

## **Condensed Transcript of Q&A Session at Management Overview Presentation**

**Date/time: June 6, 2025 (Friday) 4:00–5:15 pm (hybrid in-person/webcast)**

**Presenters:**

**Yoshinori Isahaya, Representative Director, President**

**Ryozo Yamaguchi, Director, Senior Managing Executive Officer, in charge of Specialty Chemicals Business Sector**

**Hideaki Akase, Director, Managing Executive Officer, in charge of Green Energy & Chemicals Business Sector**

**Chika Kobayashi, Managing Executive Officer, responsible for Corporate Planning**

(Note about this transcript)

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. This transcript was edited for clarity and brevity at the Company's discretion.

Additionally, forward-looking statements, including plans and targets, contained herein, like those in the briefing's presentation materials, are judgments based on information in the Company's possession as of the briefing's date and certain assumptions deemed reasonable by the Company.

Forward-looking statements involve uncertainty. Actual outcomes may differ substantially from such forward-looking statements as a result of various factors.

Q1: Can you tell us whether your measures to strengthen the resiliency of your business portfolio are progressing as expected? For example, is the value chain becoming more resilient in businesses that require external procurement of raw materials, like glass cloth in BT materials? Would it be correct to expect to reap the benefits of the increase in R&D expenses during the period of the current medium-term management plan and beyond, as expected? In addition, my understanding is that withdrawal from the purified isophthalic acid (PIA) business, targeted for 2030, is intended to increase value added across the meta-xylene chain—is that accurate?

A1: Efforts to strengthen the resiliency of the business portfolio are progressing according to plan, centered on U&P businesses. But we recognize that due to the changing external environment and other factors, the initial plan by itself may be inadequate. We're issuing instructions for other necessary measures. On the topic of R&D, we're proceeding with plans. Since we are not just expanding our efforts in existing markets, but also conducting many projects in cooperation with players in new markets, we expect to see steady progress. Regarding OXYCAPT™, customers expect it to become the *de facto* standard in advanced medicine for conditions for which existing materials are ineffective. For OXYCAPT™, we're striving to launch sales around 2026; since this is a tie-up with other companies in new drug development, it's not something we alone control.

As for PIA, a European plant for MXDA, another meta-xylene derivative, is under construction. We

can decrease dependency on PIA in accordance with MXDA sales growth. Additionally, we expect to achieve adjustments in production capacity for meta-xylene, a raw material for PIA, and to promote increasing added value in the meta-xylene chain.

Many of our products are combinations of raw materials, like glass cloth in BT materials. We therefore pay close attention to efforts to secure raw materials. But the AI boom in recent years has dramatically impacted the entire supply chain, including materials manufacturers such as MGC. This appears to be a deep-rooted issue. The matter of glass cloth is very important to us, and we're proceeding with measures to address it.

Q2: On the topic of profit growth in U&P businesses, what practical measures do you have in mind to return to high growth in FY2026 and beyond? Can you describe in concrete terms how you plan to grow U&P business profits—for example, by opening a new plant in the US and growing market share in Taiwan in EL chemicals, or pursuing applications of BT materials in new domains like AI servers and photonics-electronics convergence, using alternative materials to conserve resources related to glass cloth, and deploying OPE™ to ASIC?

A2: Construction work to expand EL chemicals is nearing completion at plants in the US, Taiwan, Singapore, and elsewhere. We're confident we'll be able to secure the volumes targeted in FY2026. In terms of demand, although in some aspects we need to wait for the startup of new fabs by customer semiconductor manufacturers, manufacturers in Asia and elsewhere are proceeding with expansion plans targeting the US market. We expect this trend to be reflected in the 2026 results. Our efforts to grow our market share in Taiwan are already underway. We are steadily proceeding with measures to meet customer needs for quality and standards, with the aim of achieving our goals according to schedule.

In BT materials, while plant expansion is underway in Thailand, here too we intend to target AI-related applications. We'd like to proceed in this direction by building on the track record we have achieved in FC-BGA applications and raising technological improvement a notch up. While I can't discuss the specifics of photonics-electronics convergence right now, customers are currently providing information on technical innovations. We plan to proceed at a steady pace with an approach centered on R&D. As the market for glass cloth tightens, we plan to ensure a reliable supply to our customers through means including conservation and diversification of the raw materials. The target in the OPE™ business is none other than AI applications—sales are currently proceeding at a steady pace. We will aim for continuing growth while comprehensively fulfilling customer supply needs.

Q3: It looks like you've received lots of orders for BT materials recently. Can you actually fulfill these orders? Do you expect the improvements and other measures taken in response to the quality issues that came up last fiscal year to work? The market for glass cloth is tight—does high market share give you comparative advantages in procurement?

A3: Last fiscal year's quality issues weren't directly related to the recent delays in delivery. The main cause of the delays was a concentration of orders, including those received ahead of schedule, as

customers tried to produce and ship products to the US early in response to the potential tariffs and became sensitive to an apparent shortage in glass cloth. We're closely monitoring actual demand and plan to ascertain the conditions of each customer. Securing raw materials is, as you noted, important right now. We plan to move ahead while maintaining solid relations with suppliers.

Q4: You mentioned accelerating efforts to reap the benefits from investments in response to the delayed progress of the medium-term management plan. But I think customer trends and demand also had their impacts. As various costs increase, including those related to capital investment, how do you plan to cut costs and raise prices to achieve the profit targets specified in the Plan? Can you describe your specific targets and related matters?

