February 6, 2024

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (Under IFRS)

Company name: Mitsubishi Chemical Group Corporation Listing: Tokyo Stock Exchange
Securities code: 4188 URL: https://www.mcgc.com/english/
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Representative Corporate Executive Officer, President&Chief Executive Officer
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Scheduled date to file quarterly securities report: February 13, 2024
Scheduled date to commence dividend payments: ―
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the Third Quarter of the Fiscal Year Ending March 31, 2024("FY2023") (from April 1, 2023 to December 31, 2023)

(1) Results of Operations:

(Percentages indicate year-on-year changes.)

	Sales Revenue		Core Operating Income *		Operating income		Net income		Net income attributable to owners of the parent		Comprehensive Income	
Nine months ended		%		%		%		%		%		%
December 31, 2023	3,245,140	(4.7)	183,878	3.4	212,500	337.0	144,274	222.0	103,864	509.6	261,931	115.6
December 31, 2022	3,406,165	17.4	177,881	(18.8)	48,622	(77.7)	44,806	(69.6)	17,039	(86.0)	121,468	(36.5)

Reference: Income before taxes
Nine months ended December 31, 2023: ¥191,784 million(389.2%)
Nine months ended December 31, 2022: ¥39,207 million((81.2)%)

* Core operating income is calculated as operating income excluding certain gains and expenses attributable to non-recurring factors.

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	73.02	69.88
December 31, 2022	11.99	11.55

(2) Financial Position:

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of parent to total assets
As of				%
December 31, 2023	5,984,611	2,177,471	1,702,189	28.4
March 31, 2023	5,774,348	1,988,469	1,564,698	27.1

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2023	―	15.00	―	15.00	30.00
March 31, 2024	―	16.00	―		
March 31, 2024 (Forecast)				16.00	32.00

Note:
Revisions to the forecast of cash dividends most recently announced: None

3. Forecast for the Current Fiscal Year

(Percentages indicate changes in comparison with the same period of the previous fiscal year)

	Sales Revenue		Core Operating Income		Operating income		Net income		Net income attributable to owners of the parent		Basic earnings per share
		%		%		%		%		%	Yen
FY2023	4,455,000	(3.9)	250,000	(23.2)	295,000	61.5	193,000	42.4	135,000	40.0	94.90

Reference: Income before taxes
FY2023: ¥263,000 million(56.6%)

Note:
Revisions to the forecast for the current fiscal year most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period : Yes
(changes in specified subsidiaries resulting in the change in scope of consolidation)
Newly included: ― Excluded : 1
(Company Name) MTPC Holdings Canada, Inc. (specified subsidiary) and Medicago Inc. (specified subsidiary) merged on April 1, 2023. The company retained the name Medicago Inc. (specified subsidiary) following the merger.

(2) Changes in accounting policies and changes in accounting estimates
(i) Changes in accounting policies required by IFRS : Yes
(ii) Changes in accounting policies due to other reasons : None
(iii) Changes in accounting estimates : None
Details of changes in accounting policies are described in "2. Condensed Consolidated Financial Statements and Notes Concerning Condensed Consolidated Financial Statements (6) Notes to Condensed Consolidated Financial Statements (Change in Accounting Policy)" on page [14] hereof.

(3) Number of issued shares (ordinary shares)
(i)Total number of issued shares at the end of the period (including treasury shares)

As of December 31,2023	1,506,288,107 Shares	As of March 31,2023	1,506,288,107 Shares

(ii)Number of treasury shares at the end of the period

As of December 31,2023	83,760,001 Shares	As of March 31,2023	84,190,278 Shares

(iii)Average number of shares outstanding during the period

Nine months ended December 31,2023	1,422,471,311 Shares	Nine months ended December 31,2022	1,421,686,262 Shares

*Mitsubishi Chemical Group Corporation adopted a performance-based share compensation plan that uses executive compensation Board Incentive Plan (BIP) trusts. Mitsubishi Chemical Group Corporation stocks held by BIP trust are included in treasury shares.
(Reference)
Number of Company's shares in executive compensation BIP trust:

December 31, 2023	1,989,461 Shares
March 31, 2023	2,413,119 Shares

Disclosure regarding quarterly review procedures
Financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Proper use of earnings forecasts, and other special matters
*The forward-looking statements are based largely on the Company's expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond the Company's control. Actual results could differ materially due to numerous factors.

