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MEMBERSHIP

August 7, 2023

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
 URL: <https://www.mgc.co.jp/eng/>
 Representative: Masashi Fujii, Representative Director, President
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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: –
 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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	%
Three months ended June 30, 2023	187,008	(3.6)	6,211	(67.0)	7,025	(71.8)	19,844	23.2
June 30, 2022	193,982	21.2	18,844	28.9	24,884	34.5	16,113	12.3

Note: Comprehensive income Three months ended June 30, 2023 ¥31,831 million [4.0%]
 Three months ended June 30, 2022 ¥30,611 million [81.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	97.00	–
June 30, 2022	77.73	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	1,109,722	703,457	56.7
March 31, 2023	1,029,317	671,249	59.0

Reference: Equity
 As of June 30, 2023 ¥629,750 million
 As of March 31, 2023 ¥607,613 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, 2023	–	40.00	–	40.00	80.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		40.00	–	40.00	80.00

Note: Revisions to the forecast most recently announced: No

3. Consolidated business forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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
Six months ending September 30, 2023 (cumulative)	380,000	(3.8)	14,000	(58.2)	16,000	(68.0)	25,000	(27.0)	122.19
Fiscal year ending March 31, 2024	840,000	7.5	46,000	(6.2)	49,000	(29.8)	47,000	(4.2)	229.71

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: None
 - (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 June 30, 2023	222,239,199
As of March 31, 2023	222,239,199

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

As of June 30, 2023	17,661,473
As of March 31, 2023	17,660,740

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

Three months ended June 30, 2023	204,578,056
Three months ended June 30, 2022	207,311,458

* 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)

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.

(How to access supplementary material on quarterly financial results)

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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	108,378	97,264
Notes and accounts receivable - trade, and contract assets	176,626	186,456
Securities	93	56
Merchandise and finished goods	89,367	126,331
Work in process	22,331	20,201
Raw materials and supplies	66,444	72,390
Other	20,775	28,338
Allowance for doubtful accounts	△767	△711
Total current assets	483,249	530,327
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	102,143	106,527
Machinery, equipment and vehicles, net	87,890	95,431
Other, net	123,733	133,629
Total property, plant and equipment	313,767	335,588
Intangible assets		
Goodwill	4,425	20,246
Other	7,555	8,393
Total intangible assets	11,980	28,639
Investments and other assets		
Investment securities	200,101	193,692
Other	22,141	23,446
Allowance for doubtful accounts	△1,922	△1,973
Total investments and other assets	220,320	215,165
Total non-current assets	546,068	579,394
Total assets	1,029,317	1,109,722

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,342	102,965
Short-term borrowings	47,913	69,655
Income taxes payable	5,274	3,976
Provisions	6,714	4,449
Other	72,197	77,960
Total current liabilities	220,442	259,007
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	74,680	79,297
Provisions	3,383	2,921
Retirement benefit liability	4,453	5,943
Asset retirement obligations	5,272	5,368
Other	29,835	33,727
Total non-current liabilities	137,625	147,257
Total liabilities	358,068	406,264
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,293	35,496
Retained earnings	521,426	533,088
Treasury shares	△23,838	△23,839
Total shareholders' equity	573,852	586,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,950	10,298
Deferred gains or losses on hedges	110	58
Foreign currency translation adjustment	22,894	30,996
Remeasurements of defined benefit plans	1,805	1,681
Total accumulated other comprehensive income	33,760	43,034
Non-controlling interests	63,636	73,707
Total net assets	671,249	703,457
Total liabilities and net assets	1,029,317	1,109,722

2. Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	193,982	187,008
Cost of sales	145,501	149,446
Gross profit	48,480	37,561
Selling, general and administrative expenses	29,636	31,350
Operating profit	18,844	6,211
Non-operating income		
Interest income	118	288
Dividend income	1,605	1,037
Foreign exchange gains	2,720	1,248
Share of profit of entities accounted for using equity method	2,276	—
Other	678	609
Total non-operating income	7,399	3,184
Non-operating expenses		
Interest expenses	320	589
Personnel expenses for seconded employees	531	429
Share of loss of entities accounted for using equity method	—	667
Other	507	682
Total non-operating expenses	1,359	2,369
Ordinary profit	24,884	7,025
Extraordinary income		
Gain on step acquisitions	—	15,085
Gain on sale of investment securities	275	2,189
Reversal of provision for business restructuring	—	148
Total extraordinary income	275	17,422
Extraordinary losses		
Provision for land maintenance expenses	255	—
Loss on disposal of non-current assets	146	—
Total extraordinary losses	402	—
Profit before income taxes	24,756	24,448
Income taxes	7,106	3,227
Profit	17,650	21,220
Profit attributable to non-controlling interests	1,536	1,375
Profit attributable to owners of parent	16,113	19,844

