



FY2023 1H
**Consolidated
Financial Results**

 **mitsubishi GAS CHEMICAL COMPANY, INC.**

November 8, 2023

TSE 4182



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FY2023 1H Results



Operating profit: Decreased due to drop in market prices of polyacetal (POM) and overall lower sales volume, including aromatic chemicals.

Ordinary profit: Decreased due mainly to downturns in methanol market prices and resulting decrease in equity in earnings of affiliates.

[JPY in billions]	FY2022 1H	FY2023 1H	Changes		FY2023 1H Previous Forecast*
			Amount	%	
Net Sales	394.9	399.6	+4.7	+1.2	380.0
Operating profit	33.5	22.1	-11.4	-34.1	14.0
Equity in earnings of affiliates	10.6	(1.0)	-11.6	-	1.0
Ordinary profit	49.9	24.9	-24.9	-50.0	16.0
Profit attributable to owners of parent	34.2	31.2	-3.0	-8.9	25.0
*Announced on Aug. 7, 2023					
E P S (JPY)	166.33	152.67			122.19
FX (JPY/USD)	134	141			

(Note) Figures shown on this and the following pages are rounded down to the closest 0.1 billion. Percentage figures, per-share indicators, and performance assumptions are rounded off to the closest whole number.

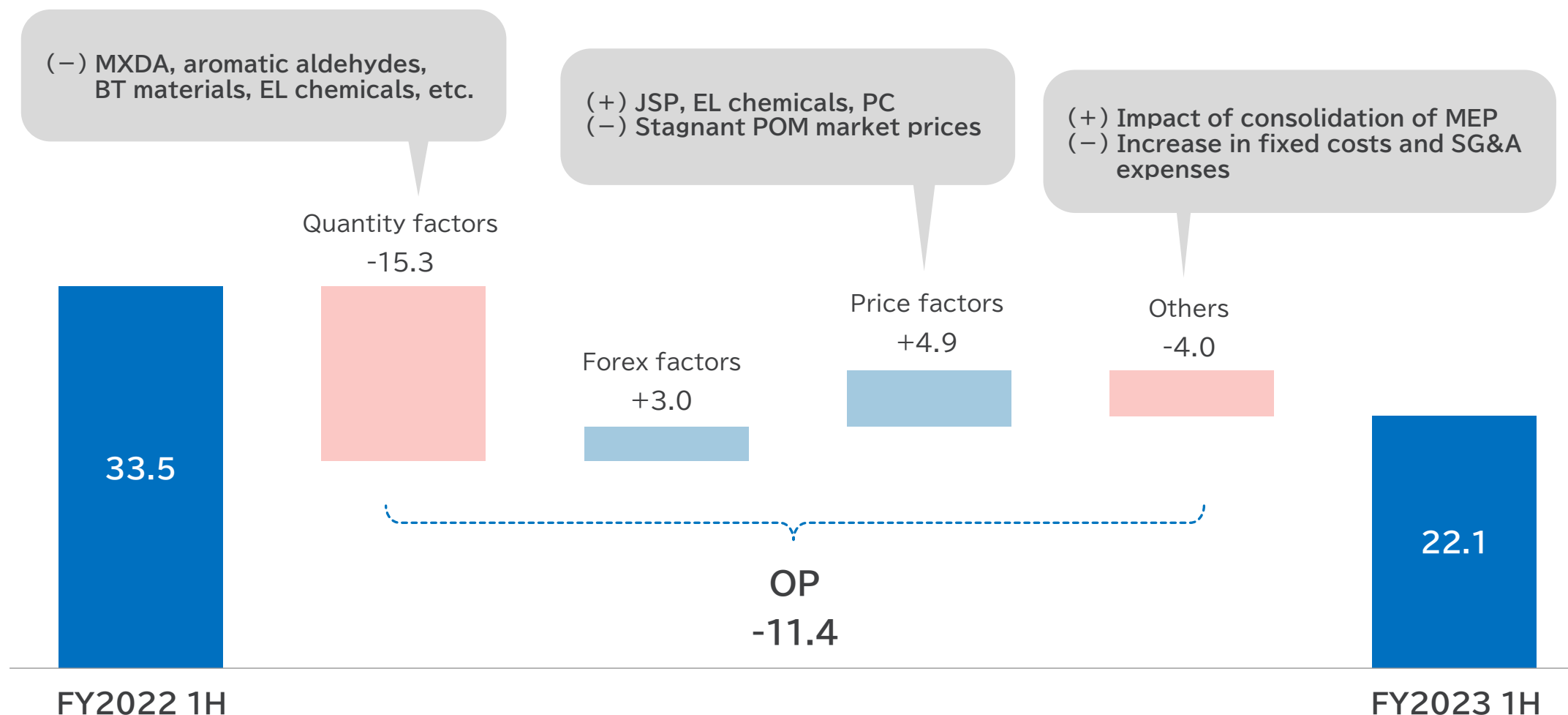
Increase and Decrease Factors of Sales and Profits (YoY)

Net sales:	Increased due mainly to the inclusion of Mitsubishi Engineering-Plastics Corporation (MEP) into the scope of consolidation and the depreciation of the yen
Operating profit:	Decreased do mainly to stagnant polyacetal (POM) market prices and an overall decline in sales volumes of aromatic chemicals, organic chemicals, electronic materials, etc.
Ordinary profit:	Decreased reflecting downturns in methanol market prices and a resulting decrease in equity in earnings of affiliates related to overseas methanol producing companies and the absence of transient gains from the reversal of differed tax liabilities* *Recorded at a methanol producing company in Venezuela / Impact: -¥5.0 bn
Profit attributable to owners of parent:	Decreased due primarily to lower operating and ordinary profits, despite the positive impact arising from the recording of gain on step acquisitions in connection with the inclusion of MEP into the scope of consolidation
Interim dividend:	¥40/share (in line with the previous forecast)

FY2023 1H Increase and Decrease Factors of Operating Profit (YoY)



[JPY in billions]



FY2023 1H Non-Operating and Extraordinary Items



[JPY in billions]

	FY2022 1H	FY2023 1H	Changes
Non-operating items	16.4	2.8	-13.5
Equity in earnings of affiliates	10.6	(1.0)	-11.6
Financial income or losses	1.5	2.1	+0.6
Foreign exchange gains or losses	4.9	2.5	-2.4
Others	(0.6)	(0.7)	-0.1
Extraordinary income	0.5	18.3	+17.8
Gains on step acquisitions	-	15.0	+15.0
Gains on sales of investment securities	0.3	2.8	+2.4
Others	0.1	0.4	+0.3
Extraordinary losses	(0.8)	(0.6)	+0.2
Loss on disposal of non-current assets	(0.1)	(0.3)	-0.1
Loss on tax purpose reduction entry of non-current assets	-	(0.2)	-0.2
Provision of allowance for doubtful accounts	(0.1)	(0.1)	+0.0
Provision for land maintenance expenses	(0.2)	-	+0.2
Impairment losses	(0.1)	-	+0.1
Others	(0.1)	-	+0.1
Total extraordinary income and losses	(0.3)	17.7	+18.1

- **Equity in earnings of affiliates**
Basic Chemicals -8.6
Specialty Chemicals -3.0 etc.

