

## Message from the President



**We will enhance the Group's overall profitability by strengthening the resiliency of its business portfolio through the creation of new businesses and the restructuring of existing businesses in line with our ideal for what a chemical manufacturer should look like in 2050.**

**Yoshinori Isahaya**

President and Representative Director

### Shifting to a Market-Out Orientation

## Quickly and Accurately Capture True Customer Needs and Create New Products with Customers

I took office as President and Representative Director in April 2025, and the grave responsibility of holding the future of the Group in my hands is sobering. I am determined to focus on the process of building corporate value, working to make an excellent company with the uniqueness and presence that our Vision stipulates.

I think that my nomination, as I was overseeing R&D, illustrated the management crisis the Group was facing. In our quickly and radically changing business environment, we saw difficulty ahead in maintaining our lead over the global competition unless we could become a more customer-oriented corporation on the strength of R&D.

In recent years in particular, China has been gaining market presence. In theory, our R&D initiative called for building brick by brick, but maintaining such an approach would allow Chinese and other competitors to foresee our product development scenarios and leapfrog\* our advances. This has remained a concern since our time under my predecessor, Masashi Fujii. In 2020, we reorganized the separate R&D divisions of our internal companies and unified them under our corporate Research & Development Division to break down divisional walls and accelerate development with growth-oriented investment. Certain facets of traditional R&D practices remain today, and I see challenges in increasing our speed and efficiency. The time is past when we could easily sell excellent products and compounds, telling a business story built solely on chemical formulae. Now, we must end our passive

approach of waiting to be chosen by customers, and return to the basic principle that we can only sell the materials and ingredients that they want.

Given this understanding, I think we have to spread the “market-out” concept across the Group. This means truly understanding customer needs and creating new product groups through continuing dialogue. In other words, we have to go deep into the process of identifying sought-after chemical functions and develop products for and with customers to meet their needs rather than suggesting innovative products one by one, like dots.

Going forward, we are accelerating our solutions-oriented business with a focus on specific customer needs, connecting those dots to identify areas for creative R&D. Like our Specialty Chemicals Business Sector, some of our businesses already enjoy fantastic, collaborative relationships with customers, and develop chemical functions with new value never before seen on the market together. In general-purpose products, we are shifting to creating the value that customers need, but we still have some way to go.

The core of the MGC Group is undeniably chemistry and manufacturing. So with our eye to what we think a chemical manufacturer should be in 2050, we will adjust our business portfolio and earnings structure.

\* Leapfrog: A phenomenon or strategy in which companies and organizations lagging behind skip incremental technological development processes, leap over those ahead to introduce cutting-edge technologies, and get ahead

## Transforming the Business Portfolio

### Create and Cultivate New, High-Value-Added Businesses to Replace Those with Low Profit Margins

Looking toward 2026 under the current medium-term management plan (MTMP 2026), we are focusing on recouping large investments made under the previous medium-term management plan (MTMP 2023) in support of our Uniqueness & Presence concept. Unfortunately, the results for fiscal 2024, the current plan's first year, were below our initial projections profit-wise because the semiconductor market, leaving aside that related to generative AI, was so slow that profit from our growth engines driving earnings for the entire Group, electronic chemicals and BT materials, could not cover it. We are nevertheless maintaining steady investment for future growth, including in R&D.

In information and communications technology (ICT), we need systems to better capture customer needs in a rapidly changing market environment. We are strengthening our earnings power by making timely investments in equipment on top of new technology and product development using DX.

We have advanced a variety of initiatives to help achieve carbon neutrality and will actively continue them going forward, as they hold great

potential to help create a carbon-recycling society. We imagine promoting these initiatives for a fairly long time while keeping abreast of necessary social consensus.

On the other hand, we compressed our deficit during MTMP 2023 by withdrawing from unproductive markets and transferring nonperforming businesses. At the same time, we must not be complacent about businesses that are currently making profits. Cases in point are businesses with low profit margins and ROIC not far above cost of capital. Discussing whether to continue with these businesses from the best-owner perspective is essential to maintaining our competitive edge globally. So, as I mentioned, we will shift toward chemical products offering reliably high margins and functions capable of addressing individual customer needs.

It will be challenging to achieve our vision for MGC in 2030 of over 12% ROE by only brushing up existing businesses. We must create and develop new businesses that help us maintain our strong advantage in price negotiations, and withdraw from low-margin businesses. Rather than a reform, I see this as natural and positive portfolio

#### MTMP 2026

##### Objective 1

###### Strengthen the resiliency of our business portfolio

###### Strategy 1

Focus on "Uniqueness & Presence"

###### Strategy 2

Build new value through innovation

###### Strategy 3

Restructure businesses requiring intensive management

##### Objective 2

###### Promote sustainability management

###### Strategy 1

Accelerate initiatives for realizing carbon neutrality

###### Strategy 2

Enhance human capital management

###### Strategy 3

Promote materiality management

**Promotion of strategies to increase corporate value for realizing management with an awareness of cost of capital and stock price**



cycling to prevent a decline in the Company's financial health. I understand that it is also my responsibility to promote this kind of beneficial cycle within the Group.

