03 Management Strategy Section

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Progress with Our Medium-Term Management Plan

Review by the Director in Charge

In preparation for the next medium-term management plan, we will greatly enhance our ability to strengthen the resilience of our business portfolio.



Chika Kobayashi

Director, Managing Executive Officer
In Charge of Compliance, Responsible for Corporate Planning, and in Charge of Internal Audit Division and Information Systems Division

Acceleration of Reform Without Sacred Cows

In line with the current medium-term management plan (MTMP 2026), we are strengthening the resilience of our business portfolio by concentrating management resources on Uniqueness & Presence (U&P) businesses that are “Growing,” “Winning,” and “Sustainable” and which can achieve both social and economic value. In particular, businesses in the AI semiconductor field are representative of the type of businesses on which we are focusing investment as they are expected to realize strong growth, to enable the passing on of rising costs through the provision of high-value-added services based on the utilization of proprietary technologies, and to achieve high levels of profitability and capital efficiency. Similarly, for businesses that contribute to the realization of a carbon-neutral society, our commitment to giving priority to realizing returns over the medium to long term is as steadfast as ever. Our basic stance remains unchanged because it is essential for the continuity of our businesses.

At the same time, in businesses with low profitability and capital efficiency, which we categorize as “businesses requiring intensive management,” we are moving beyond a business-as-usual mindset to implement swift, fundamental reforms. Given the intensification of global competition, rising costs, and the increasing opacity of the current business environment, leaving decisions on investment and withdrawal solely to business sectors risks the preservation of low-profit businesses, which would continue to deplete corporate value. Therefore, rather than entrust decisions to business sectors, the Group has adopted a policy whereby corporate sectors actively engage in reforming the business portfolio from the perspective of Groupwide optimization and capital efficiency while supporting the implementation of necessary reforms. The Corporate Planning Division plays a central role in advancing this policy.

Further Systematic Reinforcement to Strengthen the Resilience of Our Business Portfolio

In February 2026, we decided to discontinue the construction of a meta-xylenediamine (MXDA) manufacturing facility in the Netherlands. We have maintained a dominant share of the global market for this product for many years by utilizing the advantages of our proprietary manufacturing process. We were constructing the European facility with the aim of strengthening our competitiveness even further. However, the assumptions upon which the business sector had based its plan changed significantly due to a hike in construction costs, construction delays, rising material and energy prices, market sluggishness, and the entry of Chinese competitors. In response to these changes, around June 2025 a committee led by the Corporate Planning Division was established. Through in-depth involvement that included the compilation of reports on the business environment and the clarification of key points, the committee provided support to the management team, enabling it to make an informed decision that resulted in withdrawal from the project.

The aforementioned project has reaffirmed that, rather than entrusting business sectors with decisions on operations that lack clear future strategies despite their return on invested capital (ROIC) being below the weighted average cost of capital (WACC), we should include such operations in discussions on the Group’s business portfolio at meetings of the Board of Directors, thereby expediting decision-making. In the fall of 2025, to support such decision-making, we established the Business Portfolio Resilience Strengthening Task Force, comprising personnel from business sectors, the Corporate Planning Division, the Finance & Accounting Division, the Investor Relations Department, and other divisions. To give one example of the task force functioning effectively, in March 2026 we decided to discontinue production at the Kashima Plant’s polycarbonate (PC) plant, which has seen a deterioration in profitability, by the end of March 2028 and to withdraw from the domestic production of PC.

Toward Full-Fledged Implementation of ROIC Management

The Group is characterized by a business portfolio comprising a variety of niche-leading products. To enhance capital efficiency Groupwide, every business and base—without any exceptions—must operate with a focus on capital costs and capital efficiency. For this reason, under MTMP 2026, we are promoting ROIC management that focuses on improving capital efficiency and taking into consideration capital costs. As well as holding briefings throughout the Group to promote understanding of ROIC management, the Corporate Planning Division has established an ROIC breakdown tree to ensure that the management approach becomes embedded at the operational level. We break down ROIC in alignment with the characteristics of our operations and then incorporate ROIC into KPIs and action plans that reflect the characteristics of respective businesses. Moreover, during the preparation of business plans, we require each business sector

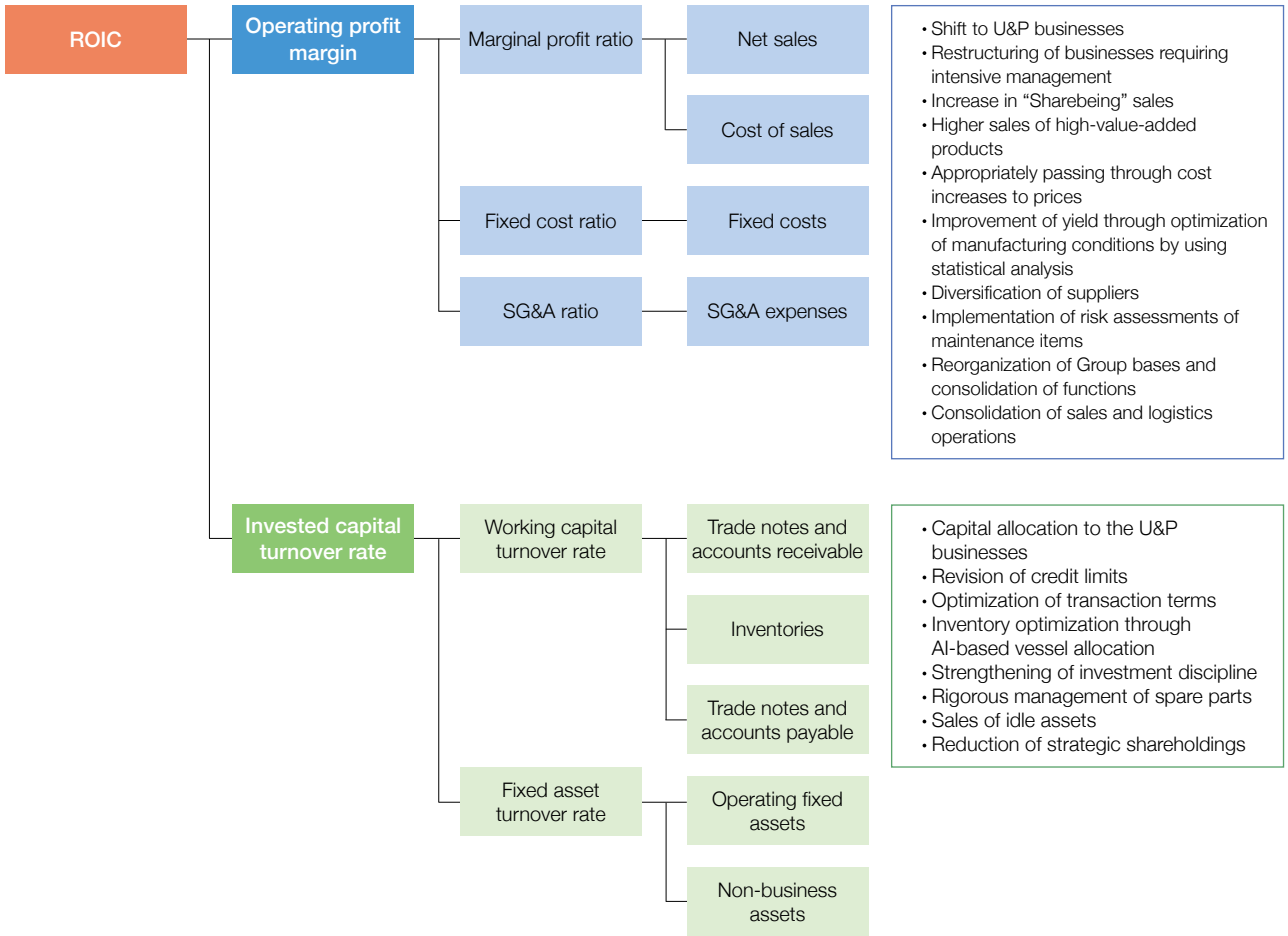
to submit specific measures for improving ROIC in addition to forecasts for profit and loss, balance sheets, and cash flows.