FY2023 1H Balance Sheets



[JPY in billions]	Mar. 31, 2023	Sep. 30, 2023	Changes
Current assets	483.2	565.0	+81.7
Cash and deposits	108.3	119.3	+11.0
Trade notes and Accounts receivable	176.6	198.5	+21.9
Inventories	178.1	220.9	+42.7
Others	20.1	26.1	+6.0
Non-current assets	546.0	597.9	+51.9
Tangible assets	313.7	351.4	+37.7
Intangible assets	11.9	28.8	+16.8
Investments and other assets	220.3	217.6	-2.6
Total assets	1,029.3	1,163.0	+133.6

[JPY in billions]	Mar. 31, 2023	Sep. 30, 2023	Changes
Liabilities	358.0	435.5	+77.5
Trade note and accounts payable	88.3	117.7	+29.3
Interest-bearing debt	166.9	199.9	+33.0
Others	102.7	117.8	+15.0
Net assets	671.2	727.4	+56.1
Shareholders' equity	573.8	598.1	+24.3
Accumulated other comprehensive income	33.7	53.0	+19.2
Non controlling interest	63.6	76.1	+12.5
Total liabilities and net assets	1,029.3	1,163.0	+133.6
Equity ratio	59.0%	56.0%	

FY2023 1H Cash Flows



[JPY in billions]	FY2022 1H	FY2023 1H	Changes
Operating activity cash flows	13.3	36.9	+23.5
Investing activity cash flows	(30.8)	(19.3)	+11.5
Free cash flows	(17.4)	17.6	+35.0
Financing activity cash flows	4.9	(16.7)	-21.7
Effect of exchange rate change on cash and cash equivalents	9.9	6.3	-3.6
Net increase (decrease) in cash and cash equivalents	(2.5)	7.1	+9.7
Cash and cash equivalents at beginning of period	92.2	101.1	+8.9
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2.0	-	-2.0
Cash and cash equivalents at end of period	91.7	108.3	+16.6

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FY2023 Full-Year Forecast



– The forecast for net sales and each profit indicator remains unchanged from the previous forecast.

[JPY in billions]	FY2023 Previous Forecast*1	FY2023 Revised Forecast	Changes		FY2022
			Amount	%	
Net sales	840.0	840.0	-	-	781.2
Operating profit	46.0	46.0	-	-	49.0
Ordinary profit	49.0	49.0	-	-	69.7
Profit attributable to owners of parent	47.0	47.0	-	-	49.0
E P S (JPY)	229.71	232.56			239.08
R O E (%)	7.6	7.7			8.3
R O I C*2 (%)	5.4	5.4			8.8
FX (JPY/USD)	136	141			135

*1 Announced on Aug. 7, 2023

*2 ROIC=Ordinary profit/invested capital

Key Points of FY2023 Full-Year Forecast



- Operating profit: The forecast remains unchanged.

Main individual factors in changes*1

(+) Forex (the depreciation of the yen*2)

(+) Decrease in SG&A and other expenses

(–) Stagnant POM market prices, delay in demand recovery for electronic chemicals and other offerings

*1 The impact of the application of the tender offer for JSP shares and the dissolution of the capital and business alliance on the full-year results is currently examined and has not been factored into the forecast.
(Disclosed on October 31, 2023. <https://www.mgc.co.jp/eng/corporate/news/files/231031e.pdf>)

*2 Full-year JPY/USD forecast: revised from 136 to 141

- Ordinary profit: The forecast remains unchanged.

■ Assumed exchange rates (2H): \$1=¥140 (¥5 depreciation from the previous forecast), €1=¥150 (¥5 depreciation from the previous forecast)

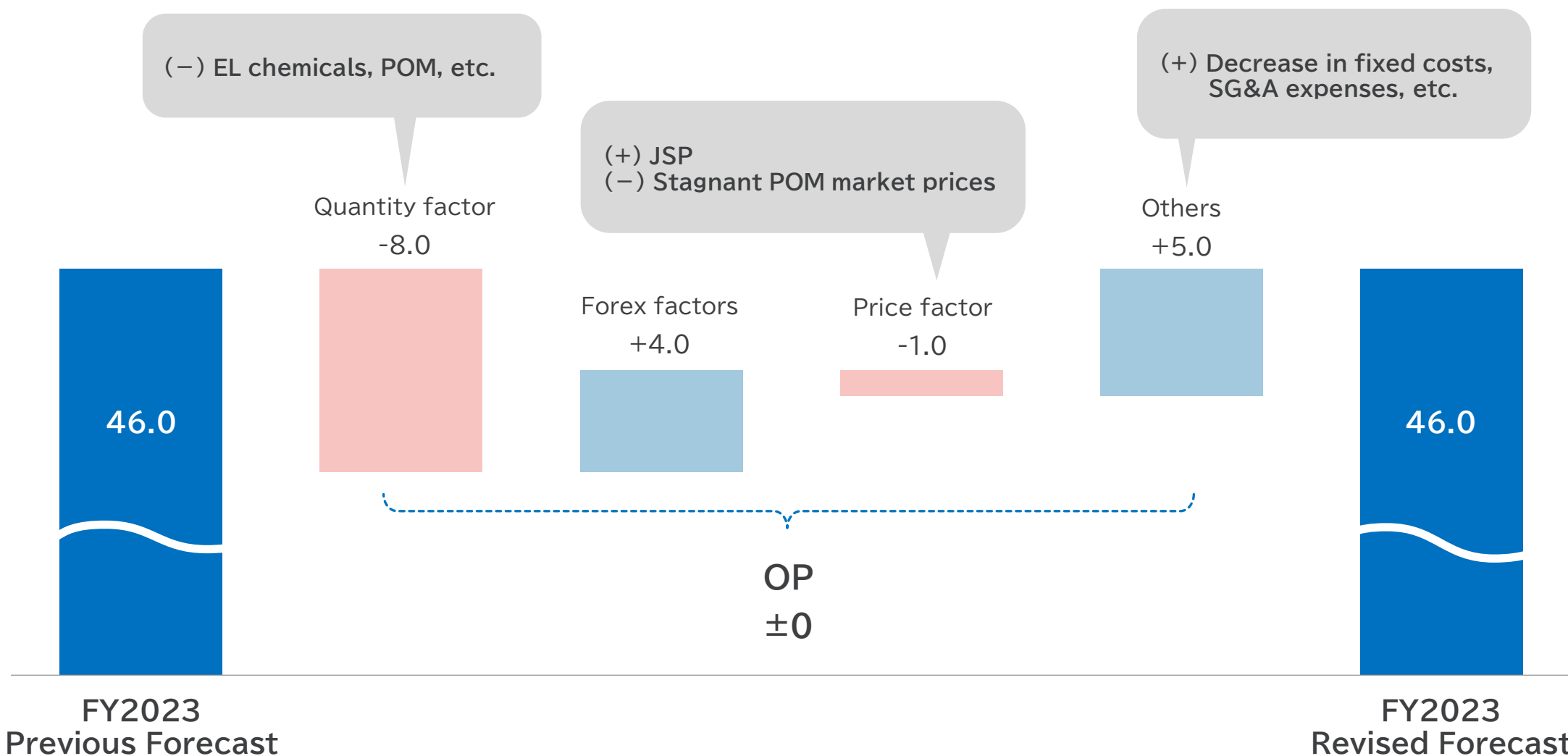
(Sensitivity (USD, rough estimate): with a depreciation (appreciation) of ¥1 against the USD, annual operating profit increases (falls) by ¥0.6bn, while annual ordinary profit increases (falls) by ¥0.6bn)

