future courses of action?

A4: We understand that the MEP reorganization has not fully demonstrated the effects we expected initially due to factors including China's growing presence in the polycarbonate (PC) market and the rising cost of raw materials. At the same time, we will shave off our production capacity from about 450,000 t/year to about 300,000 t/year by means including a plant closure at the Kashima Plant and the termination of an offtake contract with a business partner. We are making progress on a full-fledged shift from quantity to quality. We will promote the development of new fields with a focus on development in high-value-added domains, in which the strengths of our products, like transparency, make a difference.

Q5: I understand that you are in the process of evolving into a company with a market-driven approach, operating from a policy of developing new products in joint efforts with customers. Can you tell us about the expectations for each of these new products?

A5: A market-in approach inevitably results in competition with followers such as Chinese manufacturers, since the goals are determined in advance. But with a market-driven approach, we can differentiate ourselves from the competition by creating markets alongside our customers from the initial stages.

We believe that we offer technological advantages over our competition in BT materials due to the importance of factors like resin adhesion.

Regarding the new semiconductor cleaning solution, which a Taiwanese manufacturer had adopted for use in a specific process, we recognize the need to revise the R&D structure, since customer evaluations are taking longer as semiconductors grow more advanced.

For OXYCAPT™, we're moving toward launching this product alongside our customers, and evaluation results indicate that the product may become the *de facto* standard in advanced medicine. We're currently awaiting approval from the FDA and other regulators. We expect it to be an

effective package for any medical procedure due to its strong carbon dioxide barrier performance under low temperatures.

Q6: What potential is there for new EL chemical products—for example, the possibility of deployment in markets other than Taiwan?

A6: Cleaning solutions need to be developed in close cooperation with customers. We're promoting development efforts at various sites, including those in Taiwan and North America, while maintaining our research hub in Japan, to make it possible to horizontally deploy results in a timely manner.

Q7: My question concerns your thinking on more disciplined investment and business portfolio categories. Your business portfolio is currently divided into four categories. But amid major changes in the business environment, some businesses appear to face issues with profitability, even among U&P businesses. How do you plan to modify these categories going forward? My understanding is that your policy is to prioritize allocation of management resources to U&P businesses. But since there are so many U&P businesses, don't you see the need to consider more stringent standards or to focus on narrower themes?

A7: Previously, we couldn't precisely monitor projects for which investment decisions had already been made. Going forward, we will strengthen our investment discipline by thoroughly monitoring changes in the market environment based on data-driven management even if construction of plants is underway. Regarding business portfolio categories, with the rise of Chinese competitors, it will no longer be possible to continue maintaining advantages based solely on unique technologies or the businesses in which we have a presence. Under the next Medium-Term Management Plan, we will revise the U&P business categories while ascertaining market conditions and considering matters from a best-owner perspective.

Q8: You appear to have invested too much capital compared to in the past. As you focus on ROIC, shouldn't you consider controlling the investment budget to the extent that you can maintain your competitive strengths? It also seems to me that you will eventually need to enhance investment discipline and the related decision-making processes. What are your thoughts?

A8: As a chemicals manufacturer, we believe we must continue making strategic investments. We have to invest aggressively in areas where we can succeed. At the same time, although we've

allocated investment budgets to two business sectors so far, in the next Medium-Term Management Plan, we're considering allocating investments in line with the profitability and growth potential of the individual businesses. We're considering strengthening investment discipline through an approach in which a business with outstanding profitability and growth potential, for example, would be eligible for even more investment in growth, while investment budgets for other businesses would be restricted.

Q9: Profitability and ROIC appear to be unsatisfactory in the businesses other than the three ICT businesses. What businesses do you believe will need structural reforms going forward?

A9: We believe we need to move from products that are difficult to differentiate from Chinese manufacturers and other competition to products and businesses that focus on meeting customer needs. Rather than simply discontinuing businesses, we plan to consider ways to transform them into attractive businesses by drawing on our core strengths. The next Medium-Term Management Plan will set targets for profit margin in place of sales figures, and we will review the progress of structural reforms in each business at the end of FY2028. For example, if a business is lagging in growth but has the potential to generate profit exceeding WACC, we would continue to operate it as a cash cow. We plan to take this approach to assessing the potential of each business.