# A Roundtable Discussion Among Outside Directors



Kazue Kurihara
Outside Director

Kuni Sato
Outside Director

Mihoko Manabe
Outside Director

Yasushi Manabe
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## Believing in the MGC Group's inherent potential, we will support the resolute management required to navigate this challenging period of structural transformation.

In fiscal 2025, the MGC Group posted challenging business results, recognizing an approximately ¥40.0 billion loss attributable to owners of parent. Looking back on a year marked by challenges, the Group's four outside directors engaged in a frank discussion covering the circumstances and lessons learned from the discontinuation of a European meta-xylenediamine (MXDA) project, tasks related to business portfolio reform and talent development, and expectations for future growth that utilizes the Group's technology-driven uniqueness.

### Corporate Resilience and Management Resolve Highlighted by Challenging Results

**Manabe (Y)** The recognition of an approximately ¥40.0 billion loss attributable to owners of parent in fiscal 2025 was extremely challenging. The senior management team and outside directors must sincerely view these business results as their responsibility. However, I believe that responding to rapid changes in the business environment by making a swift, level-headed decision at this juncture to discontinue construction of the MXDA plant in Europe—the primary cause of the loss—was the correct course of action given the risk of incurring even greater future losses if the project had continued.

**Manabe (M)** Before being appointed to this position in June 2025, I had heard from an acquaintance that the situation in the chemical industry was very challenging. During my very first year as an outside director, I experienced firsthand just how true those words were. At the same time, it was a year in which I was able to appreciate the strengths of the corporate culture fostered by the MGC Group as well as its huge potential, stemming from employees' strong pride in products that have the leading shares of their global markets, growth driven by in-house innovation, and other advantages.

**Sato** It has also been a year since I became an outside director in June 2025. Even amid a challenging situation, morale remains high in the organization. Officers and employees clearly aim to utilize the environmental changes as an opportunity to establish a foundation for the future. They are endeavoring to use the lessons learned from the failure of the European MXDA project to achieve progress by rigorously investigating the causes of the failure through methods such as Five Whys analysis, which involves a wide range of stakeholders to thoroughly examine why a situation occurred.

**Kurihara** I highly commend President Yoshinori Isahaya for not rushing to expand businesses immediately upon taking office but instead making timely decisions on existing issues and demonstrating resolute management. Under the "Uniqueness & Presence" (U&P) slogan, he repeatedly conveyed a determination to achieve transformation toward a business model that competitors cannot emulate and to leverage strengths in technologies and products that are the first of their kind in the world or that have No. 1 market shares.

**Manabe (M)** The appointment of President Isahaya, who has a background in research and development, is symbolic of MGC's direction as an R&D-oriented company. I feel that an awareness of innovation as the key to growth is shared throughout the entire organization. The challenge going forward is how to commercialize innovation and make it profitable.

**Sato** When I attended a research briefing at the MGC Commons Innovation Center, I was struck by the sparkle in employees' eyes and an atmosphere filled with hope as they earnestly tackled research that could produce tomorrow's intellectual property. While I respect a corporate culture that aims for technology-centered development, I believe there is a need to flexibly share findings within a certain scope—even if they are only about 80% complete—and use the sharing of findings to move projects forward to the next phase.



Mihoko Manabe
Outside Director

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### Background of the European MXDA Project's Discontinuation and Lessons for the Future

**Manabe (Y)** Among the four of us, I was the only one who was an outside director when the investment decision for the European MXDA project was made in 2021. It was a large-scale investment aimed at starting up commercial operations in July 2024. Partly due to the impact of the Russia–Ukraine conflict, which began in 2022, we started to receive reports of construction delays and construction cost hikes. Although initial discussions focused on rapidly completing construction even if it cost more, the faster-than-expected entry of Chinese companies and their aggressive low-pricing strategy, particularly from 2025 onward, caused profitability to deteriorate significantly, leading to projections that recovering the investment would be challenging. Despite the fact that plant

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construction had progressed considerably, I believe that discontinuation of the project was the only option, as continuation of the project would have left us with a heavy financial burden in the future.

**Manabe (M)** Nonetheless, rather than being predetermined from the outset, the decision to discontinue was reached after the Board of Directors had devoted a significant amount of time to thoroughly discussing all possible options and multiple scenarios. I believe the process—from careful and timely deliberation through to the final decision—was commendable.

**Kurihara** At the time the plan was formulated, demand for MXDA was extremely high, and the ramping up of production was inevitable given the Group's responsibility to ensure supply as a leading manufacturer. I can also understand the desire to expand operations globally. The objectives of the Group's ambitious initiatives and technology strategies were not mistaken. Had it not been for construction delays, the Group might have secured the market before Chinese companies entered it, reaffirming to me that, as President Isahaya says, acting with a sense of urgency is vital.