■ Assumed crude oil prices (2H): \$80/bbl. (same as the previous forecast)

(Sensitivity (USD, rough estimate): \$1/bbl. drop (increase) in crude oil raises (reduces) profit by ¥0.2bn, excluding methanol affect)

FY2023(F) Increase and Decrease Factors of Operating Profit (vs. Previous Forecast)

[JPY in billions]



Shareholder Return Policy / Shareholder Return

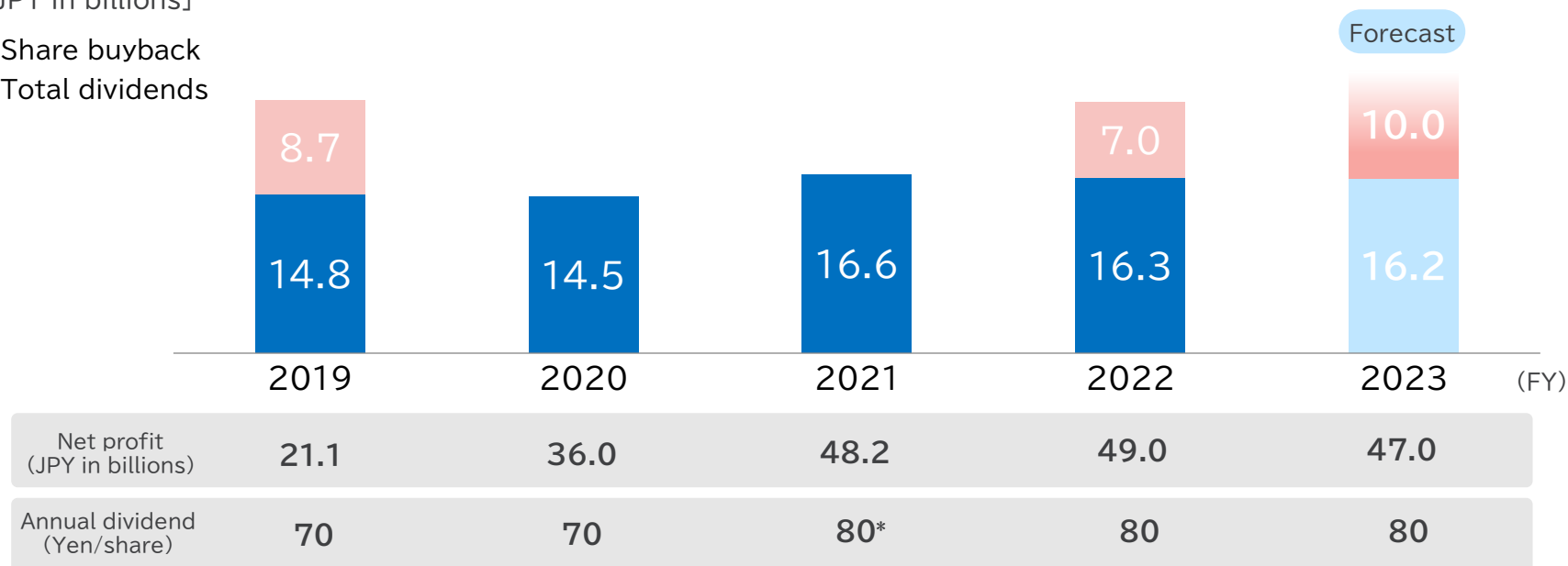
- MGC places topmost management priority on enhancing corporate value. The Company will continuously provide stable dividends, while taking operating performance and other factors into account when determining the distribution amount.
- The Company's basic policy is to improve capital efficiency and enhance shareholder returns by flexibly purchasing treasury stock while considering the levels of internal reserves and returns to shareholders.
- Total payout ratio of 40% as a target for medium-term shareholder returns.



- Annual dividend for FY2023 expected to be ¥80 per share (same as the previous year on an ordinary dividend basis)
- **Nov. 8, 2023: MGC decided to repurchase (up to ¥10 billion/5 million shares*) and cancel (5 million shares) its own shares.**
*Representing 2.44% of the total number of issued shares (excluding treasury shares)

[JPY in billions]

■ Share buyback
■ Total dividends



*Interim ¥45 (commemorative ¥10), year-end ¥35

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FY2023 1H Results by Segment

Reference: Major Product Groups*



[JPY in billions]	FY2022 1H	FY2023 1H	Changes
Net sales	394.9	399.6	+4.7
Basic Chemicals	236.3	209.4	-26.9
Specialty Chemicals	161.8	194.1	+32.3
Other/Adjustment	(3.3)	(3.9)	-0.6
Operating profit	33.5	22.1	-11.4
Basic Chemicals	14.4	9.4	-4.9
Specialty Chemicals	20.3	14.2	-6.1
Other/Adjustment	(1.3)	(1.6)	-0.2
Ordinary profit	49.9	24.9	-24.9
Basic Chemicals	20.8	7.4	-13.4
Specialty Chemicals	25.3	17.8	-7.4
Other/Adjustment	3.7	(0.4)	-4.1

[JPY in billions]	FY2022 1H	FY2023 1H	Changes
Net sales	394.9	399.6	+4.7
Natural Gas	119.4	97.5	-21.8
Aromatic	119.0	113.3	-5.6
Specialty	126.1	164.8	+38.7
Information & Advanced Materials	35.8	29.3	-6.4
Other/Adjustment	(5.4)	(5.5)	-0.0
Operating profit	33.5	22.1	-11.4
Natural Gas	6.5	4.1	-2.4
Aromatic	7.9	5.3	-2.5
Specialty	12.9	8.8	-4.0
Information & Advanced Materials	7.4	5.3	-2.1
Other/Adjustment	(1.3)	(1.6)	-0.2
Ordinary profit	49.9	24.9	-24.9
Natural Gas	12.1	1.8	-10.3
Aromatic	8.7	5.6	-3.0
Specialty	16.4	11.6	-4.7
Information & Advanced Materials	8.8	6.1	-2.6
Other/Adjustment	3.7	(0.4)	-4.1

*Segments by major product group (These are reference values calculated according to past segments.)

