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November 8, 2022

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
 URL: <https://www.mgc.co.jp/eng/>
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 Scheduled date to file quarterly securities report: November 11, 2022
 Scheduled date to commence dividend payments: December 6, 2022
 Presentation of supplementary material on quarterly financial results: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Summary of consolidated income statement (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	394,909	17.6	33,524	11.6	49,928	28.8	34,269	21.6
September 30, 2021	335,881	26.0	30,038	109.0	38,759	134.3	28,188	97.7

Note: Comprehensive income Six months ended September 30, 2022 ¥60,439 million [77.3%]
 Six months ended September 30, 2021 ¥34,084 million [107.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	166.33	—
September 30, 2021	135.50	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	1,012,878	675,674	60.0
March 31, 2022	928,651	630,887	61.2

Reference: Equity
 As of September 30, 2022 ¥608,126 million
 As of March 31, 2022 ¥568,766 million

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	45.00	–	35.00	80.00
Fiscal year ending March 31, 2023	–	40.00			
Fiscal year ending March 31, 2023 (Forecast)			–	40.00	80.00

Note: Revisions to the forecast most recently announced: None

Breakdown of interim dividend for the fiscal year ended March 31, 2022:

Ordinary dividend: 35.00 yen Commemorative dividend: 10.00 yen

3. Consolidated business forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	810,000	14.8	60,000	8.4	80,000	7.9	57,000	18.0	277.63

Note: Revisions to the forecast most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common stock)

(i) Number of issued shares at term end (including treasury stock)

As of September 30, 2022	222,239,199
As of March 31, 2022	225,739,199

(ii) Number of shares of treasury stock at term-end

As of September 30, 2022	17,659,718
As of March 31, 2022	17,693,673

(iii) Average number of outstanding shares (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	206,031,885
Six months ended September 30, 2021	208,026,863

* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

1. The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. A number of factors could cause actual results to differ materially from expectations.

2. The supplementary material on quarterly financial results is disclosed on the same day as this quarterly financial results report, and it is made available on the Company's website.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	102,049	101,366
Notes and accounts receivable - trade, and contract assets	176,556	182,285
Securities	6	5
Merchandise and finished goods	78,542	86,848
Work in process	19,729	23,127
Raw materials and supplies	57,398	63,898
Other	19,381	22,930
Allowance for doubtful accounts	△1,453	△1,723
Total current assets	452,210	478,737
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	99,584	104,862
Machinery, equipment and vehicles, net	80,400	84,354
Other, net	96,399	114,461
Total property, plant and equipment	276,384	303,678
Intangible assets		
Goodwill	4,811	4,631
Other	6,478	6,982
Total intangible assets	11,290	11,614
Investments and other assets		
Investment securities	171,446	199,707
Other	17,927	19,825
Allowance for doubtful accounts	△607	△685
Total investments and other assets	188,765	218,847
Total non-current assets	476,440	534,140
Total assets	928,651	1,012,878

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,387	90,271
Short-term borrowings	38,925	37,757
Income taxes payable	11,997	8,782
Provisions	6,488	7,239
Other	49,170	48,474
Total current liabilities	198,969	192,524
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46,621	72,234
Provisions	3,284	2,519
Retirement benefit liability	6,252	6,390
Asset retirement obligations	5,216	5,252
Other	17,418	38,282
Total non-current liabilities	98,794	144,679
Total liabilities	297,763	337,204
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,339	33,907
Retained earnings	492,455	514,794
Treasury shares	△21,525	△23,836
Total shareholders' equity	547,239	566,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,376	9,927
Deferred gains or losses on hedges	△326	101
Foreign currency translation adjustment	9,861	31,156
Remeasurements of defined benefit plans	614	104
Total accumulated other comprehensive income	21,526	41,289
Non-controlling interests	62,121	67,547
Total net assets	630,887	675,674
Total liabilities and net assets	928,651	1,012,878

2. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	335,881	394,909
Cost of sales	254,226	301,734
Gross profit	81,655	93,174
Selling, general and administrative expenses	51,616	59,649
Operating profit	30,038	33,524
Non-operating income		
Interest income	160	320
Dividend income	2,118	1,967
Foreign exchange gains	199	4,927
Share of profit of entities accounted for using equity method	6,912	10,605
Other	1,850	1,411
Total non-operating income	11,242	19,231
Non-operating expenses		
Interest expenses	461	752
Personnel expenses for seconded employees	709	943
Other	1,350	1,132
Total non-operating expenses	2,521	2,828
Ordinary profit	38,759	49,928
Extraordinary income		
Gain on sale of investment securities	622	390
Gain on recovery of money transfer scam at subsidiary	—	110
Gain on step acquisitions	796	—
Insurance claim income	744	—
Total extraordinary income	2,162	500
Extraordinary losses		
Provision for land maintenance expenses	—	273
Loss on valuation of shares of subsidiaries and associates	—	178
Provision of allowance for doubtful accounts	760	150
Loss on disposal of non-current assets	—	149
Impairment losses	1,300	108
Provision for loss on business of subsidiaries and associates	297	—
Fire Loss	129	—
Total extraordinary losses	2,487	860
Profit before income taxes	38,434	49,568
Income taxes	8,075	12,277
Profit	30,359	37,291
Profit attributable to non-controlling interests	2,171	3,021
Profit attributable to owners of parent	28,188	34,269

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	30,359	37,291
Other comprehensive income		
Valuation difference on available-for-sale securities	638	△1,438
Deferred gains or losses on hedges	16	△62
Foreign currency translation adjustment	2,394	13,591
Remeasurements of defined benefit plans, net of tax	△130	△254
Share of other comprehensive income of entities accounted for using equity method	806	11,313
Total other comprehensive income	3,724	23,148
Comprehensive income	34,084	60,439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,153	54,032
Comprehensive income attributable to non-controlling interests	2,930	6,406

3. Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	38,434	49,568
Depreciation	15,810	16,127
Loss (gain) on disposal of non-current assets	296	370
Amortization of goodwill	194	201
Share of loss (profit) of entities accounted for using equity method	△6,912	△10,605
Increase (decrease) in allowance for doubtful accounts	758	222
Increase (decrease) in retirement benefit liability	229	△71
Interest and dividend income	△2,279	△2,287
Interest expenses	461	752
Loss (gain) on sale of short-term and long-term investment securities	△623	△402
Loss (gain) on valuation of short-term and long-term investment securities	144	2
Decrease (increase) in trade receivables	△1,053	△1,576
Decrease (increase) in inventories	△20,588	△13,849
Increase (decrease) in trade payables	9,435	△6,970
Increase (decrease) in accrued consumption taxes	1,267	△1,515
Increase (decrease) in provision for retirement benefits for directors (and other officers)	12	△50
Other, net	△9,462	△14,455
Subtotal	26,124	15,459
Interest and dividends received	2,262	2,479
Dividends received from entities accounted for using equity method	1,736	8,272
Interest paid	△439	△664
Income taxes paid	△6,948	△12,197
Proceeds from insurance income	745	6
Net cash provided by (used in) operating activities	23,479	13,355

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities		
Purchase of non-current assets	△22,740	△32,411
Proceeds from sale of non-current assets	381	53
Purchase of investment securities	△474	△462
Proceeds from sale of investment securities	1,376	518
Loan advances	△465	△1,526
Proceeds from collection of loans receivable	58	102
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△2,668	—
Other, net	△6,537	2,908
Net cash provided by (used in) investing activities	△31,069	△30,817
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△2,517	△4,662
Proceeds from long-term borrowings	3,085	29,360
Repayments of long-term borrowings	△7,216	△3,646
Purchase of treasury shares	△3	△7,081
Proceeds from sale of treasury shares	0	0
Dividends paid	△7,280	△7,281
Dividends paid to non-controlling interests	△1,429	△1,358
Other, net	△315	△354
Net cash provided by (used in) financing activities	△15,677	4,974
Effect of exchange rate change on cash and cash equivalents	1,613	9,943
Net increase (decrease) in cash and cash equivalents	△21,654	△2,543
Cash and cash equivalents at beginning of period	91,075	92,257
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,529	2,041
Cash and cash equivalents at end of period	70,950	91,756

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2021/1H	FY2022/1H	Change
Net sales	335.8	394.9	59.0
Operating profit	30.0	33.5	3.4
Equity in earnings of affiliates	6.9	10.6	3.6
Ordinary profit	38.7	49.9	11.1
Profit attributable to owners of parent	28.1	34.2	6.0

During the first six months of the fiscal year ending March 31, 2023 (April 1, 2022 – September 30, 2022), the global economy was affected by a looming sense of anxiety about the prolongation of the Russia-Ukraine conflict. Reflecting this, the economic environment remained volatile due to surges in raw material and fuel prices and transportation costs, with monetary tightening in the United States, Europe and other countries resulting in the radical depreciation of the yen. The current outlook remains uncertain due mainly to ongoing inflation, which may well lead to downturns in overseas economies going forward.