*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.

Contents:

1. Qualitative Information on Financial Results for the Term

(1) Business Performance

Performance Overview

In the business environment of the consolidated first three quarters (April 1, 2023 - December 31, 2023; same hereafter) of the Mitsubishi Chemical Group (the MCG Group), while a moderate recovery trend continued as a result of the normalization of economic activities, outlook remained uncertain due to the effects of monetary tightening, especially in Europe and the United States, and the slowdown in the Chinese economy, on top of the impact of price hikes.

Against this backdrop, sales revenue in the consolidated quarter under review (April 1, 2022 - December 31, 2022; same hereafter) decreased ¥161.1 billion, or 4.7%, to ¥3,245.1 billion. In the profit front, core operating income rose ¥6.0 billion, or 3.4%, to ¥183.9 billion. Operating income was up ¥163.9 billion, or 337.0%, to ¥212.5 billion. Income before taxes increased ¥152.6 billion, or 389.2%, to ¥191.8 billion. And net income attributable to owners of the parent increased ¥86.9 billion, or 509.6% to ¥103.9 billion.

Overview of Business Domains

The overview of financial results by business segment for the first three quarters of fiscal 2023 is shown below. the MCG Group has reviewed reporting segments from the first quarter of fiscal 2023. For details, please see”2. (6) Notes to Condensed Consolidated Financial Statements (Segment Information).
Segment gains or losses are stated as core operating income, which excludes gains or losses from non-recurring factors and including losses from business withdrawals, streamlining, and other factors.

Specialty Materials Segment, Performance Products Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥59.3 billion, to ¥873.4 billion and core operating income declined ¥37.9 billion, to ¥17.3 billion.

In polymers and compounds, sales revenue decreased due to a decline in sales volume reflecting slowdown in demand for barrier packages and paints / inks / adhesives, among other applications, despite the forex impact as well as the correction of selling prices.

In films and molding materials, sales revenue decreased due to a decline in sales volume reflecting slowdown in demand on the whole, including that related to high-performance engineering plastics, carbon fiber, polyester films, and food packaging films, despite the forex impact as well as the correction of selling prices.

In advanced solutions, sales revenue dropped as a result of a decline in sales volume mainly in the semiconductor-related business, despite the forex impact as well as the correction of selling prices.

Core operating income in this segment decreased significantly year on year due mainly to a decline in sales reflecting sluggish overall demand, despite an improvement in the balance between cost and selling prices as a result of an effort to maintain and increase selling prices.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at the MCG Group.

- In April 2023, the MCG Group signed a contract with Neogen Chemicals Limited (Head office: Maharashtra, India) regarding the provision of production technology license in India for electrolytes used in lithium-ion batteries (LIB) with the aim of expanding the electrolyte business. In April 2023, the MCG Group also signed a memorandum of understanding with Koura (Head office: Massachusetts, USA), a producer of fluoroproducts, regarding the collaboration study for various purposes, such as strengthening the supply chain for formulated electrolytes for lithium-ion batteries

(LIBs) in North America.

- The MCG Group concluded a memorandum of understanding with Korean company L&F Co., Ltd. (Head office: Daegu, South Korea), a manufacturer of cathode active materials for LIB, to conduct feasibility studies into strengthening the supply chain for anode materials in countries that have concluded a free trade agreement with the U.S with the aim of expanding anode materials for LIB business.
- In October 2023, with the goal of strengthening the carbon fiber business, the MCG Group decided to attain full ownership of its equity-method affiliate C.P.C.S.r.l. (Head office: Modena, Italy), which is specialized in the manufacture and distribution of automobile components crafted from carbon fiber reinforced plastic (CFRP), and completed the acquisition in January 2024. This pivotal acquisition will further expand and enhance its vertically integrated carbon fiber supply chain.

