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February 9, 2024

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
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 Scheduled date to file quarterly securities report: February 14, 2024
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	621,739	3.7	38,658	(14.8)	43,404	(31.9)	40,068	(10.0)
December 31, 2022	599,322	14.1	45,400	1.1	63,779	9.4	44,519	13.1

Note: Comprehensive income
 Nine months ended December 31, 2023 ¥67,271 million [0.0%]
 Nine months ended December 31, 2022 ¥67,292 million [42.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	196.18	–
December 31, 2022	216.59	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	1,060,801	667,029	60.4
March 31, 2023	1,029,317	671,249	59.0

Reference: Equity
 As of December 31, 2023 ¥640,644 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	–	40.00	–		
Fiscal year ending March 31, 2024 (Forecast)				40.00	80.00

Note: Revisions to the forecast most recently announced: None

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
Fiscal year ending March 31, 2024	800,000	2.4	46,000	(6.2)	49,000	(29.8)	47,000	(4.2)	231.25

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): Yes

Excluded: 2 companies (Company names: JSP Corporation, JSP International Group Ltd.)

- (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 December 31, 2023	222,239,199
As of March 31, 2023	222,239,199

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

As of December 31, 2023	21,184,028
As of March 31, 2023	17,660,740

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

Nine months ended December 31, 2023	204,243,081
Nine months ended December 31, 2022	205,547,654

- * 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	108,378	89,350
Notes and accounts receivable - trade, and contract assets	176,626	158,748
Securities	93	—
Merchandise and finished goods	89,367	113,384
Work in process	22,331	19,653
Raw materials and supplies	66,444	68,061
Other	20,775	30,521
Allowance for doubtful accounts	△767	△595
Total current assets	483,249	479,124
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	102,143	85,136
Machinery, equipment and vehicles, net	87,890	84,498
Other, net	123,733	130,204
Total property, plant and equipment	313,767	299,839
Intangible assets		
Goodwill	4,425	17,258
Other	7,555	7,596
Total intangible assets	11,980	24,855
Investments and other assets		
Investment securities	200,101	239,548
Other	22,141	18,899
Allowance for doubtful accounts	△1,922	△1,466
Total investments and other assets	220,320	256,982
Total non-current assets	546,068	581,676
Total assets	1,029,317	1,060,801

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,342	106,926
Short-term borrowings	47,913	61,363
Income taxes payable	5,274	5,224
Provisions	6,714	3,937
Other	72,197	78,717
Total current liabilities	220,442	256,169
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	74,680	66,560
Provisions	3,383	2,708
Retirement benefit liability	4,453	5,122
Asset retirement obligations	5,272	5,104
Other	29,835	28,105
Total non-current liabilities	137,625	137,602
Total liabilities	358,068	393,771
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,293	35,521
Retained earnings	521,426	545,127
Treasury shares	△23,838	△31,828
Total shareholders' equity	573,852	590,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,950	12,427
Deferred gains or losses on hedges	110	△59
Foreign currency translation adjustment	22,894	36,195
Remeasurements of defined benefit plans	1,805	1,290
Total accumulated other comprehensive income	33,760	49,853
Non-controlling interests	63,636	26,385
Total net assets	671,249	667,029
Total liabilities and net assets	1,029,317	1,060,801

2. Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	599,322	621,739
Cost of sales	463,745	484,379
Gross profit	135,577	137,360
Selling, general and administrative expenses	90,176	98,701
Operating profit	45,400	38,658
Non-operating income		
Interest income	582	1,348
Dividend income	2,870	3,124
Foreign exchange gains	3,046	2,399
Share of profit of entities accounted for using equity method	14,385	1,427
Other	2,036	1,975
Total non-operating income	22,921	10,276
Non-operating expenses		
Interest expenses	1,247	2,151
Personnel expenses for seconded employees	1,380	1,074
Other	1,914	2,304
Total non-operating expenses	4,542	5,530
Ordinary profit	63,779	43,404
Extraordinary income		
Gain on step acquisitions	—	15,085
Gain on sale of investment securities	1,380	2,830
Insurance claim income	—	1,423
Subsidy income	—	877
Gain on recovery of money transfer scam at subsidiary	182	—
Reversal of provision for loss on business of subsidiaries and associates	112	—
Total extraordinary income	1,675	20,217
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	—	2,843
Impairment losses	113	859
Loss on tax purpose reduction entry of non-current assets	—	704
Loss on disposal of non-current assets	505	307
Provision of allowance for doubtful accounts	250	150
Loss on valuation of shares of subsidiaries and associates	755	—
Provision for land maintenance expenses	273	—
Total extraordinary losses	1,896	4,865
Profit before income taxes	63,558	58,756
Income taxes	14,718	11,977
Profit	48,839	46,778
Profit attributable to non-controlling interests	4,319	6,710
Profit attributable to owners of parent	44,519	40,068