To facilitate our transition to a phase of full-fledged implementation of ROIC management under the next medium-term management plan, we are also further strengthening management information infrastructure. In December 2025, the Digital Advancement Preparation Team was newly established in the Corporate Planning Division. By centralizing and visualizing management data, we aim to pave the way for data-driven business management that is based on facts. Further, to rectify discrepancies in understanding between the Corporate Planning Division and business sectors with respect to the causes of business results, we have adopted Five Whys analysis, a problem-solving method that identifies the root causes, or real causes, underlying superficial phenomena. We also plan to strengthen investment discipline and further clarify our exit criteria. In addition, we will establish a process in which business sectors take the lead in breaking down ROIC improvement measures so that they can be readily incorporated into frontline operations, thereby enhancing effectiveness of said measures.

On July 21, 2026, the Financial Services Agency and the Tokyo Stock Exchange published a revised version of Japan's Corporate Governance Code. The revised version requires companies to verify and explain to external stakeholders the allocation of management resources in line with management strategies, including growth investments and business portfolio reform. To further enhance our ability to strengthen the resilience of our business portfolio, we must proceed with the ongoing separation of oversight and execution and facilitate deeper discussions at meetings of various committees and the Board of Directors. To this end, a shift in our mindset is also crucial. With the aim of raising awareness and fostering a deeper understanding of the importance of business portfolio reform and the essentials of ROIC management, we are currently holding monthly study sessions and roundtable meetings with members of the Expert Panel on the Revision of the Corporate Governance Code as well as executives who have actually implemented ROIC management. We also ask our guest lecturers to provide candid opinions on our issues from an external, objective perspective.

We are viewing fiscal 2026 as a critical period for establishing measures aimed at resolving the issues identified by MTMP 2026. Under our next medium-term management plan, we will seek an increase in corporate value by greatly enhancing our ability to strengthen the resilience of our business portfolio.

ROIC Breakdown Tree



Business Investment

Business Investment Process and Results

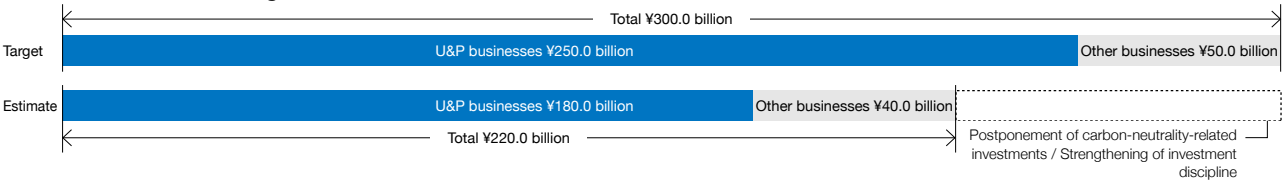
As a basic principle, each business sector executes investment and financing within the scope permitted by their own operating cash flows. However, for projects related to Companywide strategy or the creation of next-generation businesses, we have introduced an investment budgeting system that allows proposals for investment and financing amounts beyond the scope of an individual business sector's operating cash flows, thereby accelerating growth investments while utilizing a certain degree of leverage. Investment and financing that are subject to deliberation by the Operations Council are reviewed in advance at screening meetings held under the leadership of the Corporate Planning Division, enhancing the precision of investments and furnishing more robust management of investment risks. Even after investments are executed, each quarter, metrics such as return on invested capital (ROIC) and cash conversion cycle (CCC) for each business management unit are shared internally, including with senior management, to ensure ongoing monitoring of capital profitability.

For the period under medium-term management plan (MTMP 2026), we originally planned investment and financing totaling ¥300.0 billion. However, following a review of carbon-neutrality-related investments and the increasingly challenging circumstances affecting the MXDA Europe project, we reinforced investment discipline. As a result, total investments, based on investing cash flows, are expected to fall below what was initially planned. To realize steady returns, we will focus on the execution of investment and financing within an appropriate scope and further strengthen investment discipline.

