

Outside Directors Talk/Messages from New Outside Directors

Discussions in Board and Other Meetings during Fiscal 2024



To create corporate value over the medium to long term, we will deepen discussions and support accurate and steady strategy implementation while keeping stakeholder viewpoints in mind

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Deep Discussions on Progress and Strategies under the Medium-Term Management Plan

What was the agenda item you spent the most time on in board meetings in fiscal 2024?

Manabe: The new, now current, medium-term management plan (MTMP 2026). We spent a lot of time discussing the validity of its objectives and strategies and checking on their progress. The first objective is “strengthen the resiliency of our business portfolio,” designed to build out our business foundation for sustainable growth by stabilizing the earnings structure. In preparation, since the previous medium-term management plan (MTMP 2023), we have been investing heavily in an MXDA production facility in the Netherlands, but the construction industry’s labor shortage has delayed construction and limited progress somewhat. For a long time, we have also been discussing reconstruction of our polycarbonate and sheet film businesses, which have been designated as “requiring intensive management,” and we have been putting time into system enhancements in the area of innovation, including Carbopath™.

Kurihara: Exactly. We have held multifaceted Q&A sessions concerning value creation, including assessments and future potential, in our R&D initiatives and product groups helping address issues related to climate change. With “gas” in our name, the MGC Group is a pioneer in natural-gas-derived chemicals and holds a wide array of technologies and expertise on catalyst development and plant operations. To help encourage the social implementation of these assets as a carbon-neutral business, we have to work with a broad range of stakeholders. Schedule adjustments along with changes in the external environment are necessary to the success of our projects. A case in point is a circular carbon methanol business using green hydrogen and CO₂ that we have been discussing with a foreign joint venture in Australia. Prices for green hydrogen remain high, and construction costs are rising, so the Board of Directors has temporarily suspended discussions on this project for the time being, working from the standpoint of economic rationality.

Manabe: Chemical products using CO₂ as a major ingredient carry great potential because they can help address environmental issues and support industrial growth

at the same time. Several projects are moving forward on our Carbopath™ platform, and I think it is important to get ahead of our competitors and take the lead to make MGC synonymous with circular carbon platforms. In objectively assessing the decisions of the management team, I support taking appropriate risks to help build our corporate value.

Kurihara: I understand that carbon-neutral businesses like CCS have immense growth potential, and have been hearing frequent hopeful remarks from national and local governments about them, too. I make a habit of engaging in broad, in-depth discussions to establish and apply our proprietary technologies in new fields.

Which management issues are you watching most closely?

Manabe: MGC has been conscious of cost of capital and promoting ROIC-based management since fiscal 2021, the first year of MTMP 2023. The current plan also clearly advocates strategies to improve capital efficiency, but I feel the pace of improvement leaves much to be desired. As in 2023, we outside directors took advantage of opportunities to talk with institutional investors in 2024. They asked many questions, including how we plan to handle businesses requiring intensive management.

Kurihara: I have been tracking the growth potential of our three ICT businesses. Rather than limit customer prospects for original MGC products like optical materials, we should be expanding their potential applications, and how well we do that holds the key to success. For future growth, it is essential that we explore new applications for our products and build quality customer relationships. To deepen mutual understanding with customers, I have high hopes for more effective use of the MGC Commons, a facility that epitomizes open innovation. This is a bit off-topic, but in October 2024, we outside directors and outside Audit & Supervisory Board members participated for the first time in the regular presentation by young researchers at the MGC Commons. I was able to hear about floor-level topics, which starkly contrasted the topics discussed in management meetings, and found it extremely stimulating.

Potential for Further Evolution as an R&D-Oriented Company

What are your hopes for President Isahaya, installed in April 2025?

Kurihara: President Isahaya’s nomination symbolizes our resolve to pursue the Uniqueness & Presence concept, the backbone of our corporate Vision. I also see it as a



timely move for broadcasting MGC’s position and intent both within and outside the Company. I know he has been leading our R&D initiatives in the right direction as overseer of R&D for the entire Group over the past two years, so I hope he will make the unique technologies held individually by Group firms and divisions accessible across the Group, enabling MGC to do business in entirely new ways.

Manabe: Like Ms. Kurihara, I hope he will work to make MGC a more R&D-oriented company, but I also hope he will drive the Company to achieve the two objectives of MTMP 2026, strengthening the resiliency of our business portfolio and promoting sustainability management, while steadily executing the strategies set out in the plan.

What do you think of cultivating personnel who can take part in management in the future?