Industrial Gases Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥56.0 billion, to ¥922.4 billion and core operating income rose ¥38.2 billion, to ¥122.5 billion.

Sales revenue increased as a result of price management efforts in each region as well as forex impact, despite sluggish demand in Japan and overseas. Core operating income rose on the back of the effects of cost reduction initiatives on top of an increase in sales revenue.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at the MCG Group.

- A joint venture Terranova Hydrogen NV (Head office: Zelzate, Belgium) was established with Terranova nv (Head office: Belgium) and Luminus (Head office: Belgium) to produce green hydrogen and build and operate a green hydrogen production plant. The production of green hydrogen is scheduled to start in early 2025.
- An oxygen supply contract for Direct Air Capture (DAC) plant to be constructed by 1PointFive (Head office: U.S.) in Texas was concluded. The plant is scheduled to commence operations in mid-2025.
- In November 2023, a new Factory was constructed on a site of Taiyo Nippon Sanso Engineering Taiwan, Inc. (Head Office: Hsinchu County, Taiwan) to double the capacity to produce equipment for the electronics industry.

Health Care Segment, Health Care Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue increased ¥18.0 billion, to ¥337.9 billion and core operating income rose ¥35.4 billion, to ¥55.4 billion.

Sales revenue increased. Although there was negative impact mainly from National Health Insurance drug price revisions in the domestic ethical pharmaceuticals business, there was offset by positive impact from steady sales for priority and new products and RADICAVA ORS®, a treatment agent for patients with amyotrophic lateral sclerosis (ALS) which had been released in the United States. Core operating income rose reflecting a decline in R&D and other costs in tandem with the withdrawal from the Medicago business, in addition to an increase in sales revenue.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at the MCG Group.

- In May 2023, edaravone oral suspension (Development code: MT-1186) was approved in the Switzerland (Product name: RADICAVA® Oral Suspension) for the indication of amyotrophic lateral sclerosis (ALS). Edaravone oral suspension has already been approved in the U.S., Canada and Japan.

MMA Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥29.0 billion, to ¥207.1 billion and core operating income declined ¥0.5 billion, to a loss of ¥0.3 billion.

Sales revenue decreased due to a fall in market prices chiefly for MMA monomer. Core operating income declined as the gap between cost and selling prices deteriorated reflecting a fall in market prices, despite a decrease in expenses associated with the closure of the Cassel site in the United Kingdom.

Basic Materials Segment, Industrial Materials Domain

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥113.5billion, to ¥748.8 billion and core operating income declined ¥28.1 billion, to a loss of ¥10.4 billion.

In petrochemicals, sales revenue decreased as selling prices fell reflecting a decline in raw material costs among other factors and sales volume dropped due mainly to a slowdown in demand, despite the forex impact.

In carbon products, sales revenue dropped reflecting a decrease in selling prices for cokes in tandem with a fall in raw material costs and a slowdown in demand.

Core operating income in this segment decreased significantly due to a reduction in inventory valuation gains in tandem with a fall in raw material costs, a deterioration in the gap between cost and selling prices reflecting mainly a fall in market prices for cokes and a decline in sales volume in line with a slowdown in overall demand, despite an increase in the price gap between raw materials and products, primarily for polyolefin.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at the MCG Group.

● It was decided to increase the γ-butyrolactone production capacity of Okayama Plant from 18,000 tons/year to 20,000 tons/year in order to respond to an expansion in demand for LIB and semiconductors. The expanded production is scheduled to start in July 2024.

● In December 2023, as part of its portfolio reform, the MCG Group decided to substantially transfer its holding of the shares of PT Mitsubishi Chemical Indonesia (MCCI), which operates the pure terephthalic acid (PTA) business to PT Lintas Citra Pratama. As a result, the ratio of MCCI shares held by the MCG Group will be reduced to 20%. The shares will be sold in stages, and MCCI will become a wholly owned subsidiary of PT Lintas Citra Pratama in the future.