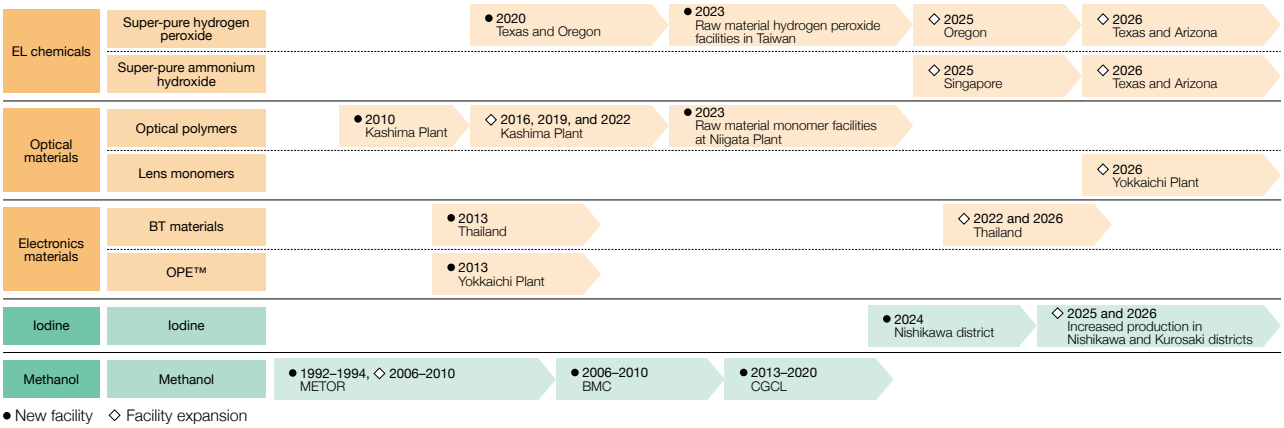
Investment Budgeting System

Investment budget	Budget for each sector	Specialty Chemicals Business Sector Green Energy & Chemicals Business Sector Corporate Sectors (research labs, etc.)	We set operating cash flows less dividends as the investment budget for each sector.
	Management budget	Following individual screenings, we allocate investment funds beyond each sector's investment budget (above the cap) to projects related to strategy for the entire Company, ESG, or the creation of new/next-generation businesses.	

Investment and Financing Under MTMP 2026



Main Investment and Financing Projects in U&P Businesses to Date



● New facility ◇ Facility expansion

Strengthening of Investment Discipline

In response to the discontinuation of the MXDA Europe project and delays in realizing returns from other investments, we are working to strengthen investment discipline. For each project, we have begun monitoring on a quarterly basis changes in supply and demand in target markets, competitor trends, and overall changes in the business environment as well as commencing the monthly management of construction costs and schedules while strengthening the research and analysis function of the Corporate Planning Division. By verifying the accuracy of market information and peer-company trends provided by business sectors and having a more in-depth understanding of the business environment, we will sharpen our ability to forecast future trends.

Moving forward, we will endeavor to make improvements to investment systems, including by strengthening resource allocation management and reviewing investment profitability indicators, and promote disciplined growth investments.

Overview of

Current Medium-Term Management Plan

Objective 1 Strengthen the Resilience of Our Business Portfolio

Strategy 1

Focus on “Uniqueness & Presence businesses”

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

The current medium-term management plan (MTMP 2026) serves as a guide for the realization of our vision for MGC in 2030. We are advancing measures with the aim of realizing two objectives: strengthening the resilience of our business portfolio and promoting sustainability management.

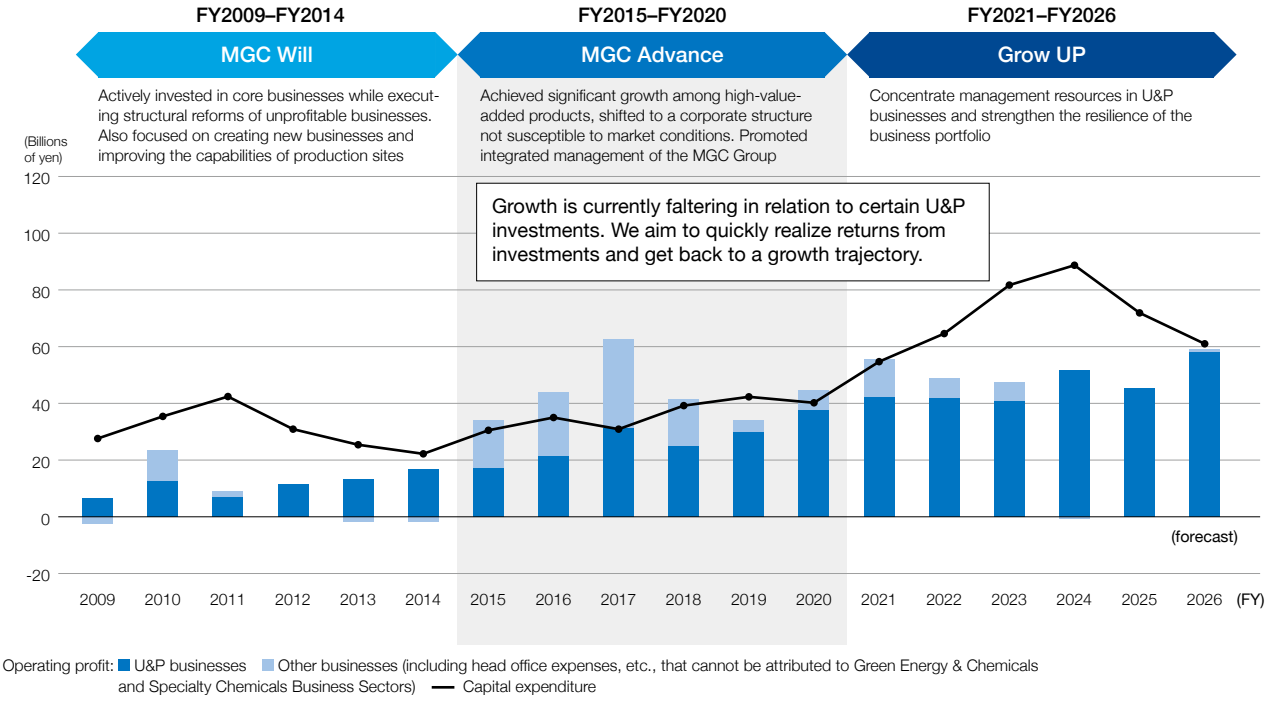
To increase capital efficiency Groupwide, we are concentrating management resources on Uniqueness & Presence (U&P) businesses, which can sustain growth by creating both social and economic value. Further, by promoting sustainability management, we aim to flexibly adapt to various changes in the social environment and demonstrate resilience.