Manabe: MGC has excellent training programs designed to systematically produce key personnel and support our work environments as well. For technical personnel, I understand that what we need in upstream and downstream operations are quite different, but to cultivate core-leadership candidates, I think we should provide dynamic career paths that complement each of them. Such candidates seem to be coming up in engineering, on a career path, for example, of working in a downstream division for some years, then heading an upstream division before rising to the core management team.

Kurihara: Although it is not clearly defined as a succession plan, I see MGC as a company with multiple career paths on offer. To build a career, an employee may, for instance, be installed as head of a foreign subsidiary so they can reinforce the skills of leadership and risk management required of a future executive.

Manabe: Moreover, to promote sustainable growth, MGC partially revised its compensation system for directors, excluding outside directors, in June 2025. Under the existing system, about 30% of director compensation is linked with job performance, and the revision will add environment, social, and governance (ESG) factors to that portion as KPIs. E will focus on our rate of greenhouse gas emissions reductions, S on the ratio of employees who are motivated to work, and G on the number of compliance violations. As I see it, if results are subpar, evaluations of directors will degrade, thus accelerating the plan-do-check-act cycle.

Kurihara: ESG-related initiatives are not derived from problematic situations. I see the revised compensation system as motivating directors to achieve higher levels in the natural course of the work flow.

To conclude, do you have a message for our shareholders and investors?

Kurihara: As a researcher, I never want our employees to think they have reached the limits of a given technology, instead I want to help them transcend those perceived limits. Through open discussion with board members, I think we outside directors can help translate abstract concepts into plain language and give them solid form. I hope that will make principles and policies easier to share among



directors and members of the entire Group, and reinforce the motivation to keep pushing forward. That is the sort of contribution I hope to make.

Manabe: I see MGC as a group of autonomous, highly ambitious people who have a deep, solid understanding of what they must do on their own initiative. Challenges remain for us, including improving PBR and ROE, but I see enormous potential. I would like to encourage you to have high hopes for the Group's ability to grow and build value over the medium to long term.

To improve PBR and ROE, I want to enhance communication with shareholders and institutional investors abroad

I have been working in the global financial industry, more specifically in the corporate finance segment in Japan and the US, analyzing corporations for many years. I hope to contribute to MGC's board discussions, making the most of my experience assessing and analyzing the business plans and capital policies of over a thousand corporations.

To help guide the Group to sustainable long-term growth, I think it is perfectly reasonable to undertake strategies to enhance the resilience of our business portfolio by focusing management resources on our Uniqueness & Presence businesses, which are unlikely to be copied by other companies. MGC clearly has unique strengths and presence, with a vertically integrated business model, many products with top shares in global markets, and a track record of new product innovation. I hope to see new, edgy businesses inheriting these strengths. The chemical manufacturer business model customarily requires years of R&D effort and equipment investment to yield profits. During the investment cycle, I think it is important to keep two factors in balance: maintaining a strong balance sheet to ease funds procurement and allocating capital for strong investor returns.

I see a lot of room for improvement in our current PBR and ROE figures. To help our shareholders and investors accurately assess the growth potential and future value of the MGC Group, it is important to explain and accurately convey relationships between our results and progress with ongoing growth strategies, and clearly communicate the financial strategies and capital policies that reflect our priorities. In my career, I spent a long time in the US, and have built ample experience in working with institutional investors abroad, so I want to provide advice to help build and reinforce those relationships.



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Messages from New Outside Directors



Kuni Sato
Outside Director
Former Ambassador Extraordinary and Plenipotentiary of Permanent Delegation of Japan to UNESCO
Council Member, United Nations University

I will oversee and advise from the standpoint of seeing both the trees and the forest

I see the MGC Group as a chemical manufacturer that is active applying unique proprietary technologies in a wide variety of fields, with a progressive culture and high employee morale overall, always embracing new challenges while continuing to engage with customers. Our stakeholders expect us to make the most of these qualities and strengths to contribute to addressing challenges in areas such as climate change, digital transformation and evolution in medical/food. To measure up to these expectations, the Company is working globally to build value with various partners.

I was press secretary and director-general for press and public relations at the Japanese Ministry of Foreign Affairs, Permanent Delegate of Japan to UNESCO, and Ambassador Extraordinary and Plenipotentiary of Japan to Hungary, among other roles. In a world of high liquidity and uncertainty, I hope to help build the value of the MGC Group, making the most of the experience and knowledge I have accumulated on the global stage.

I will oversee and advise from the standpoint of seeing both the trees and the forest, which I customarily do in my personal life. Speaking in a more nuanced way, I will try to keep an eye on the big picture of our corporate organization, personnel, products, and related trends as we get down to the work at hand. I think it is increasingly important to envision the future of industry and human life as we sculpt the culture of our technology-based company and continue refining our original technologies as we dialogue with customers worldwide.