Results and Forecast by Segment



[JPY in billions]	FY2022			FY2023 Previous Forecast*			FY2023 Revised Forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	394.9	386.3	781.2	380.0	460.0	840.0	399.6	440.3	840.0
Basic Chemicals	236.3	242.5	478.9	202.1	232.6	434.8	209.4	233.9	443.4
Specialty Chemicals	161.8	147.1	309.0	182.7	232.7	415.4	194.1	213.0	407.2
Other/Adjustment	(3.3)	(3.4)	(6.7)	(4.9)	(5.3)	(10.3)	(3.9)	(6.7)	(10.6)
Operating profit	33.5	15.5	49.0	14.0	32.0	46.0	22.1	23.8	46.0
Basic Chemicals	14.4	4.3	18.8	6.7	8.4	15.1	9.4	10.0	19.5
Specialty Chemicals	20.3	12.2	32.6	9.5	25.7	35.3	14.2	15.9	30.1
Other/Adjustment	(1.3)	(1.1)	(2.4)	(2.2)	(2.2)	(4.4)	(1.6)	(2.0)	(3.6)
Ordinary profit	49.9	19.8	69.7	16.0	33.0	49.0	24.9	24.0	49.0
Basic Chemicals	20.8	9.6	30.5	7.3	9.7	17.1	7.4	12.9	20.3
Specialty Chemicals	25.3	13.4	38.7	11.2	26.0	37.3	17.8	14.0	31.8
Other/Adjustment	3.7	(3.2)	0.4	(2.6)	(2.8)	(5.4)	(0.4)	(2.8)	(3.2)

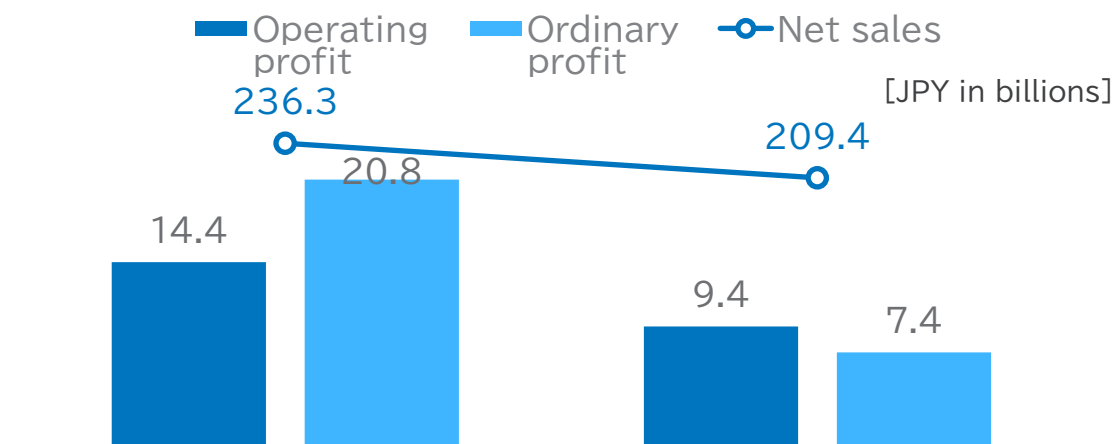
* Announced on Aug. 7, 2023

FY2023 1H Results

Net sales: Decreased due mainly to a decline in methanol market prices and lower sales volume of MXDA.

Operating profit: Decreased due mainly to lower sales volumes of MXDA and MMA products.

Ordinary profit: Decreased due to lower equity in earnings of affiliates related to overseas methanol producing companies resulting from decline in methanol market prices, the absence of transient gains from the reversal of differed tax liabilities recorded in the previous fiscal year, and other factors.



		FY2023 1H Results (Compared with FY2022 1H Results)	
Natural Gas Chemicals	Methanol	↓	Earnings decreased due to lower market prices compared with the same period of FY2022 (FY2022 \$375→FY2023 \$297).
	Methanol and ammonia-based chemicals	↓	Earnings decreased reflecting the lower sales volume of MMA products and other offerings.
Aromatic Chemicals	High-performance products	↓	Earnings decreased due mainly to lower sales volumes of MXDA and aromatic aldehydes, which reflected economic slowdown in the U.S. and Europe and resulting stagnation in demand.
	Xylene separators and derivatives	↓	Earnings decreased due primarily to a decline in market prices for purified isophthalic acid (PIA).
	Foamed plastics (JSP)	↑	Net sales and earnings increased thanks mainly to sales growth in step with the upward revision of product prices and the success of cost reduction measures.

[JPY in billions]	FY2022 1H Results	FY2023 1H Results	Changes
Net sales	236.3	209.4	-26.9
Natural Gas	119.4	97.5	-21.8
Aromatic	119.0	113.3	-5.6
Other/Adjustment	(2.0)	(1.5)	+0.4
Operating profit	14.4	9.4	-4.9
Natural Gas	6.5	4.1	-2.4
Aromatic	7.9	5.3	-2.5
Other/Adjustment	0.0	(0.0)	-0.0
Ordinary profit	20.8	7.4	-13.4
Natural Gas	12.1	1.8	-10.3
Aromatic	8.7	5.6	-3.0
Other/Adjustment	(0.0)	(0.0)	-0.0

(Note) Breakdown shows segments by major product group

FY2023 2H Forecast

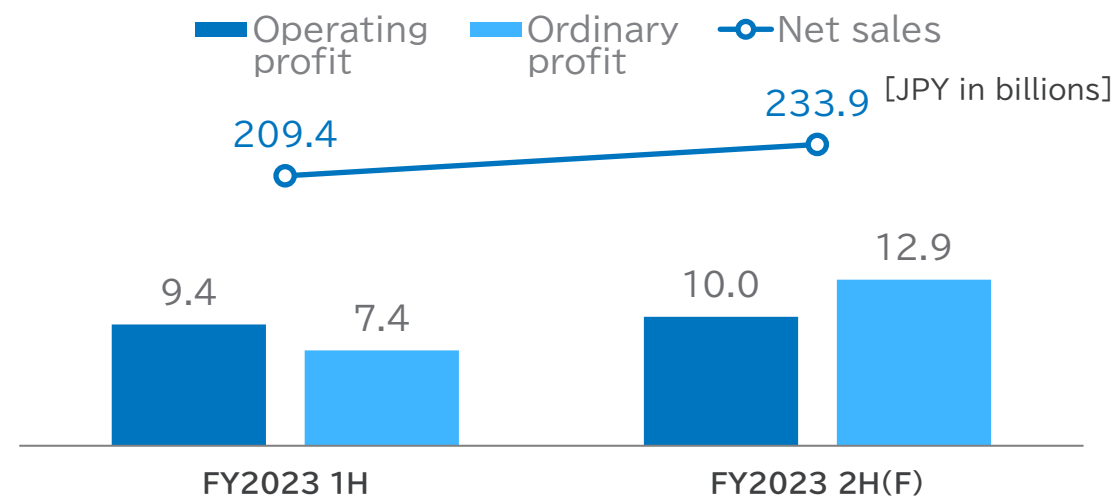
Net sales: Expected to increase due mainly to rising methanol market prices.