**Manabe (Y)** On the other hand, there was room for improving the monitoring of the project in terms of methods, frequency, and the level of detail. While the outcome was attributable to multiple factors—such as China's overproduction-based export offensive and soaring material costs and labor shortages, triggered by the Russia–Ukraine conflict—I regret not monitoring changes in domestic and international conditions from an earlier stage and more continuously.

**Kurihara** In today's world where various events evolve rapidly, the establishment of systems that expedite in-depth assessments based on concrete data is indispensable. In particular, when launching new businesses overseas, as the physical distance makes proceeding through a process of trial and error problematic, we must ensure that once a decision is made it reliably produces the desired outcome. I want to see the Group prepare itself anew for the full realization of its ambitions and advanced technological competence in the next initiative.

**Sato** In addition to a sense of urgency and monitoring methods, we should reflect on whether a collaborative system suited to the new environment was actually put in place. To fully realize the Group's ambition and technological prowess in a rapidly changing operating environment, it will become increasingly important to objectively assess in-house capabilities and then actively collaborate with appropriate partners, adopting an attitude of building businesses together with customers and partners.

## Support for Structural Reforms Through Development of Both the Organization and Personnel

**Manabe (Y)** In the next medium-term management plan, we will more clearly pursue a strategy of selection and concentration that entails withdrawing from businesses with limited future potential, concentrating management resources on growth fields, and ensuring the realization of returns on past investments. Withdrawal from businesses requires major decisions with painful consequences—such as plant closures and the streamlining of workforces—as well as a plan that integrates business, research, and human resource strategies into a unified whole.

**Sato** With respect to human resource development, I get the impression that the Group has created an environment where employees feel comfortable, find their work rewarding, and can continue working and growing for many years.

**Manabe (M)** Job satisfaction is a form of non-financial incentive compensation. Even amid worsening labor shortages, the Group can secure and strengthen its source of competitiveness by creating a corporate culture where employees feel a sense of job satisfaction and by remaining a corporate group of choice through the provision of ample opportunities for learning and taking on challenges and the granting of restricted stock to employees.

**Kurihara** At the briefing of the Tokyo Research Laboratory, researchers of many different ages from various business sites were actively interacting, creating a very positive atmosphere. However, I felt that we still have some way to go in terms of diversity of experience and the systematic development of executive-level human resources.

**Manabe (Y)** The Group has its roots in two companies—the upstream-based Japan Gas Chemical and the downstream-based Mitsubishi Edogawa Chemical—and operates two business divisions: one manufacturing basic chemicals and the other manufacturing specialty chemicals. Without favoring either business field, the Group should develop management talent more effectively by stepping up cross-divisional job rotations that allow employees to gain experience in both upstream and downstream operations. In other words, there is a need to strengthen the process through which personnel accumulate a broad range of experience before joining the senior management team.

## Utilization of Technology-Driven Uniqueness to Advance to the Next Growth Phase

**Kurihara** Ahead of competitors, the Group is already cultivating the seeds of its next growth drivers through the construction of pilot plants and other initiatives for technologies and product lineups in the carbon-neutral field. I hope the Group remains focused on being in the vanguard so that it retains a technological edge when the time is right for commercialization.

**Sato** While progress toward carbon neutrality may waver in the short term due to factors such as the international situation and energy prices, it is an irreversible medium- to long-term trend in society as a whole. I believe that focusing on this field, where the Group has technological advantages, is strategically sound.

**Manabe (Y)** I would like the Group to develop new pillars of growth in the carbon-neutrality field and other next-generation fields while further expanding existing growth drivers in fields such as AI semiconductors. I also look forward to seeing the next "home run hitter" emerge from among the Group's diverse research initiatives.

**Sato** I hope that, as an entity with global operations, the Group will achieve balanced growth by solidifying fundamentals—such as governance and data-driven business management—while aspiring to be an organization that views the rapid changes in the international landscape not as threats but as opportunities.

**Kurihara** I believe that even with respect to basic chemicals, for which the business environment is challenging, there is still scope for innovative strategies, such as a shift in focus toward downstream operations. In the engineering plastics field, cost-saving ideas such as the rationalization of product specifications could also be considered. I hope that the MGC Group holds its ground as one of the chemical companies responsible for supplying materials that underpin other industries and helps maintain the presence of Japan's chemical industry.

**Manabe (M)** The distinctive value of the Group lies in its ability to engage in a wide range of businesses, from upstream through to downstream, and to realize technology-driven differentiation. To ensure that its involvement in diverse businesses is not seen in a negative light, the Group must communicate to society in a broader, more accessible manner and with a focus on "Uniqueness & Presence" initiatives. While looking forward to the steady execution of fundamental structural reforms during this period of structural transition, I will continue to support the MGC Group in achieving its goals.