



While building corporate value by expanding the businesses that represent our uniqueness and presence (U&P businesses), I am managing the Company with a greater focus on capital efficiency.

Masashi Fujii

President and Representative Director

Review of our previous Medium-Term Management Plan

Active investment in differentiating businesses despite an increasingly uncertain world economy

A series of major changes, including the pandemic, related economic slowing worldwide, rising prices for raw materials and components, stalling of the Chinese and European economies, and the rise and fall of semiconductor demand, have characterized the past three years. On top of those factors, the Russian invasion of Ukraine and resurgence of geopolitical risk in the Middle East have made the trajectory of the world economy harder to read.

Despite the challenging environment, the MGC Group has been actively investing in equipment, mainly for differentiating businesses. At the same time, we have discontinued production of low-margin formalin and polyol products, reorganized our engineering plastics business, and removed JSP from our consolidated accounting. We have substantially increased efficiency by moving from an internal company system to division-based operations and unifying research and development into a single organization. These initiatives have increased profits from our differentiating businesses. Our initiatives to raise efficiency and add value to the products of our foundation businesses, mainly methanol, have made them more resilient amid market fluctuations.

We owe these positive results to the creativity and diligence of our individual employees built over time. In the new normal under pandemic

conditions, each employee got their job done by making the most of digital tools, maintaining smooth management of plant construction abroad and bringing in new customers. In July 2024, we completed the expansion of an ultra-pure hydrogen peroxide production plant in Oregon, and the Rotterdam Plant we started building in 2021 will be ready for production of meta-xylenediamine (MXDA) in the latter half of fiscal 2024. Our investment in these production facilities helps us accelerate our priority shift toward differentiating businesses and increase resilience in our earnings structure. Our construction costs rose by roughly 20% from our initial plan due to rising prices for raw materials and components, and work fell behind schedule somewhat. We followed through on our projects with the strong conviction that these are growth opportunities we must not miss.

So most of the initiatives to help reform our business portfolio advanced in the previous Medium-Term Management Plan are showing progress. We ended the plan's third and final year with ¥813.4 billion in net sales, ¥47.3 billion in operating profit and 6.1% ROE. The heavy impact of the semiconductor market entering a down cycle, however, kept our profit goals out of reach. Further enhancement of our U&P businesses and pass-through pricing will present challenges going forward.

Understanding the issues and our new Medium-Term Management Plan

We continue improving our portfolio, paving the way to our next growth phase

With world conditions less certain than ever, I think it's important to carefully watch the trends in world politics, economies and energy, apply what we see in making our own projections and analyses of changes in social structures over the long term, and do our business in that context. Since 2000, real GDP in the developing world has been growing faster than that of developed nations. We can therefore project that

population growth and economic development in developing countries will likely increase world energy consumption. As the nations of Asia and Africa build reputations as drivers of the world economy, it's essential that we chemical manufacturers consider and envision how to meet rapidly growing energy demand and how to shift to renewable energy in creating strategies and action plans.

Taking a fresh look at the Group, it's clear that over the past three years we have improved our skills in linking issues that have arisen with action in business. Nevertheless, we can still do more to creatively imagine our big-picture future in the breadth of world currents and shape new products. As a corporate group, we have been growing with a proud challenger spirit that makes it possible to dig in and build businesses that are firsts in Japan and firsts in the world. But I'm concerned that our identity as challengers and entrepreneurs has been waning a bit recently.

Our people involved in electronic chemicals, BT materials and other semiconductor-related businesses have the skills to produce high value within strict parameters. With great pride, I call the MGC Group one of the world's best in terms of organizational power and the sense with which we wisely invest in technologies around semiconductors while developing high-performance products, making the most of our strong customer relationships. Going forward, we will need more imaginative power to ride the coming waves and explore the growth markets of the near future.

With the world changing every second, continually emerging social issues require changes in industries and markets. For us, business portfolio reform is a never-ending theme, so we've designated the new Medium-Term Management Plan, which started in April 2024, as the second half of our reform program, and set two major objectives: strengthen the resiliency of our business portfolio and promote sustainability management.