Operating profit: Expected to be on par with 1H due largely to increased repair costs resulting from scheduled maintenance, despite an outlook for recovery in overall sales volumes compared to 1H, including MXDA and MMA products.

Ordinary profit: Expected to increase due mainly to higher equity in earnings of affiliates related to overseas methanol producing companies.

		FY2023 2H Forecast (Compared with FY2023 1H Results)	
Natural Gas Chemicals	Methanol	➡	Earnings are expected to increase based on the assumption that the market prices will be higher than in 1H (1H \$297→2H \$340).
	Methanol and ammonia-based chemicals	➡	Despite an outlook for recovery in sales volume, earnings are expected to be at the same level as in 1H due mainly to scheduled maintenance of MMA products.
Aromatic Chemicals	High-performance products	➡	Despite an outlook for recovery in sales volume of MXDA and other offerings compared to 1H, earnings are expected to be at the same level as in 1H due mainly to scheduled maintenance in 2H.
	Xylene separators and derivatives	➡	Earnings are expected to decrease due to a sluggish market conditions in purified isophthalic acid (PIA) and scheduled maintenance.
	Foamed plastics (JSP)	➡	Earnings are expected to remain at the same level as 1H thanks mainly to strong sales of foamed polypropylene.

(Note) Breakdown shows segments by major product group



[JPY in billions]	FY2023 1H Results	FY2023 2H Forecast	Changes
Net sales	209.4	233.9	+24.5
Natural Gas	97.5	111.4	+13.8
Aromatic	113.3	124.9	+11.5
Other/Adjustment	(1.5)	(2.3)	-0.8
Operating profit	9.4	10.0	+0.5
Natural Gas	4.1	4.5	+0.4
Aromatic	5.3	5.4	+0.0
Other/Adjustment	(0.0)	0.0	+0.0
Ordinary profit	7.4	12.9	+5.4
Natural Gas	1.8	7.3	+5.4
Aromatic	5.6	5.5	-0.1
Other/Adjustment	(0.0)	0.0	+0.0

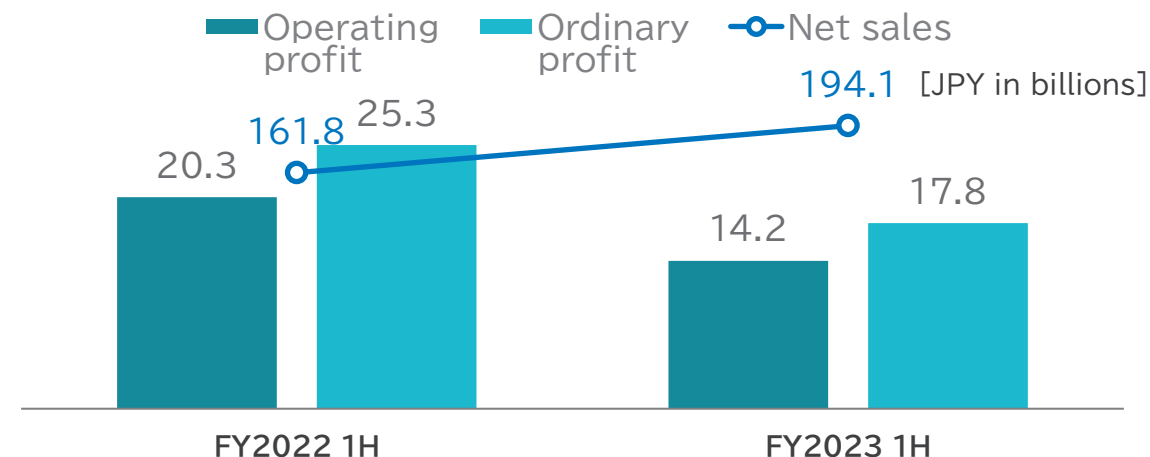
Specialty Chemicals

FY2023 1H Results

Net sales: Increased due to the inclusion of Mitsubishi Engineering-Plastics Corporation (MEP) into the scope of consolidation.

Operating profit: Decreased due mainly to stagnant POM market prices, as well as lower sales volumes of electronic materials and optical polymers.

		FY2023 1H Results (Compared with FY2022 1H Results)	
Specialty Chemicals	Inorganic chemicals	➡	Despite stagnant demand for chemicals for semiconductors, earnings remain virtually unchanged from the same period of FY2022, 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	➡	While net sales increased due to the inclusion of MEP into the scope of consolidation, earnings decreased due mainly to downturns in POM market prices.
	Optical materials	➡	Earnings decreased as demand for smartphones, a primary application of optical polymers, remained below the level seen in the same period of FY2022 despite a recovery trend on the back of the commencement of production of new models in 2Q.
Information & Advanced Materials	Electronic materials	➡	Earnings decreased with demand for BT materials staying below the level seen in the same period of FY2022, even though demand for smartphone-related materials and other offerings returned to a recovery track.
	Oxygen absorbers	➡	Net sales and earnings decreased 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.