Numerical Targets and Results

	MTMP 2026		MTMP 2026 FY2026 target
	FY2025 result	FY2026 forecast	
Net sales	¥738.2 billion	¥840.0 billion	¥850.0 billion
Operating profit	¥45.2 billion	¥59.0 billion	¥85.0 billion
Operating profit margin	6.1%	7.0%	10% or higher
Ordinary profit	¥51.9 billion	¥66.0 billion	¥95.0 billion
Profit (loss) attributable to owners of parent	(¥40.3 billion)	¥46.0 billion	—
EBITDA*1	¥92.8 billion	¥110.9 billion	¥150.0 billion
ROE	—*3	7.1%	9% or higher
ROIC*2	3.2%	6.0%	8% or higher

*1 EBITDA = Ordinary profit + Interest paid + Depreciation and amortization
*2 ROIC = (Operating profit - Income taxes + Equity in earnings of affiliates) ÷ Invested capital
*3 ROE for fiscal 2025 has been omitted due to the recording of a net loss.

U&P Businesses: Performance Trend



Operating profit: ■ U&P businesses ■ Other businesses (including head office expenses, etc., that cannot be attributed to Green Energy & Chemicals and Specialty Chemicals Business Sectors) — Capital expenditure

Objective 1 Strengthen the Resilience of Our Business Portfolio

We are advancing three initiatives: focusing on U&P businesses, building new value through innovation, and restructuring businesses requiring intensive management. By categorizing our businesses based on their economic value, business potential, and social value and then concentrating management resources on U&P businesses, we are increasing the resilience of our business portfolio. In addition, we have narrowed down the focus of our research to three key strategic areas: mobility, ICT, and medical and food. By concentrating our research and development resources on these areas, we are advancing the development of new products. Meanwhile, the Group is reducing costs and streamlining the balance sheets of businesses requiring intensive management.

Winning (= Economic value)
Set standards for ROIC and EBITDA and evaluate business advantage

Growing (= Business potential)
Evaluate business potential through market share, market growth rate, etc.

Sustainable (= Social value)
Evaluate the medium- to long-term sustainability of the business from the status of its GHG emissions, sustainability initiatives, etc.

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Comprehensive Evaluation

Comprehensively evaluate each business from the above three perspectives

Identify businesses that should receive priority allocation of management resources and those that should be considered for rebuilding

Business portfolio classification at the start of MTMP 2026

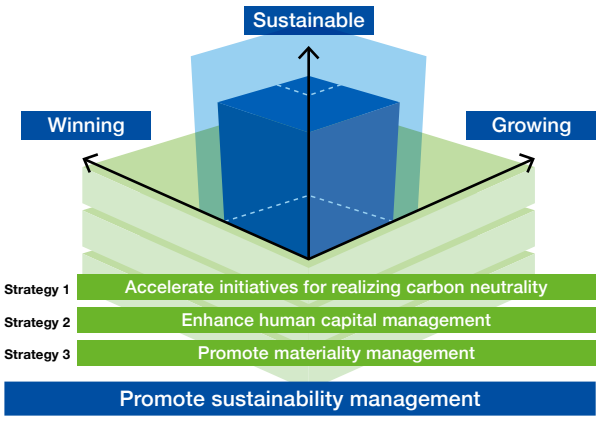
Uniqueness & Presence	Foundation	New/Next-generation	Requiring intensive management
Three ICT businesses = Growth drivers • Electronics materials • Electronic chemicals (EL chemicals) • Optical materials • Methanol • Energy resources and environment businesses • POM • MXDA/Aromatic aldehydes • Polymer materials	• Methylamine-and ammonia-related products • MMA-related products • Formalin and polyol-related products • Oxygen absorbers	• Life science-related • New/Next-generation	• PC-related products • Xylene separators and derivatives

Objective 2 Promote Sustainability Management

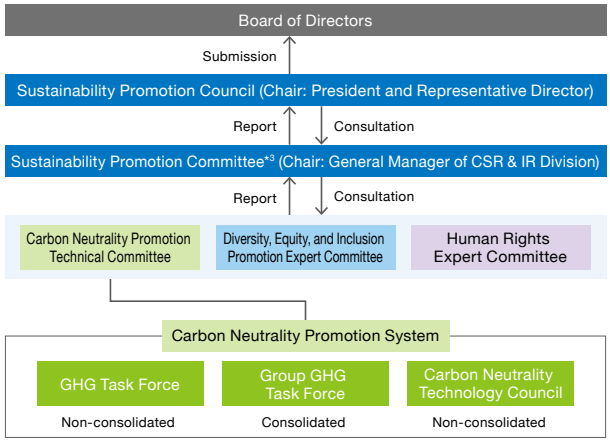
Focusing on efforts to accelerate initiatives for realizing carbon neutrality, enhance human capital management, and promote materiality management, we aim to earn the trust and support of our stakeholders and increase corporate value by contributing to the resolution of social issues through our business activities.

The Sustainability Promotion Council conducts comprehensive reviews of key issues related to sustainability management, referring important matters to the Board of Directors for approval. The council is chaired by the president and comprises directors, executive officers at the level of managing executive officer or above, the heads of business sectors, and Audit & Supervisory Board members. Under the auspices of the council, the Sustainability Promotion Committee examines, investigates, and deliberates important sustainability matters and establishes specialized committees as necessary. This committee is convened by the general manager of the CSR & IR Division and attended by the general managers of head office administrative divisions. Serving as the secretariat, the Sustainability Promotion Department is responsible for administrative tasks such as managing internal non-financial information and internal and external engagement.

Foundation for Sustainability Management
(Basis for Value Creation for the Group)



Sustainability Promotion System



*3 Advisory body to the Sustainability Promotion Council

Main Discussion Topics of the Sustainability Promotion Council (Fiscal 2025)

- Status report on achievement and progress of materiality KPIs in MTMP 2026
- Annual report on sustainability promotion, report on plan for next fiscal year
- External ESG evaluation report
- Sustainability engagement report
- Initiatives for advanced and early external disclosure
- Promotion of understanding and reduction in GHG emissions
- Promotion and reporting of human rights due diligence
- Annual report on diversity, equity, and inclusion (DEI) promotion, report on plan for next fiscal year

Materiality Determination Process

Step 1 Identify "importance to the Company"

To implement management strategies with a grasp of our corporate philosophy, company policies, and long-term changes in the business environment, we identified 36 issues that need to be examined by making reference to the requirements of standards, such as the GRI Content Index, ISO 26000 and SASB, the Sustainable Development Goals (SDGs), survey items from international SRI/ESG institutions, and trends among other companies.