Others

In comparison with the same quarter in the previous consolidated fiscal year, sales revenue decreased ¥33.3 billion, to ¥155.5 billion and core operating income declined ¥1.6 billion, to ¥8.6 billion.

In this segment in the consolidated first three quarters under review, the following items were implemented by or occurred at the MCG Group.

● It was agreed with Roquette Frères SA (Head office: Lestrem, France) to transfer of all shares of Qualicaps Co., Ltd. held by the MCG Group to the company as part of the portfolio reform. The share transfer agreement was concluded on July 28, 2023 and the share transfer was completed in October 2023.

Group Performance Overview

In accordance with "Forging the future," the management policy for the period FY2021‐FY2025, the MCG Group has been transitioning to a flat organizational system based on the "One Company, One Team" concept. In conjunction with this transition, it has been decided to embark on intergroup organizational restructuring that will involve respective subsidiaries of MCG and MCC in Singapore with the aim of improving management efficiency by reshuffling, concentrating and optimizing the functions currently divided between the subsidiaries in October 2023.

(2) Financial Position

Total assets at the end of the third quarter of the fiscal year ending March 31, 2024 totaled ¥5,984.6 billion, an increase of ¥210.3 billion compared with the end of the previous fiscal year. This increase in total assets was primarily attributable to a rise in the value of assets translated into yen at overseas consolidated subsidiaries owing to progress in the depreciation of the yen and a temporary increase in cash and cash equivalents in tandem with the refinancing of interest-bearing debt.

2. Condensed Consolidated Financial Statements and Notes Concerning Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Profit or Loss

Nine months ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Sales revenue	3,406,165	3,245,140
Cost of sales	(2,550,311)	(2,389,100)
Gross profit	855,854	856,040
Selling, general and administrative expenses	(690,485)	(679,406)
Other operating income	20,231	65,444
Other operating expenses	(146,710)	(36,275)
Share of profit of associates and joint ventures	9,732	6,697
Operating income	48,622	212,500
Financial income	12,033	13,337
Financial expenses	(21,448)	(34,053)
Income before taxes	39,207	191,784
Income taxes	5,599	(47,510)
Net income	44,806	144,274
Net income attributable to		
Owners of the parent	17,039	103,864
Non-controlling interests	27,767	40,410
Earnings per share(Yen)		
Basic earnings per share attributable to owners of the parent	11.99	73.02
Diluted earnings per share attributable to owners of the parent	11.55	69.88

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	44,806	144,274
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	7,169	7,633
Remeasurements of defined benefit plans	(4,039)	3,550
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	445	60
Total items that will not be reclassified to profit or loss	3,575	11,243
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	60,217	96,193
Net gain (loss) on derivatives designated as cash flow hedges	2,594	1,045
Share of other comprehensive income(loss) of associates and joint ventures for using the equity method	10,276	9,176
Total items that may be subsequently reclassified to profit or loss	73,087	106,414
Total other comprehensive income (net of tax)	76,662	117,657
Total comprehensive income	121,468	261,931
Total comprehensive income attributable to		
Owners of the parent	81,936	186,739
Non-controlling interests	39,532	75,192

(3) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2023	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	297,224	366,847
Trade receivables	808,787	818,177
Inventories	797,877	799,601
Other financial assets	74,469	70,047
Other current assets	141,020	158,828
Subtotal	2,119,377	2,213,500
Assets held for sale	30,241	45,505
Total current assets	2,149,618	2,259,005
Non-current assets		
Property, plant and equipment	1,907,898	1,953,034
Goodwill	727,655	753,425
Intangible assets	459,213	453,935
Investments accounted for using the equity method	170,736	180,597
Other financial assets	203,270	214,503
Other non-current assets	61,425	65,945
Deferred tax assets	94,533	104,167
Total non-current assets	3,624,730	3,725,606
Total assets	5,774,348	5,984,611