[JPY in billions]	FY2022 1H Results	FY2023 1H Results	Changes
Net sales	161.8	194.1	+32.3
Specialty	126.1	164.8	+38.7
Information & Advanced Materials	35.8	29.3	-6.4
Other/Adjustment	(0.0)	(0.0)	+0.0
Operating profit	20.3	14.2	-6.1
Specialty	12.9	8.8	-4.0
Information & Advanced Materials	7.4	5.3	-2.1
Other/Adjustment	0.0	(0.0)	-0.0
Ordinary profit	25.3	17.8	-7.4
Specialty	16.4	11.6	-4.7
Information & Advanced Materials	8.8	6.1	-2.6
Other/Adjustment	0.0	(0.0)	-0.0

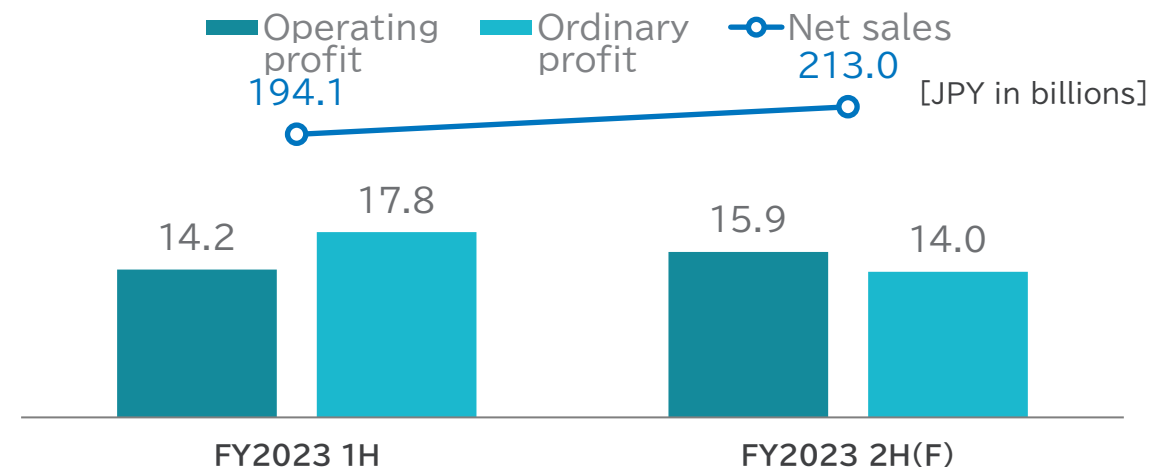
Specialty Chemicals

FY2023 2H Forecast

Net sales: Expected to increase due mainly to recovery in sales volumes of electronic materials and optical materials.

Operating profit: Despite a recovery in sales volumes of electronic materials and optical materials, profit growth is expected to be modest due to a rise in fixed costs associated with growth investments in inorganic chemicals (electronic chemicals) and scheduled maintenance at an overseas polycarbonate (PC) production base.

		FY2023 2H Forecast (Compared with FY2023 1H Results)	
Specialty Chemicals	Inorganic chemicals	↘	Earnings are expected to decrease, factoring in higher fixed costs associated with growth investments and other factors amid continued sluggish demand for chemicals for semiconductors.
	Engineering plastics	↘	Despite demand expected to remain at the same level as in 1H, earnings are forecast to decrease due to an increase in fixed costs associated with scheduled maintenance at an overseas PC production base in 2H.
	Optical materials	→	Earnings are expected to remain on par with 1H due to increased fixed costs resulting from scheduled maintenance in 2H, despite an outlook for an increase in sales volume for smartphones.
Information & Advanced Materials	Electronic materials	↗	BT materials are expected to see a continued recovery in demand for materials for smartphones and laptops, as well as for general-purpose products, and profits are forecast to increase.
	Oxygen absorbers	→	Despite an outlook for recovery in both domestic and overseas demand, profit growth is expected to be modest due to persistently high costs and other factors.



[JPY in billions]	FY2023 1H Results	FY2023 2H Forecast	Changes
Net sales	194.1	213.0	+18.8
Specialty	164.8	175.7	+10.8
Information & Advanced Materials	29.3	37.4	+8.1
Other/Adjustment	(0.0)	(0.0)	-0.0
Operating profit	14.2	15.9	+1.6
Specialty	8.8	6.1	-2.7
Information & Advanced Materials	5.3	9.7	4.3
Other/Adjustment	(0.0)	0.0	+0.0
Ordinary profit	17.8	14.0	-3.8
Specialty	11.6	3.8	-7.8
Information & Advanced Materials	6.1	10.1	+3.9
Other/Adjustment	(0.0)	0.0	+0.0

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Progress on Current Medium-Term Management Plan (Grow UP 2023)



- Implement various measures in line with the strategies formulated at the start of the plan
 - Even if sales target achieved, operating profit, ordinary profit, ROIC and ROE projected to fall short
- ⇒ **Need a more resilient business portfolio and management with emphasis on quality**

	FY2020 Results	FY2023 Forecast as of Nov. 2023	FY2023 Targets
Sales	¥595.7 billion	¥840.0 billion	¥730.0 billion
Operating profit	¥44.5 billion	¥46.0 billion	¥70.0 billion
Ordinary profit *	¥50.2 billion	¥49.0 billion	¥80.0 billion
ROIC	7.7%	5.4%	10% or higher
ROE	7.1%	7.7%	9% or higher

* ROIC=Ordinary profit/invested capital

Objective 1 Initiative Status

Shift to a profit structure resilient to environmental changes

Business portfolio reform

- ✓ Aggressive investment and financing centered on differentiating businesses
- ✓ Augmented R&D expenses and personnel but behind schedule in new businesses creation
- ✓ Review/restructuring of unprofitable businesses, including production halt for formalin and polyol products

