



**Looking toward the next 50 years as a unique chemical company, we endeavor to be a major player driving positive social change.**

After reviewing its purpose and clarifying its path to value creation, the MGC Group has drawn up a new Medium-Term Management Plan. We are working to achieve our record-high operating income target while creating social value that will help address climate change and other issues.

Masashi Fujii  
President and Representative Director

## On the 50th Anniversary of Our Founding

**In passing down and evolving our distinctive technologies and ability to anticipate social change for half a century, we have grown to become a unique corporate group that does not fit the conventional mold of a chemical manufacturer.**

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2021 is a landmark year for MGC, celebrating our 50th anniversary. Looking back, I remember the company's tenth anniversary. I had just joined the company, and the year was 1981. In those days, innovative new products were coming out one after another, such as the eight-bit personal computer and the portable music player. I wondered what made such products so small. My thoughts led me to the chemical industry. I felt even then that chemical companies were key players driving innovation in industrial technology and positive social change, and that their potential, moreover, was enormous. Forty years later, I still feel the same way.

As a new recruit, I was first assigned to the Personnel Department of the Niigata Plant. At the plant, a few dozen trainees from Saudi Arabia were learning about production equipment. MGC was much smaller then, making annual sales of around ¥200 billion, but it had a grand plan underway to invest nearly ¥100 billion in a joint venture in Saudi Arabia, rich in natural gas resources, in order to build a methanol production plant that would also export methanol to Japan. That was the first joint venture between Saudi and Japanese companies there.

From then onward MGC has taken risks and achieved success in making and carrying forward business plans in fields that were completely new, because it possesses

the insight for social change and distinctive technologies. A case in point is a project that began in 1981 to prospect geothermal resources in Akita Prefecture, applying our technologies for prospecting and developing natural gas. It took us more than a decade to start the commercial operation, but it has been running stably ever since. In the present, when geothermal energy has been increasingly attracting attention as a domestic renewable energy source, we are already involved in developing this energy in four locations in Japan. Similarly, in the early 1960s, ahead of our competitors, we took note of the potential of polycarbonate, which has a glass-like transparency and shock resistance that makes it unbreakable in falls, and established technologies to mass-produce it in Japan. Polycarbonate is now established as a versatile product and used in a broad range of products, from aircraft windows to smartphones. As these examples show, our management team has read ahead over the decades, sown the seeds for the future, and built one success atop another. This is how our corporate culture today has come to be. As our businesses, built on their technological strengths, have expanded into many fields, MGC has grown to become a unique corporate group that refuses to fit the conventional mold of a chemical manufacturer.

## Path to the Future – Revamping Our Corporate Philosophy

**In clearly defining our corporate mission, vision and path to the future, we become an “excellent company with uniqueness and presence built on chemistry.”**

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We have taken our 50th anniversary as an opportunity to cast our gaze forward to 2050, reviewing the purpose of MGC Group and what we want it to be, as well as discussing the path we will take to create value over the long term. Based on that discussion, we revamped our corporate philosophy by reducing it to its fundamentals and imbuing it with a global viewpoint. We have just recently announced it to the world. First, we have redefined our old Group vision, creating value to share with society, as the new Group mission. Simply put, this mission means contributing to society through business, leading to the

spirit of the three Mitsubishi Group principles.\*<sup>1</sup> To carry out this mission, we will continue expanding across the many areas of chemistry, with their limitless potential, and work to be an entity that helps sustain the happiness of people through innovation. By creating value, we will fully achieve our ideal, an excellent company with uniqueness and presence built on chemistry. We bring together our mission, our vision (what we want to be) and our values (Principles of Conduct and Corporate Behavior Guidelines) as the MGC Way, and situate it in the center of our corporate philosophy.

\*1. Shoki Hoko (Corporate Responsibility to Society), Shoji Komei (Integrity and Fairness), and Ritsugyo Boeki (Global Understanding through Business)

## Direction of Medium- and Long-Term Strategy

**We take a backcasting approach to identify social issues and needs for the near future, and target five priority areas. We have created business strategies that lead to sustainable growth.**

Since the pandemic, it is harder than ever to predict our society and economy. Going forward, kinds of change that we have never imagined will be continuously occurring. We work to be as accurate as possible in predicting the future from the signs of change we can see now, as well as trends in technologies and legal systems, and build strategies leading to sustainable growth. Most of the businesses and products that are propelling our earnings today were started more than a decade ago, based on market prospects we identified at the time.