Our top priority is reaping the results from major investments made during the previous Medium-Term Management Plan, and accelerating where we need more speed to reach our goals, such as reinforcing our ability to pass on rising costs to prices, creating and developing new businesses, and restructuring businesses requiring intensive management to shift to more resilient earnings structures. We are also putting more effort than ever into initiatives to realize carbon neutrality. We are working to remain a corporate group that wins the trust and compassion of our stakeholders on our strengths of key basic technologies, expertise and specialized personnel.

Over the three-year period of the new Medium-Term Management Plan, we will pave the way to our next growth phase through research to explore new fields and collaboration with other companies, while expanding in fields offering high growth and earnings, such as semiconductors and optical materials. Part of my mission as an executive is to personally approach all employees and encourage them to once again infuse the challenger spirit into their work in every business field. I believe we can ensure our footing on this journey to grow as a group by setting high goals every three years, and as individuals by imagining ourselves a few years from now and stretching our personal goals.

As part of this plan, we created the vision for MGC in 2030, which sets both financial and non-financial goals for six years out and a path for balancing social and economic values as we work to achieve them.

In pursuit of sustainability

Deep involvement in the shift to a more sustainable society as a chemical manufacturer

Under the current Medium-Term Management Plan, we are building corporate value by expanding U&P businesses and managing our operations with priority on capital efficiency, through optimal pricing and rebuilding, downsizing or withdrawing from unprofitable businesses. We are also highly conscious of capital costs in managing each

business. In December 2023, we converted former consolidated subsidiary JSP Corporation, where a governance issue drew our attention, into an affiliated company using equity accounting, and ended our parent-subsidary listing.

For the medium and longer terms, it's important for us to be deeply involved in the social movement



toward sustainability as a chemical manufacturer. Imagining the rise of new energy sources like hydrogen, we must orient our businesses toward low energy consumption in production processes and high added value. We will raise Group sustainability by continuing to embrace the challenge of leadership in new markets for biopharmaceuticals, the next generations of semiconductors, quantum computers, robotics and the like.

In our focus on carbon neutrality, we are pursuing innovative collaborations with companies in Japan and abroad, universities and national and local governments. To ensure that society can afford to implement these ideas, it's important to expand overseas operations and refine our technologies through joint efforts with local partners.

MGC is continuing to investigate CO₂ capture-and-storage (CCS) technologies, a hopeful key to decarbonization. We have experience in developing natural gas fields and the specialists, technologies and expertise needed for CCS. By optimizing these unique advantages, we are making progress with R&D related to capturing, storing and utilizing CO₂. To delineate our management direction — further expanding U&P businesses and creating value chains by greening operations from upstream on down — we redesignated our Basic Chemicals Business Sector as our Green Energy & Chemicals Business Sector in April 2024.

The current Medium-Term Management Plan puts priority on value creation in the ICT, mobility and food/medical fields, and on R&D to resolve challenges in the environment and energy fields. For

a chemical manufacturer, progressing from planting the seeds to harvesting the results ordinarily requires R&D over very long time spans. Our current focus on the food/medicine field comes from our conviction that we have to start preparing 10 to 20 years in advance of our goals. The Research & Development Division takes note of any technologies the Group is lacking that could fast track R&D, while considering possible partnerships with startups possessing technologies we need. We can expedite steady product development over spans of decades by creatively visualizing the future and the products it will demand. So I think we have to actively talk with people both in and outside the Company about how we can best pursue sustainability and foresee our future with a broader view, expanding beyond the chemical field into the wider world of science. As a base for promoting creative product development, we established the MGC Commons, a new innovation center, in December 2023. In the MGC Group, the challenger spirit of our people leads directly to corporate growth. I see leading our over 7,000 employees to the creation of new value as one of my most important missions. This is why I publish a monthly column on the Group portal site.

It's often said that it takes the power of each employee, a strong corporate culture and good strategy to build corporate value, and I firmly agree. As the helmsman of the good ship MGC, I'm setting our sails broadly to catch the best winds on our journey to realizing long-lasting, sustainable corporate value.