

## Materiality

Category	Materiality	Why it is material	Risks	Opportunities	Action plan	Current Medium-Term Management Plan KPIs	Reporting boundary			Fiscal 2024 results	Fiscal 2026 targets	Fiscal 2030 targets	Relevant SDGs targets
							Non-consolidated	Domestic consolidated	Overseas consolidated				
CSV	Contribution to solving social issues through business	Through business and products that balance economic and social value, we will realize our aim of "creating value to share with society."	<ul style="list-style-type: none"> <li>Fall in share price due to decrease in future value</li> <li>Decrease in demand for products due to changes in market needs</li> <li>Shift in share of low-cost alternative materials</li> <li>Existing product obsolescence</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new markets through diversification of market needs</li> <li>Customer credibility backed by multiple industry standards</li> <li>Expansion of portfolio of distinctive, differentiated products</li> </ul>	<ul style="list-style-type: none"> <li>Transform business portfolio</li> <li>Commercialize products that balance social and economic value</li> <li>Create new businesses that contribute to solving social issues</li> </ul>	Sales of MGC Group eco-friendly products	●	●	●	¥214.3 billion	¥270.0 billion	¥500.0 billion	3.9, 8.2, 9.4, 9.5, 12.3
	Promotion of innovative R&D	<ul style="list-style-type: none"> <li>Achieve a more resilient business portfolio</li> <li>Create new businesses for achieving carbon neutrality</li> <li>Promote R&amp;D through use of DX technology</li> </ul>	<ul style="list-style-type: none"> <li>Delay in achievement of a more resilient business portfolio</li> <li>Failure to achieve carbon neutrality due to delay in business creation</li> <li>Delay in creation of new products and businesses due to reduced competitiveness in R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of a more resilient business portfolio</li> <li>Creation of new markets through establishment of environmental solution businesses</li> <li>Creation of new products and businesses through use of DX technology</li> </ul>	<ul style="list-style-type: none"> <li>Allocate management resources to U&amp;P businesses and new/next-generation businesses</li> <li>Set solving climate change issues as a strategic research area</li> <li>Develop DX human resources into MGC Group research personnel</li> </ul>	Percentage of R&D cost contributing to increased resilience of business portfolio <sup>*1</sup> Percentage of research personnel contributing to solving climate change issues Percentage of DX human resources among research personnel (those who have taken DX fundamentals courses)	●	●	●	69%	60% or higher	60% or higher	8.2, 9.4, 9.5
E	Proactive response to environmental problems	Addressing environmental problems is imperative for all of humanity. Companies must proactively do so as a prerequisite for their existence and activities.	<ul style="list-style-type: none"> <li>Increase in risk of abnormal weather and natural disasters due to climate change</li> <li>Reputational risks regarding environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Development of CCUS (particularly CCS) and CO<sub>2</sub>-based methanol and polycarbonate businesses and development of chemicals that use CO<sub>2</sub></li> <li>Commercial development of ammonia as a hydrogen carrier and CO<sub>2</sub>-free fuel</li> </ul>	<ul style="list-style-type: none"> <li>Reduce GHG emissions in the manufacturing process</li> <li>Develop and introduce new technologies to help reduce GHG emissions</li> <li>Reduce supply chain GHG emissions</li> </ul>	Reduction in GHG emissions (compared to fiscal 2013) Zero waste emission rate <sup>*2</sup>	●	●	●	31% reduction (forecast)	33% reduction	39% reduction	
	Highly energy- and resource-efficient production	Companies have a responsibility to take countermeasures for environmental issues, and must engage proactively in such activities as they also contribute to increasing the competitiveness of their products.	Decline in competitive advantage due to delays in technological response to resource and energy conservation needs	<ul style="list-style-type: none"> <li>Acquisition and cross-company deployment of energy-saving technologies</li> <li>Advancement in utilization of digital technologies</li> </ul>	<ul style="list-style-type: none"> <li>Stabilize equipment through improvement of control</li> <li>Prevent accidents and issues</li> </ul>	Energy usage reduction rate <sup>*3</sup> (compared to fiscal 2023)	●	●	●	-2.8%	-3.0%	-7.0%	7.3, 12.2
S	Cultivating a corporate culture of job satisfaction	An organizational culture that enables all employees to confidently give full play to their abilities over the long term while finding individualized meaning in their jobs is the foundation of corporate value creation.	Declines in labor productivity and corporate value (economic and social value) due to outflow of personnel	<ul style="list-style-type: none"> <li>Strengthened foundation for creating innovation</li> <li>Improved employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>Cultivate and visualize a culture in which the Company values the human resources that it has developed</li> <li>Examine various personnel systems (including welfare) and design systems suitable for an era of contributing to increased engagement</li> </ul>	Percentage of employees that feel satisfied at work	●			82% <sup>*4</sup>	70%	75%	4.4, 5.4, 8.5
	Promotion of diversity and inclusion	Establishing a corporate culture through collaboration incorporating diverse values fosters a foundation for generating new ideas and technological innovation and creating corporate value.	Uniform thinking and loss of new business opportunities due to imbalance in personnel attributes and skills	Nurturing of a culture of collaboration incorporating diverse values that is conducive to new ideas and technological innovation	<ul style="list-style-type: none"> <li>Diversify hiring formats (methods, human resources)</li> <li>Conduct awareness-raising activities in group training</li> <li>Create opportunities for interaction between different departments and offices through internal events, training, etc. (including use of the MGC Commons)</li> </ul>	Number of female managerial personnel	●			44	60	90	4.4, 5.1, 5.5, 8.5
