**Condensed Transcript of Q&A Session at MGC's FY2026 1Q Consolidated Financial Results Briefing**
**Date/time: August 7, 2026 (Friday), 5:30–6:30 pm (webcast/teleconference)**
**Presenter:**
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(Note about this transcript)

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Q1: I'd like to ask about the semiconductor-related businesses, a segment that's attracted significant attention recently. Can you tell us about the current status of and future outlook for each of the EL chemicals, BT materials, and OPE™ businesses?

A1: The 1Q results for EL chemicals show improved profits by an increase of half a billion yen from the previous quarter. Sales for high-performance memory at our South Korean site were strong and demand from major customers at the North American site, which had been slow, is trending toward recovery, as indicated by adoption of cutting-edge wafer production processes. We expect positive favorable sales trends to continue in 2Q and beyond, and we expect volume growth in the second half at our Taiwan site due to progress in EL chemicals adoption by customers. This should lead to sales and profit higher than forecast.
Trends for BT materials are positive for all grades, backed by brisk memory demand for AI servers. General-purpose grades are showing better growth than expected due in part to the tight supply of semiconductors. Use of grades with ultra-low thermal expansion properties is growing steadily for BGA applications as we have secured substitute materials amid the shortage of glass cloth. This should also contribute to sales and profit beyond previous forecasts.
We expect steady trends for OPE™ in 2Q and beyond due to the multifaceted expansion of applications and customers, including those related to telecommunications devices, in addition to GPU, ASIC, and other conventional AI server applications.

Q2: Why does the full-year operating profit forecast for the three ICT businesses on slide 18 remain largely unchanged (from 41.0 billion yen to 40.9 billion yen) from the previous forecast? Can you explain why your second-half forecasts for BT materials are so conservative?

A2: In the three ICT businesses, although we expect higher earnings than previously forecast for electronics materials and EL chemicals, earnings for optical materials are expected to be lower than previously forecast. In optical materials, despite strong trends for optical polymers for smartphones, we expect earnings to decline due to the issue at the eyeglass lens monomer plant.
In BT materials, while we expect demand in the first half to remain strong, including demand for the general-purpose grades, this trend could slow in the second half. The recent demand trends may involve some temporary factors. We're making progress on adoption of grades with ultra-low thermal expansion properties for BGA use, an area in which we're currently trying to expand sales. But we also assume the possibility that the sales expansion may slow due to factors such as constraints on glass cloth procurement. Negotiations with customers on price revisions are proceeding and the current status is in line with previous forecasts. Some results of the price increases will emerge in the first half, but due to the balance of orders received, the full effects of the new prices will take some time to permeate and will appear mainly in the second half and later.

Q3: Your plan for this fiscal year was to target a roughly tenfold growth compared to the previous fiscal year in sales of ultra-low thermal expansion grade RS material for BGA substrate use. Can you tell us about the progress toward your initial forecast at the start of the period, including the state of customer evaluations? What is the sales outlook for next fiscal year?
A3: We're most definitely allocating resources to expand sales of RS material, and customer evaluations are proceeding sufficiently. But these forecasts incorporate the risk that progress with their adoption could slow due in part to concerns about low CTE glass cloth procurement. We want to continue diversifying procurement by evaluating multiple alternative materials from domestic and overseas sources. We will proceed with full-scale sales expansion of RS material next fiscal year, doubling the ratio of BGA substrate sales for GPU and ASIC use in BT materials.

Q4: It looks like the glass cloth procurement environment has improved compared to three months ago. Are you still having difficulty procuring enough low-CTE glass cloth? There's a difference between your growth forecasts and those of a competitor with strengths in materials for AI servers. Does this gap reflect differences in glass cloth procurement capabilities or in applications? I'd also like to hear about the current status of price increases, as your price negotiations appear to be moving slowly compared to the progress being made by the competition.
A4: Our major market for BT materials remains CSP while the competitor is the leading producer of materials for BGA use. That is the major difference. Although glass cloth procurement conditions aren't growing worse, we understand they're not showing significant signs of improvement. As for price increases, we're making steady progress on negotiations to adjust our pricing, but this won't necessarily lead to the acceptance of the terms we propose.