Step 2 Survey "importance to the economy, the environment, and society"

We conducted a survey among institutional investors, customers, business partners, employees, and general monitors regarding the Group's business activities and their impact on the economy, the environment, and society. We confirmed the importance of the 36 issues identified in Step 1 from the perspectives of stakeholders.
(Items with the highest response rates) Institutional investors: protection of water resources; customers: prevention of pollution; business partners: process safety and disaster prevention; employees: occupational safety and health; general monitors: product safety

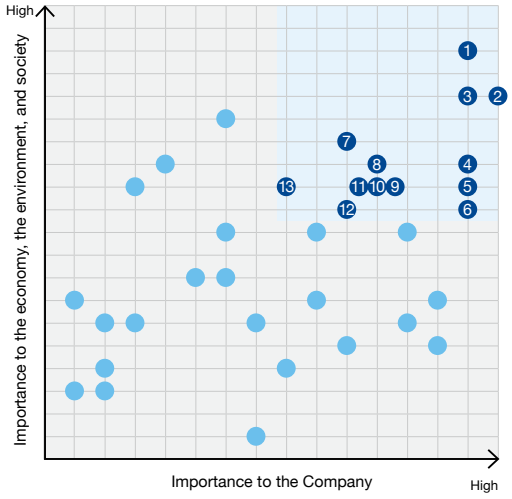
Step 3 Evaluate importance

We evaluated the survey results in Step 2, created a materiality map using the two axes of "importance to the Company" and "importance to the economy, the environment, and society" and determined the materiality that management should address.

Step 4 Confirm appropriateness by management

Materiality identified in Step 3 was deliberated by the Sustainability Promotion Council (composition: directors, outside directors, Audit & Supervisory Board members, outside Audit & Supervisory Board members) to confirm its appropriateness. Finally, the materiality obtained approval through resolution of the Board of Directors.

Materiality Map



13 Issues

1. Reduction in GHG emissions
2. Occupational safety and health
3. Improving energy efficiency and reducing energy usage
4. Process safety and disaster prevention
5. Development of environmentally friendly products and technologies
6. Development and retention of human resources
7. Product safety and quality
8. Respect for human rights
9. Promotion of diversity and inclusion
10. Increased efficiency in resource usage
11. Reduction of industrial waste
12. Governance and internal control / risk management / compliance
13. Building sustainable supply chains

11 Materiality Issues

- Contribution to solving social issues through business
- Promotion of innovative research and development
- Proactive response to environmental issues
- Highly energy- and resource-efficient production
- Cultivating a corporate culture of job satisfaction
- Promotion of diversity and inclusion
- Respect for human rights
- Ensuring occupational safety and health / process safety and disaster prevention
- Chemical and product quality and safety assurance
- Promotion of socially responsible sourcing
- Strengthening governance and internal control / risk management / compliance

Progress of Materiality

Materiality		Current medium-term management plan (MTMP 2026) KPIs	Reporting scope			
			Non-consolidated	Domestic consolidated	Overseas consolidated	
CSV	Contribution to solving social issues through business	Sales of “Sharebeing” products (MGC Group eco-friendly products)	●	●	●	
	Promotion of innovative research and development	Percentage of research and development costs contributing to increased resilience of business portfolio*1	●	●	●	
		Percentage of research personnel contributing to solving climate change issues	●	●	●	
		Percentage of digital transformation (DX) human resources among research personnel*2	●	●	●	
E	Proactive response to environmental problems	Reduction in GHG emissions (compared with fiscal 2013)	●	●	●	
		Zero waste emission rate*3	●	●		
	Highly energy- and resource-efficient production	Energy usage reduction rate*4 (compared with fiscal 2023)	●	●	●	
S	Cultivating a corporate culture of job satisfaction	Percentage of employees that feel satisfied at work	●			
	Promotion of diversity and inclusion	Number of female managerial personnel	●			
	Respect for human rights	Respect for human rights	●	●	●	
	Ensuring occupational safety and health / process safety and disaster prevention	Serious occupational accidents,*7 serious accidents*8	●	●	●	
	Chemical and product quality and safety assurance	Product liability incidents, serious*9 legal and regulatory violations, serious*9 quality issues	●	●	●	
	Promotion of socially responsible sourcing	Percentage of suppliers in agreement with the Company’s basic approach to raw material procurement activities and its CSR procurement guidelines	●			
		Percentage of consolidated subsidiaries required to conduct CSR procurement activities	●	●	●	
G	Strengthening governance and internal control / risk management / compliance	Number of serious compliance violations	●	●	●	

*1 Percentage of total value of R&D expenditures in the U&P business and new/next-generation business categories
*2 Percentage of research personnel who have taken DX fundamentals courses
*3 Amount of final disposal ÷ Total amount of waste generated x 100
*4 Reduction in energy usage resulting from energy-saving improvements (based on 100% capacity utilization) ÷ Average annual energy usage for fiscal 2021 to fiscal 2023
*5 Percentage of all survey respondents who made clearly positive responses
*6 Make planned progress in accordance with the Human Rights Due Diligence Action Plan
*7 Accidents resulting in lost work days eligible for disability compensation, including death and permanent disability, or potential disability, and those with four or more lost work days
*8 Accidents that threaten third parties, including those resulting in environmental pollution involving the community or that cause damage to local residents, and other accidents involving serious damage
*9 Losses of ¥1.0 billion or more