Objective 2 Initiative Status

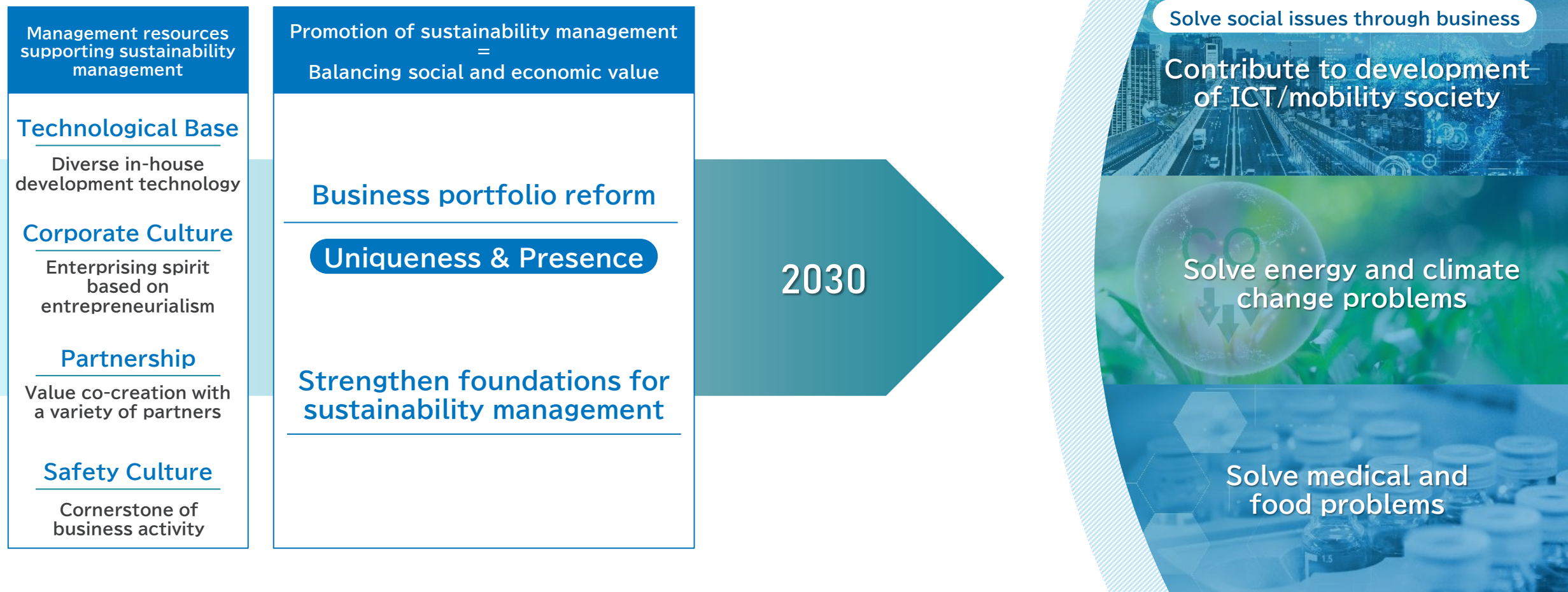
Balance social and economic value

Toward sustainable growth

- ✓ Projected overall achievement of FY2023 materiality KPI targets
- ✓ Progress in initiatives targeting development of circular carbon methanol and CO₂-derived PC (Projects eligible for NEDO's GI Fund)
- ✓ Also advanced initiatives targeting social implementation of renewable energy and CCUS

Vision for MGC in 2030

- Sharpen businesses defined by “Uniqueness & Presence,” and contribute to solving social issues through business



Title: Grow UP 2026 – “Growing,” “Winning” and “Sustainable”

Plan Duration: Three years from FY2024 to FY2026 (Fixed Targets)

Positioning: Successor to Grow UP 2023; period that contributes to the realization of the vision for MGC in 2030

Retackling current plan targets and aiming for even higher goals

Objective 1 Build a more resilient business portfolio

Strategy 1

Focus on “Uniqueness & Presence”

Strategy 2

Build new value through innovation

Strategy 3

Restructure businesses set for priority management

Objective 2 Promote sustainability management

Strategy 1

Accelerate initiatives for realizing carbon neutrality

Strategy 2

Enhance human capital management

Strategy 3

Promote materiality management

What is “Uniqueness & Presence”?

- “Uniqueness & Presence” is another way to define differentiating businesses, those capable of sustainable growth while balancing both social and economic value, and are outstanding when it comes to “Growing,” “Winning” and being “Sustainable”

Uniqueness & Presence (sustainable growth balancing social and economic value) = Differentiating businesses

Growing

1. Future potential in involved markets, with great prospects for growth going forward
2. Expectation of new market development via creation of new applications, products and through M&A activity

Winning

Businesses possessing competitive advantages in areas such as quality, function, supply chain, technology and cost that are difficult for others to copy

→As a result, they

1. Have presence backed by high market share
2. Have market-recognized value, and are capable of gaining high profitability

Sustainable

Socially recognized value in terms of “**Low GHG emissions**” and “**Contribution to measures to counter climate change and reduce environmental impact**”

Differentiating
businesses

Electronic materials, electronic chemicals (inorganic chemicals), optical materials, methanol, energy resources and environmental businesses, POM, MXDA/aromatic aldehydes, polymer materials



Specific Measures for a More Resilient Business Portfolio



Strategy 1

Focus on “Uniqueness & Presence”

- ✓ “Uniqueness & Presence” = Further concentration and focus of management resources in differentiating businesses
- ✓ Reap the benefits of large-scale investment (electronic chemicals, BT materials, MXDA, etc.) conducted under the current medium-term management plan
- ✓ Continue aggressive investment focused on differentiating businesses under the next medium-term management plan, staying mindful of capital efficiency

Strategy 2

Build new value through innovation

- ✓ Establishment of MGC strategic research areas (mobility, ICT, medical/food)
- ✓ Zero in on priority focus themes, concentrate investment of R&D resources
- ✓ Initiatives targeting life science-related themes and businesses from a companywide perspective (incl. examination of organizational structure review)
- ✓ Promote themes for resolving problems from climate change

Strategy 3

Restructure businesses set for priority management

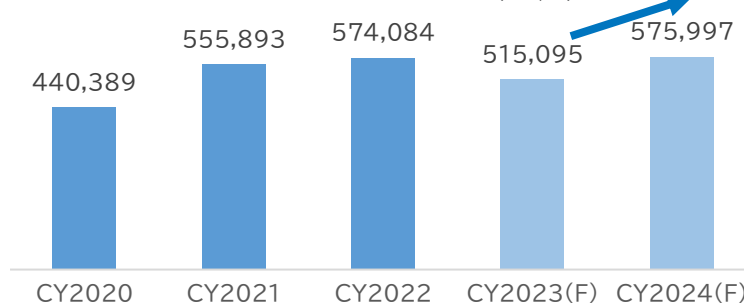
- ✓ Position products and subsidiaries with worsening profitability as “businesses set for priority management,” and move to restructure
- ✓ Leveraging the ROIC tree, strengthen management based on capital efficiency and make stricter exit rules

Initiatives for improving capital efficiency

- ✓ As part of business portfolio reforms, dissolve capital and business alliance with JSP, convert to an affiliate
- ✓ Also continue to focus on improving capital efficiency through contraction of strategic shareholdings
- ✓ Continue to assertively return profits to shareholders, including purchase of own shares

While closely monitoring resurgence in demand in the semiconductor market, actively promote investment under the current and next medium-term management plan

WSTS Semiconductor Market Forecast (US\$M)



Source: WSTS (June 6, 2023)

Progress for Major Investment Projects in Differentiating Businesses

FY2021	FY2022	FY2023	FY2024 onward
			IC plastic packaging BT materials: Boosting production capacity (Thailand) (Take steps to augment during the next medium-term management plan)
			EL: Establishment of new raw material hydrogen peroxide plant (China)
			EL: Establishment of new super-pure hydrogen peroxide plants (China)
			EL: Establishment of new raw material hydrogen peroxide plant (Taiwan)
			EL: Boosting production capacity of super-pure hydrogen peroxide (U.S.)
			Establishment of new MXDA production facility (Netherlands)