(Millions of yen)

	March 31, 2023	December 31, 2023
Liabilities		
Current liabilities		
Trade payables	476,311	478,367
Bonds and borrowings	601,443	657,798
Income tax payable	29,127	29,169
Other financial liabilities	316,379	308,305
Provisions	47,274	37,006
Other current liabilities	184,272	172,875
Subtotal	1,654,806	1,683,520
Liabilities directly associated with assets held for sale	9,024	7,816
Total current liabilities	1,663,830	1,691,336
Non-current liabilities		
Bonds and borrowings	1,642,325	1,628,857
Other financial liabilities	118,527	113,875
Retirement benefit liabilities	102,292	104,919
Provisions	39,476	36,942
Other non-current liabilities	39,936	38,796
Deferred tax liabilities	179,493	192,415
Total non-current liabilities	2,122,049	2,115,804
Total liabilities	3,785,879	3,807,140
Equity		
Common stock	50,000	50,000
Additional paid-in capital	167,917	162,418
Treasury stock	(62,231)	(61,879)
Retained earnings	1,270,577	1,335,470
Other components of equity	138,435	216,180
Equity attributable to owners of the parent	1,564,698	1,702,189
Non-controlling interests	423,771	475,282
Total equity	1,988,469	2,177,471
Total liabilities and equity	5,774,348	5,984,611

(4) Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2022

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2022	50,000	170,600	(62,870)	1,213,677
Cumulative effects of changes in accounting policies	—	—	—	(63)
Restated balance at April 1, 2022	50,000	170,600	(62,870)	1,213,614
Net income	—	—	—	17,039
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	17,039
Purchase of treasury stock	—	—	(15)	—
Disposal of treasury stock	—	(611)	619	—
Cash dividends	—	—	—	(42,651)
Share-based payment transactions	—	371	—	—
Changes in interests in subsidiaries	—	(2,412)	—	—
Business combinations or business divestitures	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,714
Total transactions with owners	—	(2,652)	604	(40,937)
Balance at December 31, 2022	50,000	167,948	(62,266)	1,189,716

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2022	50,956	—	33,318	2,396	86,670	1,458,077	386,242	1,844,319
Cumulative effects of changes in accounting policies	—	—	—	—	—	(63)	—	(63)
Restated balance at April 1, 2022	50,956	—	33,318	2,396	86,670	1,458,014	386,242	1,844,256
Net income	—	—	—	—	—	17,039	27,767	44,806
Other comprehensive income	8,825	(3,603)	56,633	3,042	64,897	64,897	11,765	76,662
Total comprehensive income	8,825	(3,603)	56,633	3,042	64,897	81,936	39,532	121,468
Purchase of treasury stock	—	—	—	—	—	(15)	—	(15)
Disposal of treasury stock	—	—	—	—	—	8	—	8
Cash dividends	—	—	—	—	—	(42,651)	(18,231)	(60,882)
Share-based payment transactions	—	—	—	—	—	371	—	371
Changes in interests in subsidiaries	—	—	—	—	—	(2,412)	(3,171)	(5,583)
Business combinations or business divestitures	—	—	—	—	—	—	389	389
Transfer from other components of equity to retained earnings	(5,317)	3,603	—	—	(1,714)	—	—	—
Total transactions with owners	(5,317)	3,603	—	—	(1,714)	(44,699)	(21,013)	(65,712)
Balance at December 31, 2022	54,464	—	89,951	5,438	149,853	1,495,251	404,761	1,900,012

Nine months ended December 31, 2023

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2023	50,000	167,917	(62,231)	1,270,577
Net income	―	―	―	103,864
Other comprehensive income	―	―	―	―
Total comprehensive income	―	―	―	103,864
Purchase of treasury stock	―	―	(23)	―
Disposal of treasury stock	―	(50)	375	―
Cash dividends	―	―	―	(44,094)
Share-based payment transactions	―	147	―	―
Changes in interests in subsidiaries	―	(5,596)	―	―
Changes in scope of consolidation	―	―	―	(7)
Transfer from other components of equity to retained earnings	―	―	―	5,130
Total transactions with owners	―	(5,499)	352	(38,971)
Balance at December 31, 2023	50,000	162,418	(61,879)	1,335,470