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	48,839	46,778
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,881	3,615
Deferred gains or losses on hedges	145	△192
Foreign currency translation adjustment	11,852	12,356
Remeasurements of defined benefit plans, net of tax	△380	△182
Share of other comprehensive income of entities accounted for using equity method	8,717	4,895
Total other comprehensive income	18,453	20,492
Comprehensive income	67,292	67,271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	59,047	56,147
Comprehensive income attributable to non-controlling interests	8,245	11,124

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	Apr. 1-Dec. 31, 2022	Apr. 1-Dec. 31, 2023	Change
Net sales	599.3	621.7	22.4
Operating profit	45.4	38.6	(6.7)
Equity in earnings of affiliates	14.3	1.4	(12.9)
Ordinary profit	63.7	43.4	(20.3)
Profit attributable to owners of parent	44.5	40.0	(4.4)

During the first nine months of the fiscal year ending March 31, 2024 (April 1, 2023 – December 31, 2023), the global economy was negatively affected by lingering economic stagnation in China. Reflecting this, the pace of global economic recovery has been slower than expected. In addition, radical monetary tightening policies and other negative factors led to the deceleration of European and U.S. economies. With stagnation in overall economic activities leading to sluggish demand for goods, the economic environment thus remained harsh. Furthermore, in addition to the continuing situation in Ukraine, geopolitical volatility was exacerbated by the recent outbreak of tensions centered around the Middle Eastern region. Because of these factors, formulating the future economic outlook remains challenging.

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.

As a result, the Group’s net sales increased, with downturns in methanol and ammonia market prices, and lower sales volumes of aromatic chemicals and other offerings being more than offset by positive effects arising from the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation and the depreciation of the yen.

On the other hand, operating profit decreased, despite the depreciation of the yen, improvement in the profitability of polycarbonate and foamed plastic businesses, recovery in demand for electronic materials and other positive factors. The decrease was due mainly to stagnant polyacetal market prices in contrast with robust market prices seen in the same period of the previous fiscal year, as well as lower sales volumes of aromatic chemicals, methanol and ammonia-based chemicals, and other offerings.

Ordinary profit declined, reflecting 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. Other negative factors affecting ordinary profit included the absence of non-operating income recorded in the same period of the previous fiscal year through the reversal of deferred tax liabilities at an overseas methanol producing company in Venezuela.

Moreover, profit attributable to owners of parent decreased due primarily to lower ordinary profit, despite the positive impact on profit arising from 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)

	Apr. 1-Dec. 31, 2022	Apr. 1-Dec. 31, 2023	Change
Net sales	360.2	318.8	(41.3)
Operating profit	18.9	16.4	(2.4)
Ordinary profit	29.0	16.5	(12.5)

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.

The energy resources and environmental business saw a decrease in net sales due to the absence of sales from LNG for power generation use in the first nine months of the fiscal year ending March 31, 2024, but posted an increase in earnings due mainly to the higher sales volume of iodine and rising market prices for this offering.

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 market prices for purified isophthalic acid (PIA).

However, foamed plastics posted an increase in 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)

	Apr. 1-Dec. 31, 2022	Apr. 1-Dec. 31, 2023	Change
Net sales	239.0	302.7	63.7
Operating profit	28.4	24.9	(3.4)
Ordinary profit	33.5	29.3	(4.1)

Inorganic chemicals posted a decrease in net sales due mainly to stagnant semiconductor demand and resulting decline in the sales volume of chemicals for use in semiconductor manufacturing. However, earnings from these products remain virtually unchanged from the same period of the previous fiscal year, thanks to the upward revision of sales prices aimed at reflecting higher raw material and fuel prices as well as growing transportation costs.

Engineering plastics saw an increase in net sales and a decrease in earnings. The inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation led to sales growth, while the profitability of polycarbonates improved due primarily to growing sales for high-value-added products. However, overall earnings declined due mainly to downturns in polyacetal market prices.

Optical materials posted earnings on par with the same period of the previous fiscal year, as demand for smartphones, a primary application of optical polymers, remained on an ongoing recovery track on the back of the commencement of production of new models in the second quarter.

Electronic materials saw increases in net sales and earnings, due mainly to recovery in demand for smartphone- and PC-related BT materials for IC plastic packaging, the core product category for electronic materials.

Oxygen absorbers such as AGELESSTM 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.