A4: It's clear slow market growth has led to delays in achieving the goals set in the medium-term management plan. But semiconductors will play an absolutely essential role in components in future society, thus we see this as only a temporary delay. It doesn't suggest a need to change course. Still, we plan to proceed with R&D to secure use by an even broader range of customers, not just specific customers. We also recognize that market conditions and the competitive environment for some materials are changing dramatically, thus we aim to accelerate the pace of recovery of investment by exploring the areas subject to future R&D from an even broader perspective, without remaining bound to traditional thinking.

We're taking a very careful approach to price hikes. We're highly cost-conscious in our everyday business activities. For example, when making investments, we conclude contracts in forms that will ensure we can secure returns. We recognize that in many ways we need to strengthen cost-cutting efforts as well. In particular, in businesses requiring intensive management, like the PC business, we are currently conducting a thorough review of currently available resources and costs flowing outside of the organization. We're proceeding with radical steps in certain cases, like plant consolidation in the sheet film business, for example. In MXDA, we recognize the need to increase prices. As construction of the plant in Europe is somewhat behind schedule, we've taken the opportunity to begin market development in regions we hadn't addressed previously. We're also aiming for market growth through means such as promoting market development in new environmental solutions fields.

Q5: Do you sell chemicals for use in semiconductor manufacturing to the US plants of Asian manufacturers at the same price levels as to their plants in Asia?

A5: Prices vary by sales territory even for identical products. We sell them under price structures tailored to local conditions.

Q6: The profit targeted for the U&P businesses on page 15 is ¥70.0 billion, but you only foresee profit of a little less than ¥50.0 billion this fiscal year. How do you expect to reach the target of ¥70.0 billion?

A6: We hold internal meetings on progress on the medium-term management plan, in which we discuss measures to bridge gaps between FY2026 targets and current levels. We ask individual business divisions to propose action plans for various steps, like additional cost savings and price

hikes, and we expect to be able to maintain our targets for the final year of the plan. We plan to proceed with action plans to increase profits toward the plan's final year in not only EL chemicals but also electronics materials, MXDA, and other businesses too.

Q7: Even though the current state of EL chemicals isn't very strong, production capacity was revised from a 1.7-fold increase from FY2020 to 1.8-fold. What's your current understanding of the EL chemicals market and its actual state?

A7: The gap from the initial plans in the medium-term management plan is due to the fact that the rate of production of semiconductors for specific applications such as generative AI is increasing more than before, and also due to the poor sales at some of our customers and decreased production of general-purpose products at some others. But we expect demand in non-AI fields and for general-purpose products to follow this trend, although to lag somewhat, as devices like personal computers and smartphones are replaced by AI-compatible models. We're proceeding according to plan, with enhancements in production capacity, and we're confident we'll be able to recover the investment in question.

Q8: What's your view on the polycarbonate (PC) business? You mentioned you were considering optimizing production capacity by reducing capacity by at least 15% within a few years. Is this a business you plan to maintain over the medium to long term? Or are you looking for an exit following the recent reorganization of businesses? I'd like to know the exact position of this business in your company. Also, as Chinese manufacturers are developing capabilities in the PC market, is there a positive prospect for this business in terms of profitability over the long term?

A8: We consider the PC business to be one we should continue. Doing so will require reorganizing the business and cutting costs through means such as reducing production capacity and discontinuing and consolidating models. We'll also strive to increase sales volumes of high-performance products. Regarding the prospects for success in competition with emerging Chinese manufacturers, we plan to ascertain customer needs and address them swiftly in fields that Chinese manufacturers do not, or cannot, compete. Chinese auto production is high, and the pace of development is fast. Accordingly, we're building a structure for producing products at grades at which we can compete successfully through means including product grade improvements and discontinuation and consolidation of product models. That's the same approach we employ in the PC sheet film business. We intend to make steady progress in the Japanese and Chinese auto markets through various measures, including R&D reorganization and structural reforms, by ascertaining whether we can sell high-performance PC products as auto parts in the vast auto market.

Q9: In BT materials, has the delay in recovery at the low end and the middle end led to the recent delay in progress, or is it due to other factors? Also, please tell us about the progress in deploying new materials for FC-BGA use and built-up materials.

A9: In the BT materials business, there used to be demand for general-purpose products and from China. The medium-term management plan was formulated based on these trends. Today our analysis

shows Chinese manufacturers have also begun producing products in many general-purpose product segments. Our products have reached a generational change, as our role shifts toward supplying higher-grade products in place of general-purpose products. Even though unit prices are trending up, in certain aspects, the sales volume hasn't grown as much as we expected, impacting the profit. Although some switching occurred as customers modified their specifications, we believe those customers will return and expect the business to recover in the future. Due to factors like this, growth appears to have leveled off. But we're also focusing on efforts targeting the BGA market. Since the response from customers has been highly favorable, we expect to be able to generate results as we move toward the final fiscal year of the medium-term management plan.

Q10: Shortages in BT materials have been reported since late May. Are there shortages in the actual resins you supply? Or is it the shortage of glass cloth that's leading to short supplies of laminate boards? Additionally, you noted you received strong inquiries due to advancing shipments in response to US tariff policies. In what fields were inquiries strong, leading to shortage of supplies? And is this due to factors related to your company itself or is there a shortage in the parts and materials you procure? Please let us know the specifics about these circumstances.

A10: There haven't been any problems at our plants. Rather, in addition to the shortage of glass cloth, customers appear to be procuring materials in advance due to the potential impact of US tariff policies. Inquiries are strong in AI fields, but we also expect demand to grow in non-AI fields. It appears right now that customers are striving to secure supplies of materials.