I will focus not only on the Group's short-term earnings power, but resource allocation as well, with the future always in mind. In our three priority segments, mobility, ICT, and medical/food, we will concentrate investment of our accumulated technologies and human capital to create and develop products that meet customer needs. With few points of contact with other Group businesses, the medical/food segment is difficult to capture with a tactile sense. It has a wavelength completely different from the product cycles of other businesses, and I want to explore it as a potential contributor to a stronger portfolio overall. I plan to create a new generation of medical/food businesses by promoting open innovation through collaboration with academia and companies from other industries, while making progress

with applications for existing technologies and verification of new technologies we have jointly created and developed with our business partners.

We value quick, efficient achievement of our Group R&D targets. We see three years as a unitary span, and if a project does not move to the next stage in a three-year period, I will call for a review, looking at marketability and asking whether something is missing technologically that we can supply. In managing R&D and a broad range of other projects, I pay special attention to ensure that employees remain motivated. I consider work environments in which employees can stay passionately engaged with never-shaken morale and ambition to be an important component in the beneficial cycle promoting corporate health and high earnings. Going forward, I will be conducting active interdivision dialogue among employees, with corporate headquarters playing the role of compass for each business to help employees achieve higher productivity.

#### Innovation and Sustainability

### Pursue Uniqueness & Presence with Diverse Personnel, Multifaceted Views, and Abundant, Flexible Ideas

The MGC Group is smaller in scale than its competitors in Japan and throughout the rest of the world, but the influence our businesses have on society is not small. Our products sustain the foundations of a wide range of industries and exert a powerful market presence worldwide. We are positioned to contribute substantially to the sustainability of society through our businesses, so sustainability management is extremely important to us. The MGC Group Mission is "creating value to share with society," and we consider balancing

social and economic values to be the path to happiness and satisfaction for all our stakeholders.

Above all else, building a carbon-recycling society is the challenge we must address to keep the world we live in sustainable over the long term, and we are equipped with excellent technologies and product groups for that purpose. We cannot build a carbon-recycling society on our own; that task involves the cooperation of our entire society. In our environment-related businesses, we make it a rule to value consensus with society,



and avoid ego trips. We constantly monitor global trends toward carbon neutrality and work to help build sustainable markets, compatible with the policies of foreign governments, on pace with social development. Going beyond environmental contributions, we work closely with upstream and downstream players to create products and businesses that not only contribute to the environment but also perform well in the markets.

Whatever their level of innovation, products and social systems spread only when people feel the value they bring to their lives and work. Smartphones are a good example. They proliferated rapidly as people saw the distinct value of having a personal computer, telephone, and camera combined in a single handy device and the range of applications increased. Among MGC Group businesses, we are developing Carbopath™, a circular carbon platform that provides society with new value by producing energy and materials from CO<sub>2</sub> and waste via methanol, as a next-generation infrastructure for society, and have to communicate its value and advantages directly to people in the business world and national and regional governments through every opportunity, such as trade shows.

This is not limited to the chemicals industry. In pursuing innovation, we tend to create things that are completely new, based on technologies in which we excel. What is more important is accurately understanding customers' issues and taking action to help resolve them. This does

not necessarily require cutting-edge technology, as combining existing basic technologies and expertise will often do the trick.

To sharpen this kind of thinking and sensitivity to identifying customer concerns while working to be a truly R&D-oriented company, our medium-term management plan cites "enhancing human capital management" as a priority policy. Lately, I have been telling those in charge of recruitment to hire non-chemists as well, because I feel a sense of crisis about our singular viewpoint. That is why I think promoting DEI as a policy, cultivating personnel capable of maintaining diverse viewpoints, helps us pursue and advance our Uniqueness & Presence concept.

As a young researcher, I faced a number of challenging circumstances, including serving as the sole person responsible for exploratory research on an optical polymer that had yet to grow into a key material supporting our business. However, I was able to overcome these challenges thanks to MGC's corporate culture that celebrates those who take on new challenges and values open-minded communication. Drawing on this experience, I will strive, as the President, to nurture this unique corporate culture and thereby encourage all employees to be even more proactive in taking on diverse challenges without fear of failure.

I would like to express my sincere gratitude to our shareholders and investors for your continued support and understanding.