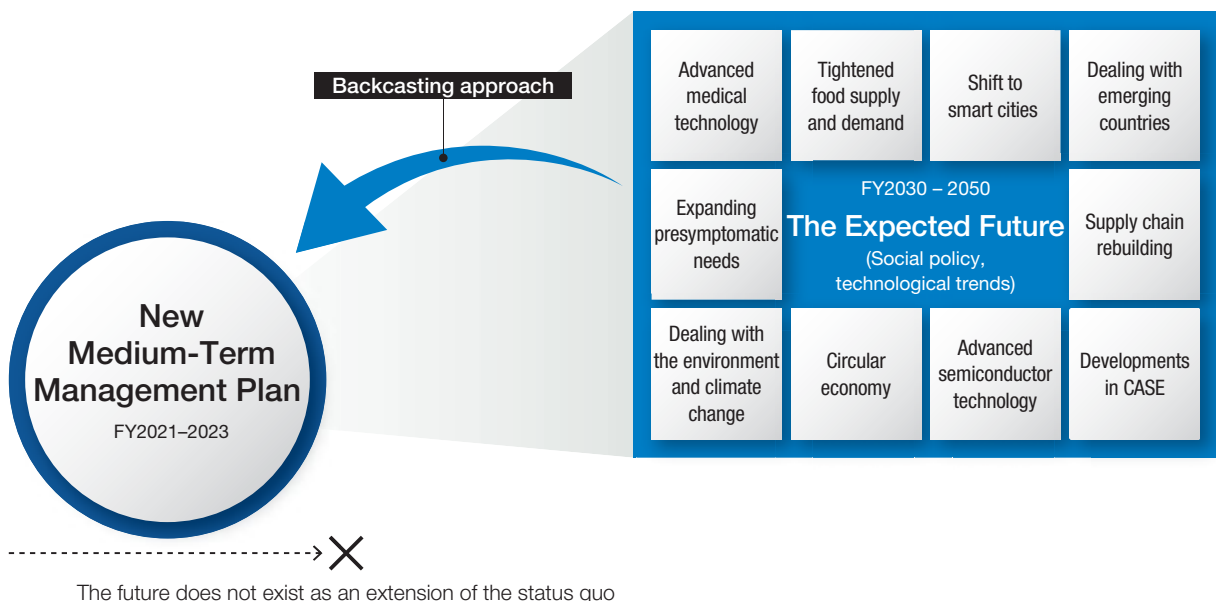
In operating business over the medium and longer terms, we place importance on changes in popular awareness and values. We see examples in the grocery shopping habits of “SDG-native” Gen-Z consumers. Highly conscious of the food waste issue, they tend to pick products that are closest to their sell-by dates, often found at the front of the shelves. I believe the time will soon come when people see value in products with easily recycled packaging, even if its life is relatively short. From this kind of viewpoint we work to be a Group creating new value in a broad range of industries.

Drawing up the new Medium-Term Management

Plan, which starts with fiscal 2021, in the same way that we rebuilt our corporate philosophy, we took a backcasting approach from around 2050 in order to visualize our desired future. Working toward this ideal, we set policies and priority initiatives for each business based on a thorough understanding of social issues and needs. We have targeted five areas in which new business can contribute to society by around 2050: medical and food, information and communication, mobility, energy, and infrastructure. In the area of information and communication, for example, we project the widespread application of 6G technology, electric vehicles and the expansion of “smart cities,” and are working to create business opportunities where our Group will be uniquely situated to take best advantage, without much competition from others. To reinforce our footing in these areas, it will be essential that we bolster our capacity for technology development. To that end, we plan to increase research personnel. By increasing the number of younger engineers and scientists in our workforce, we also intend to adjust our organization to the changing values of society.

## Positioning the New Medium-Term Management Plan

(Long-Term View and Strategic Moves toward Our Vision)





### New Medium-Term Management Plan

**We will shift to a stronger earnings structure unaffected by economic fluctuations, and balance economic and social value.**

In May 2021, we announced our new Medium-Term Management Plan, covering the three years from FY2021 to FY2023. As our earnings goal we have set an all-time high of ¥70 billion in operating income for fiscal 2023. Over the ten years from that point forward we are looking to achieve ¥1 trillion in annual net sales and over ¥100 billion in operating income. We have designated the period of the Medium-Term Management Plan as “three years to set the pace.”