	Other components of equity							
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at April 1, 2023	34,291	―	99,888	4,256	138,435	1,564,698	423,771	1,988,469
Net income	―	―	―	―	―	103,864	40,410	144,274
Other comprehensive income	4,612	3,546	73,899	818	82,875	82,875	34,782	117,657
Total comprehensive income	4,612	3,546	73,899	818	82,875	186,739	75,192	261,931
Purchase of treasury stock	―	―	―	―	―	(23)	―	(23)
Disposal of treasury stock	―	―	―	―	―	325	―	325
Cash dividends	―	―	―	―	―	(44,094)	(12,858)	(56,952)
Share-based payment transactions	―	―	―	―	―	147	―	147
Changes in interests in subsidiaries	―	―	―	―	―	(5,596)	(10,815)	(16,411)
Changes in scope of consolidation	―	―	―	―	―	(7)	(8)	(15)
Transfer from other components of equity to retained earnings	(1,584)	(3,546)	―	―	(5,130)	―	―	―
Total transactions with owners	(1,584)	(3,546)	―	―	(5,130)	(49,248)	(23,681)	(72,929)
Balance at December 31, 2023	37,319	―	173,787	5,074	216,180	1,702,189	475,282	2,177,471

(5) Condensed Consolidated Statement of Cash Flow

Nine months ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Income before taxes	39,207	191,784
Depreciation and amortization	202,652	204,506
Share of profit of associates and joint ventures	(9,732)	(6,697)
Interest and dividend income	(10,631)	(9,945)
Interest expense	20,632	32,038
(Increase) decrease in trade receivables	(38,949)	(9,545)
(Increase) decrease in inventories	(106,305)	7,640
Increase (decrease) in trade payables	35,865	(8,714)
Increase (decrease) in retirement benefit assets and liabilities, net	2,633	1,670
Others	141,350	(77,457)
Subtotal	276,722	325,280
Interest received	1,236	3,878
Dividends received	25,211	23,402
Interest paid	(18,494)	(32,604)
Income tax (paid) received, net	(110,696)	(34,926)
Net cash provided by (used in) operating activities	173,979	285,030
Cash flows from investing activities		
Purchase of property, plant and equipment	(182,689)	(192,982)
Proceeds from sales of property, plant and equipment	3,447	5,231
Purchase of intangible assets	(19,996)	(4,554)
Purchase of other financial assets	(4,276)	(6,685)
Proceeds from sales/redemption of other financial assets	18,857	21,190
Net cash outflow on acquisition of subsidiaries	(108)	(2,196)
Proceeds from sales of investments in subsidiaries	5,232	45,054
Payments for transfer of business	—	(10,024)
Proceeds from transfer of business	1,934	1,319
Net (Increase) decrease of time deposits	(836)	(5,318)
Others	4,003	29,626
Net cash provided by (used in) investing activities	(174,432)	(119,339)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	55,031	(34,187)
Net increase (decrease) in commercial papers	104,000	9,000
Proceeds from long-term borrowings	40,277	77,836
Repayment of long-term borrowings	(99,541)	(152,063)
Proceeds from issuance of bonds	16,913	119,446
Redemption of bonds	(20,000)	(25,000)
Repayment of lease liabilities	(25,174)	(26,065)
Net (increase) decrease in treasury stock	(15)	(23)
Dividends paid to owners of the parent	(42,651)	(44,094)
Dividends paid to non-controlling interests	(18,099)	(12,758)
Others	(1,938)	(15,911)
Net cash provided by (used in) financing activities	8,803	(103,819)
Effect of exchange rate changes on cash and cash equivalents	2,667	10,653
Net increase (decrease) in cash and cash equivalents	11,017	72,525
Cash and cash equivalents at the beginning of the period	245,789	297,224
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	137	(2,902)
Net increase in cash and cash equivalents resulting from merger and acquisition	104	—
Cash and cash equivalents at the end of the period	257,047	366,847

(6) Notes to Condensed Consolidated Financial Statements

(Change in Accounting Policy)

Main standards and interpretations newly applied by the Mitsubishi Chemical Group (the MCG Group) from the year ended March 31, 2024, are as follows.