	FY2025 results	FY2026 targets	FY2030 targets	Main relevant initiatives in MTMP 2026	Main relevant contents in *MGC Report 2026*
	¥246.6 billion	¥270.0 billion	¥500.0 billion	• Accelerate initiatives for realizing carbon neutrality • Focus on "Uniqueness & Presence" businesses • Build new value through innovation • Enhance human capital management • Initiatives to strengthen the resilience of business portfolio	▸P23 Acceleration of Initiatives for Strengthening the Resilience of Our Business Portfolio ▸P25 Toward the Realization of Our Vision ▸P51 Environmental Initiatives ▸P57 Research and Development ▸P63 Human Resource Strategy
	69%	60% or higher	60% or higher		
	34%	25% or higher	25% or higher		
	82%	75%	80%		
	33% reduction	33% reduction	39% reduction	• Accelerate initiatives for realizing carbon neutrality	▸P25 Toward the Realization of Our Vision ▸P51 Environmental Initiatives
	1.6%	1.2%	1.0%		
	-4.2%	-3.0%	-7.0%		
	59%*5	70%	75%	• Enhance human capital management	▸P63 Human Resource Strategy
	43	60	90		
	—*6	Conduct 100% human rights due diligence	Establish human rights management and ensure support for our Human Rights Principle by all stakeholders	• Enhance human capital management • Promote materiality management	▸P54 Social Initiatives
	9	0	0		▸P69 Production Technology, Environmental Safety, and Quality Assurance
	0	0 (Non-consolidated + Domestic consolidated companies)	0 (Non-consolidated + Domestic and overseas consolidated companies)	• Promote materiality management	
	88%	80%	100%		▸P54 Social Initiatives ▸P69 Production Technology, Environmental Safety, and Quality Assurance
	—	60% (Domestic consolidated companies)	100% (Domestic and overseas consolidated companies)		
	0	0	0	• Promote materiality management • Initiatives to reduce cost of capital • Initiatives for proactive shareholder returns (during the period of MTMP 2026)	▸P41 Financial Strategy: Message from the CFO ▸P44 Dialogues with the Stock Market ▸P79 Corporate Governance ▸P83 Risk Management ▸P84 Compliance

Financial Strategy: Message from the CFO

Review by the Director in Charge

We will pursue financial and capital policies centered on building a muscular business structure, paving the way for our next medium-term management plan.



Motoyasu Kitagawa

Director, Senior Managing Executive Officer
In Charge of Internal Control & Risk Management,
Responsible for Administrative & Personnel, in Charge
of Finance & Accounting Division and CSR & IR Division

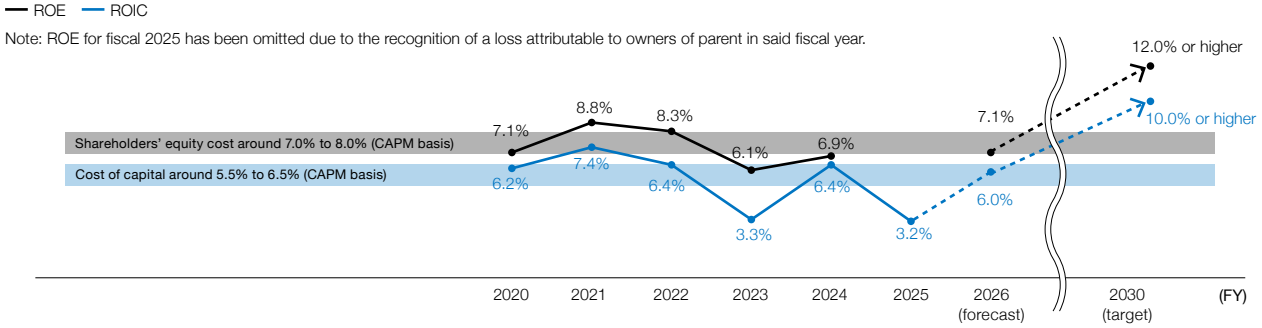
Recognizing It Is Time to Adjust Our Balance for the Future

Since assuming the role of director in charge of the Finance & Accounting Division in April 2025, I have viewed my mission as understanding the fundamental priorities of our business management from an objective standpoint, making balance adjustments as necessary, and keeping in mind that to sustainably create corporate value entails the simultaneous achievement of seemingly contradictory imperatives, such as achieving short- and long-term goals while furnishing growth investments and shareholder returns. In my view, we have arrived at a critical juncture that calls for a balance adjustment.

As a chemical manufacturer, the realization of returns on investments in plants and facilities takes considerable time, with the balance between our investments and operating cash flows fluctuating along similarly long cyclical timelines. Throughout the period spanning from our previous medium-term management plan (MTMP 2023) to the current medium-term management plan (MTMP 2026), we have focused primarily on increasing our business scale. We have actively focused investments on the growth of our U&P businesses, such as the three ICT businesses, which are our growth drivers. As a result, for some time investing cash flows were larger than operating cash flows. Further, these active growth investments were initiated at the request of our customers and executed premised on the assumption that we would be able to recover our capital with a high degree of certainty. In fiscal 2025, however, in response to market environmental changes that exceeded our expectations, we decided to discontinue the construction of our meta-xylenediamine (MXDA) manufacturing facility in the Netherlands, resulting in the recognition of an impairment loss in relation to all of the project's assets. Consequently, the Group recorded a loss attributable to owners of parent for the first time in 13 years and failed to meet various financial targets.

Reaching our targets for fiscal 2026, the final year of MTMP 2026, may be challenging. This is primarily because investments to meet growing demand were concentrated in one particular period and because, although investing cash flows are less than initially projected, operating cash flows are even further below initial projections. At present, we are seeing varying levels of demand in different segments of the semiconductor industry. While demand for AI semiconductors, said to account for approximately 30% of the entire market, is increasing, the recovery in demand for general-purpose semiconductors has been delayed. As certain customers are operating at low utilization rates, we are currently facing a situation in which the burden of front-loaded depreciation expenses is putting pressure on our profit margin. In fiscal 2025, operating cash flows finally surpassed investing cash flows. Beginning from fiscal 2026, the Group will focus even more on realizing returns on investments, aiming to transform into an entity with a muscular business structure. Having thoroughly ascertained why we did not recover our investment in the manufacturing facility in the Netherlands and recorded an impairment loss, we are now setting our sights on the next medium-term management plan and revising measures to ensure that such incidents never recur. On the other hand, while tightening investment discipline is vital, simply establishing high hurdle rates risks dampening our investment appetite. Our fundamental stance thus remains unchanged: ongoing investment is indispensable for

ROE and ROIC Trends



sustained corporate value creation. Learning the lessons of the Netherlands project, our corporate divisions are leading efforts to build systems that facilitate close monitoring of situations and prompt decisions on whether course corrections are needed.