We then set our priority goal: shifting to a profit structure resilient to changes in the business environment. Over the three-year period we will change our business portfolio to more flexibly respond to economic fluctuations. As specific initiatives, we will increase our sales ratio of high-performance, high-added-value products while reducing that of businesses that are highly volatile under external change. At the same time, we will relentlessly introduce new and next-generation businesses to improve the “metabolism” of our portfolio. We will also review our management methods to focus more on selected businesses, specifically to reidentify and redefine “strong” and “distinctive” businesses, with capital efficiency in mind. The Medium-Term Management Plan puts our strategy into practice according to four stages for each type of business. First, we work on differentiating businesses, which are those for which we can apply unique competitive advantages, followed by new and next-generation businesses, where we can project growth tracking with social progress and market expansion. After that come foundation businesses, which generate certain levels of earnings despite modest market growth potential, or finally

unprofitable businesses and those needing rebuilding, as such businesses possess neither distinct competitive advantages nor market growth potential.

With this new business portfolio as a precondition, we already began implementing large-scale organizational reforms in April 2020, include abolishing the internal-company system and unifying several research divisions for synergistic effect. In the Basic Chemicals Business we made additional organizational reforms in April 2021 and established a system that allows us to respond to the needs of our customers and markets more rapidly and accurately. In the process of the portfolio shift, which enters the full-implementation stage this fiscal year, we will promptly invest funds and human resources in businesses representing primary targets, while taking overall optimization into consideration.

Another priority goal is to balance social and economic value. Always keeping in mind the purpose of the MGC Group, we will work to establish a good balance between these two kinds of value and contribute to a more sustainable society. In the area of environmental protection, in particular, chemical manufacturers have often been seen in a negative light. To the contrary, we believe that as a chemical manufacturer we are all the more suited to be a reformer bringing about positive effects on our environment. Commercial application of the technologies that allow chemical production from carbon dioxide, for instance, may be a mission chemical manufacturers should take on. MGC Group is already promoting research to produce materials like methanol and polycarbonate resins from carbon dioxide. In the industrial vegetable production

business, we maximize our knowledge and experience with chemistry in building a CO<sub>2</sub>-use model as an extension of experiments with artificial photosynthesis. We are also making groupwide efforts to enhance materiality management. We will build a system that allows us to meet social needs, for instance for carbon neutrality by 2050. It goes without saying that human resources are the most important key to our success in achieving all these goals. I believe that when the high-caliber employees working within our Group companies take action based on the shared mission and vision defined by our new corporate philosophy, the MGC Way, they will achieve the right

balance between social and economic value.


Under the Medium-Term Management Plan, we intend to invest a total of ¥240 billion over the three-year period, placing importance on initiatives to strengthen differentiating businesses and nurture new and next-generation businesses. While balancing our internal reserves and shareholder returns, we hope to raise our caliber as a chemical maker incrementally, making and implementing capital policy that benefits all our stakeholders.

 Please refer to our New Medium-Term Management Plan on page 21 for more details.

### Shareholder Return Policy

- Our top management priority is maximizing our corporate value
- While taking into account operating performance and other factors, we aim to maintain a stable level of dividend distribution
- With the level of internal reserves and shareholder returns in mind, we will continue to flexibly buy back our own shares for higher capital efficiency and better shareholder return
- Starting with the new Medium-Term Management Plan we are defining our shareholder return policy more clearly, aiming for a total payout ratio<sup>\*2</sup> of 40% as the medium-term target

<sup>\*2</sup> Total payout ratio against net income attributable to owners of parent, including purchases of treasury stock

 Please refer to "Performance Highlights" on page 15 for the trend in shareholder returns.

## Future Prospects

**To be a strong corporate group capable of responding to social change, we aim to be "Green-MGC," creating unique value and helping reduce environmental impact.**

As a corporate group we have been involved in many businesses that can help address social issues since before the United Nations adopted its Sustainable Development Goals. I recognize that, with the aforementioned technology to employ CO<sub>2</sub> as a resource, for example, we have the potential to be one of the major players leading the global decarbonization trend.

The organizations in our Group are working to establish competitive advantages while reducing environmental impact, applying digital technologies to automate work processes and raise efficiency. We have identified a series of initiatives taken by production and back-office divisions working together as what we call "Smart-MGC." "Smart" here also means "strong," and with this name we express our determination to build a strong corporation that can reliably respond to social change. By optimizing our supply chains for sales, production and distribution, we hope to realize our vision of Green-MGC, which will achieve carbon

neutrality sooner than planned and eventually be able to create value with the lowest possible environmental impact.

Finally, to commemorate our 50th anniversary

we are going to build the MGC Commons innovation center in Tokyo, scheduled for completion by the end of 2022. Through this facility we will promote the exchange of information and people among Group companies, universities and companies in other industries to create cross-value innovation. Looking into the next 50 years, we will strive to realize the mission and vision of the Group and secure our path for sustainable growth as a unique chemical manufacturer.



Image of the future MGC Commons