Standard and interpretation	Overview of introduction or Revision
IAS12 Income Taxes (amended in May, 2021)	Clarification of accounting treatment for deferred taxes relating to assets and liabilities arising from a single transaction

The application of IAS 12 “Income Taxes” (amended in May 2021) clarifies the accounting treatment upon initial recognition for transactions that result in equal taxable temporary differences and deductible temporary differences at the time of the transaction.

Taxable temporary differences and deductible temporary differences are recognized as deferred tax liabilities and deferred tax assets, respectively, in the condensed consolidated statements of financial position.

With the application of this standard, the consolidated financial statements for the previous fiscal year were revised retrospectively. As a result, in the consolidated statement of financial position as of March 31, 2023, deferred tax assets increased by ¥445 million, deferred tax liabilities increased by ¥113 million, and retained earnings increased by ¥332 million. There is no material impact on the nine months of the previous fiscal year in the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income.

In addition, the cumulative effect of applying the above-mentioned standard was reflected. As a result, the beginning balance of retained earnings of the previous fiscal year decreased by ¥63 million in the condensed consolidated statement of changes in equity.

(Segment Information)

The MCG Group's reporting segments are the components for which separate financial information is available, and the chief operating decision maker regularly assesses this information in deciding how to allocate resources and evaluate results. No operating segments or components have been aggregated in preparing the reporting segment information.

In accordance with "Forging the future," a management policy announced in December 2021 and which covers the period from FY 2021 to FY 2025, the MCG Group is undertaking various measures to maximize its corporate value. In February 2023, an action plan for the future was formulated and disclosed based on the aforementioned management policy. Moreover, an organizational structure to be put in place in and after April 2023 was also announced. Taking these factors into account, from the first quarter of the current fiscal year, a review was conducted of its reporting segments. The previous four reporting segments (Performance Products, Chemicals, Industrial Gases, and Health Care) have been reclassified into five reporting segments (Specialty Materials, Industrial Gases, Health Care, MMA and Basic Materials).

The MCG Group used new classifications to present segment information for the nine months ended December 31, 2022.

The businesses in each reporting segment are as follows.

Business Segments (Business Domains)	Business Sub-Segments		
		Businesses	
Specialty Materials (Performance Products)	Polymers & Compounds	Polymers	Performance Polymers, Soarnol, Gohsenol Sustainable Polymers, and Engineering Plastic
		Coating & Additives	Coating Material, Additives & Fine
	Films & Molding Materials	Films	Packaging, Industrial & Medical Films, Acetyl Firms, and Polyester Films
		Molding Materials	Engineering Shapes & Solutions, Carbon Fiber and Composite Materials, and Fiber
	Advanced Solutions	Life Solutions	Aqua Solution, Life Solution, and Infrastructure Solution
		Information & Electronics	Semiconductor, Electronics, and Battery Materials
Industrial Gases (Industrial Materials)			Industrial Gases
Health Care (Health Care)			Ethical Pharmaceuticals
MMA (Industrial Materials)	MMA	MMA	MMA, PMMA
Basic Materials (Industrial Materials)	Petrochemicals	Petrochemicals	Basic Petrochemicals, Polyolefins, and Basic Chemical Derivatives
	Carbon Products	Carbon Products	Carbon Products

Accounting policies for reportable segments are identical to those Group accounting policies adopted to consolidated financial statements. Inter-segment sales and transfers are based mainly on prevailing market prices.