Q5: It looks like the trend for general-purpose grade BT materials will be continuing growth, mainly for AI-related and memory applications in the second half as well. What's your take on this issue?

A5: We recognize that demand for memory is driving of sales general-purpose grade products. At the same time, we see movement to secure inventories in preparation as some customers plan to withdraw from the CSP field to focus on the BGA field. This is one factor behind recent strong sales. Since this increase is temporary, we believe sales may fall in the second half as the impact of this factor fades.

Q6: These financial results are significantly affected by gains on inventories. Can you give us a better idea of the scale of this impact?
A6: I want to refrain from indicating the impact of the gains on inventories in specific figures, but around two-thirds of the price factors of +9.3 billion yen shown on slide 7 are attributable to gains on inventories. These price factors include the impact of price revisions on BT materials and other chemicals. Even though we expect losses on inventories due to the falling market price of methanol and other products in 2Q and beyond, we plan to minimize any decline in profit through efforts in areas like sales and logistics. In the case of methanol, even though operation rates remain low at the Saudi Arabian plant, we believe we've secured profitability by demonstrating our overall strengths as a leading supplier in procurement, sales, and logistics.

Q7: The previous forecasts assumed operations at the Saudi Arabian methanol plant would normalize in June. What's the current status?
A7: We now expect operations to return to normal from September, around three months later than the previous forecast.

Q8: You said the memory shortage hasn't had much impact on optical polymers for smartphone use. Given your high market share, do you see any risk that the shortage might have negative impacts in the future?
A8: The smartphone market as a whole is slowing, but 1Q sales results for optical polymers were up both YoY and QoQ. While they're typically used for high-end smartphones, they're also widely used in midrange and low-end smartphones. We offer a wide range of grades, including high- and medium-refraction materials. Overall, their performance is strong. Orders for autumn models are typically slow in 2Q, but given the current balance of orders received, we expect shipments to remain high through the first half. Our forecasts for the second half are conservative, reflecting the possibility of production adjustments due to a rebound from this strong first-half demand.

Q9: Can you tell us about demand trends and the future outlook for EL chemicals in North America and South Korea? Can you clarify the depreciation burdens associated with the North American facility expansion and the efforts to improve earnings across the business as a whole?
A9: Sales of our EL chemicals are growing in North America, with expanding production of advanced logic semiconductors. Several customers plan to open new plants. If these proceed according to plan, we expect our North American EL chemicals business to grow in line with initial plans. We expect higher earnings in the second half than in the first, and full-year earnings should exceed both the results for the previous fiscal year and the previous forecasts.

In South Korea, demand is booming for memory in general, including high-bandwidth memory (HBM), chiefly for AI server and data center applications, and sales of our EL chemicals are trending favorably as well. We plan to make steady efforts to capture demand from major customers going forward.
Since depreciation for part of the North American sites will be delayed by a few months, we expect full-year depreciation costs to be several hundred million yen lower than the previous forecast. We're also planning logistics efficiency improvements for hydrogen peroxide, a raw material, as a full-scale cost-cutting initiative, which we expect to generate considerable results.

Q10: What impact will the trend among substrate makers to shift resources from CSP substrates to BGA substrates have on future demand for BT materials—or on your resource allocation and production structure?
A10: Our resources are allocated with a focus on expanding sales for BGA use, but we definitely plan to continue supplying materials for CSP substrates, our major market. On the other hand, since growth in AI servers is expected to drive demand for semiconductors, including not just BGA substrates but CSP substrates, we want to consider strengthening the supply structure through means such as investing in further capacity enhancements at our Thailand plant.