Simultaneously Realizing a Muscular Financial Structure and Improved Capital Efficiency

Despite recording a loss attributable to owners of parent in fiscal 2025, we have maintained a certain level of financial soundness, keeping our equity ratio, interest-bearing debt, and D/E ratio within planned levels. In fiscal 2026, we will continue to promote an asset-light strategy by disposing of strategic shareholdings and non-business assets while managing cash and deposits at optimal levels. We consistently keep our cash and deposit balance at a low level, demonstrating that group financing and other mechanisms are functioning effectively. Through cash management that utilizes such strengths, we will maximize capital efficiency. MTMP 2026 sets an upper limit of 0.55 time and a lower limit of 0.30 time for the D/E ratio. We will also continue balance sheet management aimed at simultaneously enhancing capital efficiency and ensuring financial soundness. Further, as we maintain an A+ long-term credit rating from Rating and Investment Information, Inc. (R&I) and possess sufficient borrowing capacity, our policy when executing investments is to utilize financial leverage while lowering our cost of capital. Given the current environment of upwardly trending interest rates, we consider the diversification of our funding sources to be crucial. We will remain committed to reducing financing costs while carefully managing the balance between short-term and long-term debt.

I believe that the foundation enabling this diverse range of financing options is the result of credibility built up over many years by our predecessors. To maintain this credibility, in fiscal 2026 we will continue a progressive dividend policy. Accordingly, we do not intend to reduce the dividend, provided that doing so does not compromise financial soundness. Having set a dividend on equity (DOE) ratio of 3.0% and a total payout ratio of 50.0% as targets, we will endeavor to enhance corporate value by also considering the flexible acquisition of treasury stock in light of conditions. In fiscal 2026, by steadily executing the strategies outlined above, we aim to simultaneously realize a more muscular financial structure and improved capital efficiency, thereby paving the way for our next medium-term management plan.

Action to Implement Management Conscious of Cost of Capital and Stock Price

Initiatives to strengthen the resilience of our business portfolio

- Promotion of measures to improve ROIC and ROE
  - Focused allocation of management resources to U&P businesses with a focus on the three ICT businesses
  - Acceleration of reaping benefits from growth investments
  - Thorough price pass-through leveraging high market share
  - Acceleration of restructuring of businesses requiring intensive management
  - Further thorough cost reduction (not limited to businesses requiring intensive management, but considered across the Group)
- Acceleration of value creation as an R&D-oriented company
  - Acceleration of the development and commercialization of new/next-generation businesses, focusing on strategic research areas (mobility, ICT, and medical and food)
- Aggressively pursue strategic M&A

Initiatives to reduce cost of capital

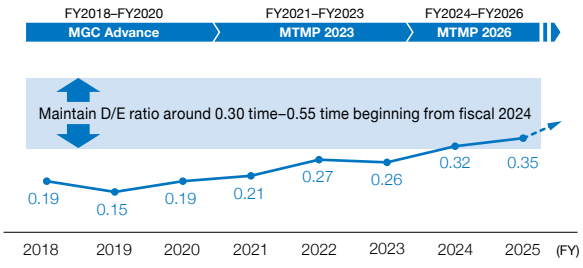
- Utilization of financial leverage
- Reduction of performance volatility (concentration on U&P businesses, etc.)
- Promotion of asset lightening
- Promotion of sustainability management
- Strengthening dialogue with investors and analysts, etc.

Initiatives for proactive shareholder returns (during the period of MTMP 2026)

- Medium-term target of 50% total payout ratio
- Dividend policy in line with a progressive dividend policy
- DOE target of 3.0%, etc.

Utilize Financial Leverage for Optimal Capital Structure

▸ Trends in the D/E Ratio (Multiple)



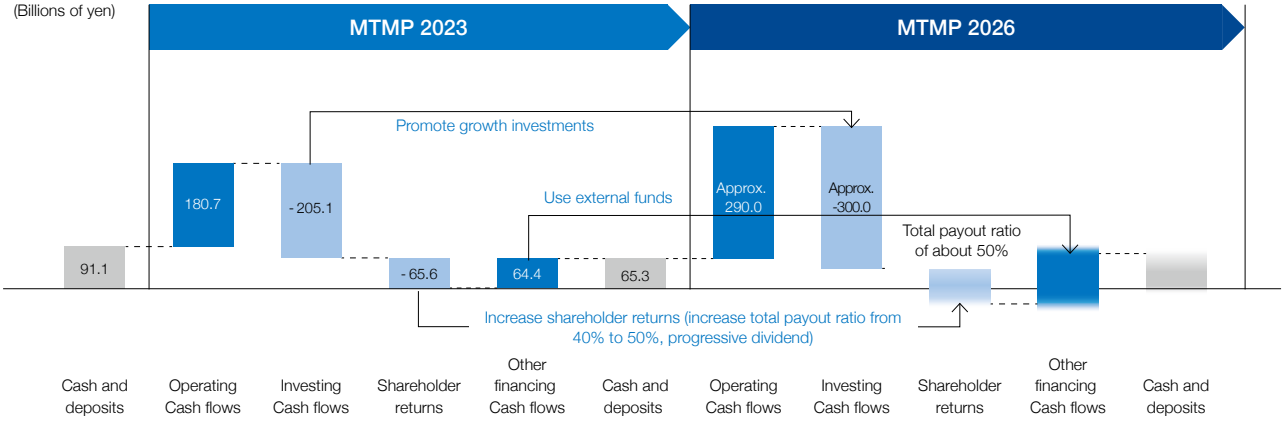
- Control the balance sheet through the D/E ratio to strengthen ROIC management. With a view to balancing capital efficiency and financial soundness, a range of around 0.30 time to 0.55 time is assumed during the period of MTMP 2026.
- While maintaining financial soundness, the Group improved capital efficiency by utilizing debt to finance growth investments. As a result, the D/E ratio rose to 0.35 time at the end of fiscal 2025.
- Continue to maintain financial discipline and proactive use of debt financing

Delivering Results to Maintain and Strengthen Credibility While Emphasizing Future Growth Potential

Our business model is centered on addressing customer issues by providing entirely unique, high-value-added products and thereby share value with customers and, by extension, society at large. As times change, so do the challenges we face. We therefore address these challenges by tirelessly diversifying and extending the applications of our products, even though the products themselves may remain unchanged. We take pride in the fact that these initiatives contribute to further innovation across a wide range of fields and play a role in supporting various industries. On the other hand, under this business model, it is ultimately customers—not us—who decide in which markets and for what kinds of applications our products are used. Consequently, the diversification of our business portfolio is unavoidable. To further understanding of how the Group's approach and business model sustain the enhancement of corporate value, each business must not only perform steadily but also focus efforts on emphasizing its future growth potential. To maintain and strengthen the credibility that underpins our financial strategy, we will advance structural reforms with even greater urgency, drawing on the lessons learned in fiscal 2025.