Nine months ended December 31, 2022

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care	MMA	Basic Materials			
Revenue								
External revenue	932,728	866,371	319,894	236,135	862,245	188,792	—	3,406,165
Inter-segment revenue	39,375	6,672	—	6,485	33,737	134,265	(220,534)	—
Total	972,103	873,043	319,894	242,620	895,982	323,057	(220,534)	3,406,165
Segment profit (loss) Core operating income (Note 3)	55,223	84,285	19,974	218	17,702	10,196	(9,717)	177,881

Notes:

1.The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.

2.The segment profit (loss) adjustment includes corporate costs of ¥ (9,871) million not allocated to reporting segments and inter-segment eliminations of ¥154 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.

3.Segment profit (loss) is Operating profit after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

Nine months ended December 31, 2023

(Millions of yen)

	REPORTING SEGMENT					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Specialty Materials	Industrial Gases	Health Care	MMA	Basic Materials			
Revenue								
External revenue	873,362	922,403	337,882	207,072	748,801	155,620	—	3,245,140
Inter-segment revenue	39,571	6,254	102	7,680	29,824	112,211	(195,642)	—
Total	912,933	928,657	337,984	214,752	778,625	267,831	(195,642)	3,245,140
Segment profit (loss) Core operating income (Note 3)	17,313	122,506	55,400	(297)	(10,401)	8,645	(9,288)	183,878

Notes:

1.The Others category consists of businesses not included in reporting segments and mainly includes engineering, transportation, and warehousing operations.

2.The segment profit (loss) adjustment includes corporate costs of ¥ (9,454) million not allocated to reporting segments and inter-segment eliminations of ¥ 166 million. Corporate costs include expenditures on basic testing, research, and other activities not allocated to reporting segments.

3.Segment profit (loss) is Operating profit after excluding earnings from non-recurring factors, such as losses from business withdrawals and downsizings, representing core operating income.

Adjustments to income before tax from segment operating results are as follows:

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Segment profit (loss)	177,881	183,878
Gain on sales of shares of subsidiaries and associates (Note1)	2,233	27,569
Reversal of provision for loss on plant closure	―	6,364
Gain on reversal of asset retirement obligations	―	2,639
Gain on sales of property, plant and equipment	712	1,639
Gain on reversal of environmental expenses	2,389	76
Impairment loss (Note2)	(87,746)	(13,717)
Loss on business liquidation	(688)	(4,233)
Loss on sales and disposal of fixed assets	(2,448)	(2,408)
Provision for loss on business liquidation	―	(1,707)
Special retirement expense	(4,292)	(1,150)
Loss on arbitration award	(3,542)	(266)
Provision for loss on plant closure	(31,214)	―
Provision for loss on litigation	(3,550)	―
Others (Note3)	(1,113)	13,816
Operating income	48,622	212,500
Financial income	12,033	13,337
Financial expenses	(21,448)	(34,053)
Income before taxes	39,207	191,784

(Note1) In the nine months ended December 31, 2023, the MCG Group recorded gain on sales of shares of subsidiaries and associates of ¥20,146 million and other associated losses of ¥1,958 million in tandem with the transfer of shares of Qualicaps Co., Ltd.

(Note2) In the nine months ended December 31, 2023, the MCG Group recorded impairment loss of ¥9,699 million, provision for loss on business liquidation of ¥1,205 million, and other associated losses of ¥428 million in tandem with the decision to transfer the shares in PT Mitsubishi Chemical Indonesia.

(Note3) The MCG Group had reclassed advances of ¥15,530 million yen already received at the end of the previous fiscal year related to COVID-19 vaccine supplies in the Health Care segment from contract liabilities in other liabilities to other liabilities in the same line item, as requirements for recognition as contract liabilities were no longer met. However, the MCG Group recorded other operating incomes in the nine months ended December 31, 2023. That is because there is no more need to refund liabilities under other liabilities in view of an agreement with a counterparty to terminate a contract in the first quarter of the fiscal year ending March 31, 2024.