	Respect for human rights	As entities conducting business activities, companies have a responsibility to avoid infringing on the human rights of others and rectifying any negative impact they have on human rights.	<ul style="list-style-type: none"> <li>Boycotts on purchasing products and services due to human rights infringement</li> <li>Decline in evaluation as a recipient of investment</li> <li>Potential for elimination as an investment candidate or withdrawal of investment</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to realization of a sustainable economy and society</li> <li>Maintenance and securing of trust from society</li> <li>Maintenance and increase in corporate value</li> <li>Recruitment and retention of talented human resources</li> </ul>	<ul style="list-style-type: none"> <li>Formulate human rights policy and fully accept responsibility for respecting human rights</li> <li>Establish a human rights consultation desk to conduct appropriate remedial measures</li> </ul>	Respect for human rights	●	●	●	— <sup>*5</sup>	Human rights due diligence conducted 100%	Establish human rights management and ensure support for human rights policy by all stakeholders	4.7, 8.7, 10.2, 10.3, 16.3, 16.10
	Ensuring occupational safety and health/ process safety and disaster prevention	Safety is the foundation of business activities. Companies have a societal duty to ensure safety.	<ul style="list-style-type: none"> <li>Recurrence of similar disasters and problems</li> <li>Loss of societal trust due to accidents or scandals</li> </ul>	<ul style="list-style-type: none"> <li>Nurturing of a culture of safety</li> <li>Accumulation of expertise in preventive maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Share examples of accidents and disasters, and utilize this information for process risk assessment</li> <li>Eliminate dangers and hazards by conducting occupational health and safety risk assessments and build comfortable workplaces</li> </ul>	Serious occupational accidents, <sup>*6</sup> serious accidents <sup>*7</sup>	●	●	●	4	0	0	3.9, 8.5, 11.6, 12.4, 13.3
	Chemical/product quality and safety assurance	Chemical/product quality and safety assurance is required by stakeholders, and the Company is responsible for providing products and services with a high degree of safety and reliability.	<ul style="list-style-type: none"> <li>Loss of business opportunities due to non-compliance with chemical regulations in each country</li> <li>Loss of societal trust due to inaccurate data handling and shipping of inappropriate products</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of business profitability through proper compliance with laws and regulations</li> <li>Enhancement of customer satisfaction and societal trust in the entire Company and Group companies</li> </ul>	<ul style="list-style-type: none"> <li>Share information through the activities of the Environment and Safety Council and provide education and support to associates from our company</li> <li>Promote Q-MGC conducted companywide and throughout the Group</li> </ul>	Product liability incidents, serious <sup>*8</sup> legal and regulatory violations, serious <sup>*9</sup> quality issues	●	●	●	1	0 (Non-consolidated + Domestic and overseas consolidated companies)	0 (Non-consolidated + Domestic and overseas consolidated companies)	3.9, 12.4
	Promotion of socially responsible sourcing	Companies have a societal responsibility to upgrade CSR compliance throughout their supply chains with respect to the environment, working conditions, human rights, etc.	Negative impacts on business activity due to illegal actions and compliance violations by suppliers	Improved sustainability of society and long-term competitiveness	<ul style="list-style-type: none"> <li>Inform suppliers of the Company's basic approach to raw material procurement activities and its CSR procurement guidelines, and conduct regular questionnaires</li> <li>Conduct evaluations based on questionnaires and multiple dialogues</li> </ul>	Percentage of suppliers in agreement with Company's basic approach to raw material procurement activities and its CSR procurement guidelines Percentage of consolidated subsidiaries required to conduct CSR procurement activities	●			81% (preliminary value)	80%	100%	12.2, 16.2
G	Strengthening governance and internal control/ risk management/ compliance	It is a system for developing disciplined ways to steadily execute strategies in order to bring business models to fruition and sustainably grow corporate value.	Slumping business activity, loss of societal trust and damage to corporate value	<ul style="list-style-type: none"> <li>Establishment of a stable management foundation by improving decision-making transparency and responding appropriately to change</li> <li>Gaining of stakeholder trust</li> </ul>	<ul style="list-style-type: none"> <li>Conduct compliance education and awareness-raising activities</li> <li>Identify risk of compliance infringement and conduct risk assessment</li> <li>Improve awareness compliance throughout the entire MGC Group</li> </ul>	Number of serious compliance violations	●	●	●	0	0	0	8.7, 10.2, 10.3, 16.2, 16.3, 16.5, 16.10

\*1 Percentage of total value of R&D expenditure in the U&P businesses and new/next-generation businesses categories

\*2 Amount of final disposal/total amount of waste generated

\*3 Reduction in energy usage resulting from energy-saving improvements (based on 100% capacity utilization)/average annual energy usage for fiscal 2021 to fiscal 2023

\*4 Number of positive respondents/number of positive respondents + number of negative respondents

\*5 Make planned progress in accordance with the Human Rights Due Diligence Action Plan

\*6 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

\*7 Five incidents occurred within the domestic consolidated subsidiaries

\*8 Losses of ¥1.0 billion or more