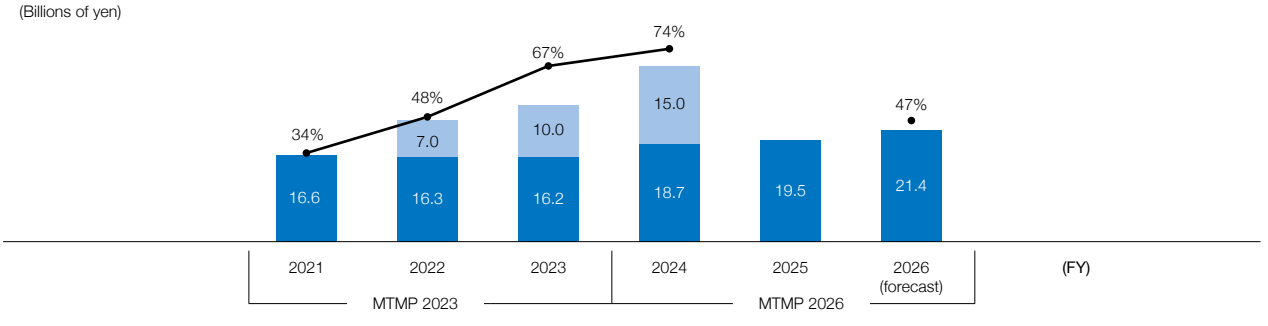
Capital Allocation

- Total investment and loans (investing cash flows) of about ¥300.0 billion planned during the period of MTMP 2026
- Actively use external funds in strategic investments leading to growth (including research and development and ESG) and enhance shareholder returns in addition to operating cash flows



Continue the Enactment of Proactive Shareholder Returns

- Under MTMP 2026, our shareholder return policy comprises a progressive dividend policy,*1 a target total payout ratio of 50%,*2 and a target dividend on equity (DOE) ratio*3 of 3.0%.
- Despite recording a loss attributable to owners of parent in fiscal 2025, the Group remains financially sound. The annual dividend for fiscal 2025 was ¥100, up ¥5 year on year.
- In fiscal 2026, the final year of MTMP 2026, based on the above policy, we intend to increase the annual dividend by ¥10. Going forward, we will continue our proactive approach to the provision of shareholder returns.



	2021	2022	2023	2024	2025	2026 (forecast)
Profit (loss) attributable to owners of parent (Billions of yen)	48.2	49.0	38.8	45.5	(40.3)	46.0
Annual dividend (Yen per share)	80*4	80	80	95	100	110
				← Progressive dividend policy →		

■ Total dividends ■ Share buybacks — Total payout ratio (single year)

*1 Covers the three-year period of MTMP 2026. In principle, no reduction—either increase or maintain
*2 Increase medium-term target from 40% to 50%
*3 2.83% in fiscal 2024, 2.96% in fiscal 2025, above 3.00% in fiscal 2026 (forecast)
*4 Includes ¥10 commemorative dividend

Dialogues with the Stock Market

Investor Relations Activities

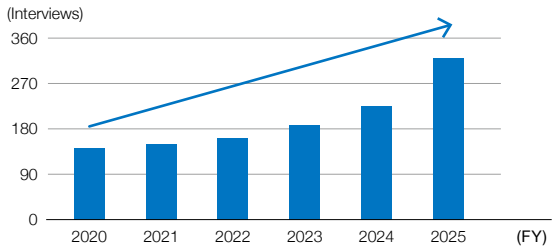
With a view to realizing sustainable growth and enhancing corporate value over the medium to long term, we are mindful of stock market valuations, such as those pertaining to our share price and price-to-book ratio (PBR); the cost of capital; and other factors. We regard dialogues with our shareholders and investors as a key management priority. Members of senior management thus seek to increase mutual understanding with said stakeholders by actively participating in such dialogues and telling a readily understandable value creation story based on our unique technological capabilities and other management resources as well as our array of different businesses. Further, we take seriously the valuable input and requests received through such dialogues, share feedback as appropriate with senior management and business sectors, and utilize this feedback to improve corporate and operational management and enhance our disclosure practices.

Going forward, we will continue to ensure fair, impartial, and sincere disclosure and, through two-way communication, endeavor to build relationships of trust and maximize corporate value.

Investor Relations Policy

- Increase opportunities for dialogue between investors and analysts and senior management (become even more proactive about providing opportunities for management-level dialogue through overseas investor relations (IR) events, small meetings, etc.)
- Enhancement of various IR events (management overview briefings, business briefings, facility tours, etc.)
- Improvement and enhancement of various disclosure information (including disclosure in English)
- Promote dialogue through ESG and stewardship code interviews, interviews with outside directors, etc.
- Increase the number of briefings for individual investors, etc.

Number of Interviews with Institutional Investors and Analysts



Main IR Activities

Activities	FY2025 Results
Earnings briefings for analysts and institutional investors	4
Individual interviews with analysts, institutional investors, and others	Approx. 320
IR activities for overseas institutional investors	54
Responses to ESG interviews and stewardship code interviews	9
IR events for institutional investors	5
Small meetings	2
Briefings for individual investors	2

Response to Opinions and Requests Received Through Dialogues

Main opinions and requests	Response
• Please comment on your progress in strengthening the resilience of the business portfolio, such as reforming businesses requiring intensive management.	• We provide explanations on our progress in strengthening the resilience of the business portfolio through regular opportunities for explanation, such as quarterly results presentations and management overview presentations, and, for important matters, through telephone conferences held on the dates of timely disclosure.
• Please explain the current status and your awareness of issues regarding the progress of management that is conscious of the cost of capital and stock price.	• We periodically conduct an analysis of the market valuation and capital profitability of MGC and share the results and our recognition of the current status at our management overview presentations and other opportunities.
• Please explain the current status of your sustainability initiatives, and your future initiatives.	• We hold carbon neutrality strategy briefings and provide opportunities for executive officers, business division directors, the general manager of the Sustainability Promotion Department, and other relevant personnel to have direct dialogues with investors and analysts.
• Please hold company information briefings for individual investors.	• We have held regular briefings for individual investors on an going basis since January 2025.