Against this backdrop, the MGC Group has promoted a medium-term management plan launched in April 2021. In line with this plan, the Group aims to shift to a profit structure resilient to changes in the business environment. To this end, the Group is striving to:

- “Further strengthen competitively advantageous (“differentiating”) businesses,”
- “Accelerate creation and development of new businesses,” and
- “Reevaluate and rebuild unprofitable businesses.”

These efforts will help push ahead with business portfolio reforms.

In addition, the Group is countering surges in raw material and fuel prices and transportation costs by revising sales prices upward to align with an overall increase in costs. By doing so, the Group is endeavoring to maintain and enhance its earnings power.

As a result, the MGC Group’s net sales increased due mainly to the impact of foreign exchange fluctuations and upwardly revised sales prices aligned with higher raw material and fuel prices, along with the recent inclusion of a South Korea-based polyacetal sales company into the scope of consolidation.

Furthermore, operating profit rose, despite such negative factors as surges in raw material and fuel prices and transportation costs, thanks primarily to the depreciation of the yen and robust polyacetal sales.

Ordinary profit increased due primarily to higher operating profit, the posting of foreign exchange gains and an increase in equity in earnings of affiliates, including overseas methanol producing companies.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2021/1H	FY2022/1H	Change
Net sales	198.2	233.0	34.8
Operating profit	15.8	14.4	(1.4)
Ordinary profit	19.1	20.8	1.7

The methanol business saw increases in both net sales and earnings thanks to higher market prices compared with the same period of the previous fiscal year, along with an increase in equity in earnings of affiliates and other positive factors.

Methanol and ammonia-based chemicals posted earnings on par with earnings recorded in the same period of the previous fiscal year, with progress in profitability adjustments offsetting the negative impact of higher raw material prices.

High-performance products posted a decrease in earnings due mainly to rises in raw material and fuel prices and transportation costs, despite the higher sales volume of aromatic aldehydes.

Xylene separators and derivatives saw a decrease in earnings due mainly to rises in raw material and fuel prices, and resulting deterioration in the profitability of purified isophthalic acid (PIA).

Foamed plastics posted a decrease in earnings due mainly to rises in raw material and fuel prices outpacing the timing of product price revisions.

Specialty Chemicals

(Billions of yen)

	FY2021/1H	FY2022/1H	Change
Net sales	137.5	161.8	24.2
Operating profit	15.9	20.3	4.4
Ordinary profit	20.7	25.3	4.5

Inorganic chemicals posted a decrease in earnings despite growth in the sales volume of chemicals for use in semiconductor manufacturing, due mainly to rises in transportation costs and prices for raw materials and fuel.

Engineering plastics saw increases in net sales and earnings, despite deterioration in the profitability of polycarbonates, thanks to constantly robust sales of polyacetal as well as the inclusion of a South Korea-based polyacetal sales company into the scope of consolidation.

Optical materials posted earnings on par with the same period of the previous fiscal year amid stagnant demand for smartphones, a primary application of optical polymers, even though earnings escaped the negative impact of inventory adjustments carried out by customers in the prior fiscal year.

Electronic materials saw decreases in net sales and operating profit. This reflected such factors as declining demand for general-purpose materials for use in PC-related devices and home appliances, which constitute a part of BT materials for IC plastic packaging, the core product category for electronic materials. However, ordinary profit

increased from the same period of the previous fiscal year thanks primarily to an increase in equity in earnings of affiliates.

Earnings from oxygen absorbers such as AGELESS™ remained on par with the same period of the previous fiscal year despite the ongoing robustness of overseas sales—which were buoyed by the depreciation of the yen—especially in the food packaging field, due to rises in raw material prices and transportation costs.