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	17,650	21,220
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,220	1,453
Deferred gains or losses on hedges	20	△170
Foreign currency translation adjustment	7,803	6,577
Remeasurements of defined benefit plans, net of tax	△134	△108
Share of other comprehensive income of entities accounted for using equity method	6,492	2,861
Total other comprehensive income	12,961	10,611
Comprehensive income	30,611	31,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,187	29,105
Comprehensive income attributable to non-controlling interests	3,423	2,726

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2022/1Q	FY2023/1Q	Change
Net sales	193.9	187.0	(6.9)
Operating profit	18.8	6.2	(12.6)
Equity in earnings of affiliates	2.2	(0.6)	(2.9)
Ordinary profit	24.8	7.0	(17.8)
Profit attributable to owners of parent	16.1	19.8	3.7

During the first three months of the fiscal year ending March 31, 2024 (April 1, 2023 – June 30, 2023), the global economy was supported by the normalization of socio-economic activities along with such positive factors as economic recovery from previous stagnation under the influence of the COVID-19 pandemic. On the other hand, financial authorities in the United States, Europe and other major countries maintained their monetary tightening policies on the back of global inflation. This, in turn, resulted in a growing risk of economic downturn, causing the outlook to remain unclear.

Against this backdrop, the MGC Group has embarked on the final year of its medium-term management plan launched in April 2021. In line with this plan, the Group has continued to pursue a 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.

Despite these efforts, however, the Group’s net sales decreased, due to downturns in methanol and ammonia market prices, lower sales volumes of electronic materials and aromatic chemicals, and other negative factors whose impact outpaced such positive factors as the recent inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation and the depreciation of the yen.

Operating profit similarly decreased, despite the depreciation of the yen and lower raw material and fuel prices which together contributed to profit, due mainly to an overall decline in sales volumes of electronic materials, aromatic chemicals and other offerings, along with stagnant polyacetal market prices.

Ordinary profit declined, reflecting such factors as downturns in methanol market prices and a resulting decrease in equity in earnings of affiliates related to overseas methanol producing companies as well as lower operating profit.

However, profit attributable to owners of parent increased due primarily to the recording of gain on step acquisitions in connection with the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2022/1Q	FY2023/1Q	Change
Net sales	115.1	99.8	(15.2)
Operating profit	7.6	3.2	(4.4)
Ordinary profit	8.4	2.0	(6.3)

The methanol business saw decreases in both net sales and earnings due to lower market prices compared with the same period of the previous fiscal year.

Methanol and ammonia-based chemicals posted decreases in both net sales and earnings, reflecting the lower sales volume of MMA products and downturns in market prices for ammonia and other offerings.

High-performance products posted decreases in both net sales and earnings, due mainly to lower sales volumes of meta-xylenediamine and aromatic aldehydes, which reflected economic slowdown in the United States and Europe and resulting stagnation in demand.

Xylene separators and derivatives saw decreases in both net sales and earnings due primarily to a decline in the sales volume of purified isophthalic acid (PIA) and growing utility costs.

However, foamed plastics posted increases in both revenues and earnings thanks mainly to sales growth in step with the upward revision of product prices and the success of cost reduction measures.

Specialty Chemicals

(Billions of yen)

	FY2022/1Q	FY2023/1Q	Change
Net sales	78.8	87.1	8.2
Operating profit	12.0	3.5	(8.5)
Ordinary profit	14.5	4.7	(9.8)

Inorganic chemicals posted decreases in net sales and earnings, despite the upward revision of sales prices aimed at reflecting higher raw material and fuel prices—a factor contributing to profit—due mainly to stagnant semiconductor demand and resulting decline in the sales volume of chemicals for use in semiconductor manufacturing.

Engineering plastics saw an increase in net sales and a decrease in earnings. While the increase in sales was attributable to the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation, earnings declined due mainly to downturns in polyacetal market prices and sales volumes of polycarbonates and polycarbonate sheet films.

Optical materials posted decreases in net sales and earnings as demand for smartphones, a primary application of optical polymers, remained sluggish.

Electronic materials saw decreases in net sales and earnings compared with the same period of the previous fiscal year. This reflected constantly stagnant demand for semiconductors, although sales level of BT materials for IC plastic packaging, the core product category for electronic materials, have been on a recovery track since the fourth quarter of the previous fiscal year, especially in general-purpose materials.

Oxygen absorbers such as AGELESS™ posted decreases in net sales and earnings on the back of a recoil from the temporary surge (due to stay-at-home demand) for products marketed in Japan for food applications, a decline in export sales, higher raw material prices and other factors.