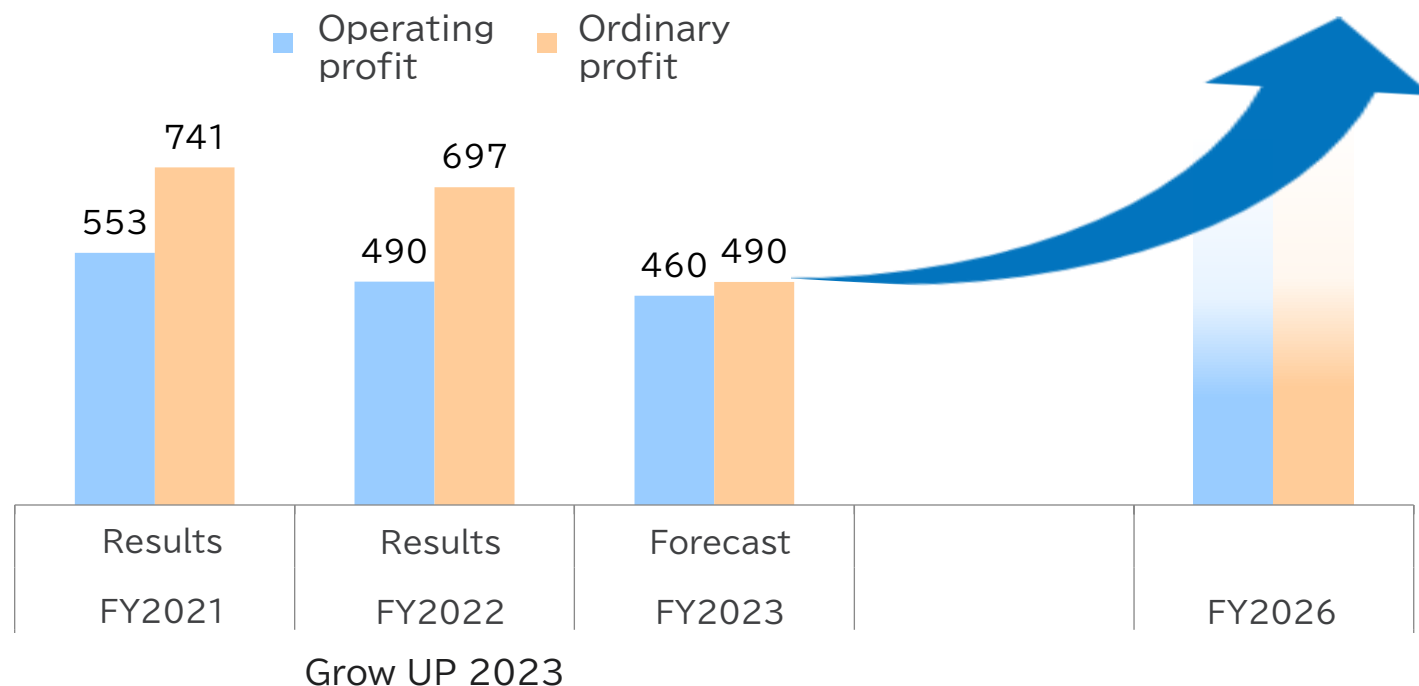
Investment funds outlook in the current medium-term management plan:
Total ¥238 billion

Next medium-term management plan duration:
Plan for growth investment exceeding total for current medium-term management plan (focus investment especially in semiconductor-related businesses)

Aiming for Sustainable Profit Growth

Make progress to “build a more resilient business portfolio,” and aim for sustainable profit growth

Image for Operating Profit and Ordinary Profit (100 mil. JPY)



Focus on “Uniqueness & Presence”

Build new value through innovation

Restructure businesses set for priority management

Accelerate initiatives for realizing carbon neutrality

[Reference] Recognition of Issues and Initiatives to Increase the Company's Corporate Value

(Reposted from financial results presentation materials released on May 12, 2023)



■ Further increase of profitability with awareness of cost of capital

- In addition to evaluation of companywide ROIC, we also calculate it by business unit and continue thoroughly analyzing and managing return on capital in each business.

■ Acceleration of business portfolio reform

- We will continue to further accelerate business portfolio reform, focusing on investments for growth and leveraging unprofitable businesses and focus on further increasing return on capital (ROE, ROIC).

■ More proactive growth investment

- In addition to investments in differentiating businesses, we will also focus on investment in new and next-generation businesses, and R&D-related investments (including human capital investments), as well as ESG-related investments.
- We will also utilize financial leverage while maintaining financial discipline.

■ Shareholder return policy

- We will continue to firmly maintain our total payout ratio of 40%, which guides our medium-term shareholder returns, or more. Giving overall consideration to the level of internal reserves and shareholder returns, we will continue to pay dividends and flexibly buy back our own shares for higher capital efficiency and shareholder returns.

■ Strategic shareholdings

- The ratio of strategic shareholdings to consolidated net assets is lower than the voting standard of major overseas proxy voting advisory companies* (*Glass, Lewis & Co., etc.).
- Looking ahead, our policy is to reassess the objectives and significance of holding each stock annually at Board of Directors meetings, and if a holding is deemed to be larger than appropriate, to sell it down to an appropriate level.

■ Continued proactive investor engagement and further increase of market recognition

- Continue holding quarterly financial results briefings, enhance disclosure materials (including English disclosures), and further enhance IR events

We will aim to further increase ROE and ROIC targeted under the current Medium-Term Management Plan, while accelerating our business portfolio reform to increase return on capital

Appendix

Quarterly Results by Segment



[JPY in billions]	FY2022 Results					FY2023 Results/Forecast				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	2H(F)	FY(F)
Net sales	193.9	200.9	204.4	181.8	781.2	187.0	212.6	399.6	440.3	840.0
Basic Chemicals	117.1	119.2	129.3	113.2	478.9	101.9	107.4	209.4	233.9	443.4
Specialty Chemicals	78.8	82.9	77.2	69.9	309.0	87.2	106.9	194.1	213.0	407.2
Other/Adjustment	(2.0)	(1.3)	(2.1)	(1.2)	(6.7)	(2.1)	(1.7)	(3.9)	(6.7)	(10.6)
Operating profit	18.8	14.6	11.8	3.6	49.0	6.2	15.8	22.1	23.8	46.0
Basic Chemicals	7.6	6.8	4.4	(0.1)	18.8	3.2	6.2	9.4	10.0	19.5
Specialty Chemicals	12.0	8.3	8.0	4.2	32.6	3.5	10.6	14.2	15.9	30.1
Other/Adjustment	(0.9)	(0.4)	(0.6)	(0.4)	(2.4)	(0.5)	(1.0)	(1.6)	(2.0)	(3.6)
Ordinary profit	24.8	25.0	13.8	5.9	69.7	7.0	17.9	24.9	24.0	49.0
Basic Chemicals	8.4	12.4	8.1	1.5	30.5	2.0	5.4	7.4	12.9	20.3
Specialty Chemicals	14.5	10.7	8.1	5.2	38.7	4.7	13.1	17.8	14.0	31.8
Other/Adjustment	1.9	1.8	(2.5)	(0.7)	0.4	0.2	(0.6)	(0.4)	(2.8)	(3.2)

Reference: Quarterly Results by Major Product Groups*



[JPY in billions]	FY2022 Results					FY2023 Results/Forecast				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H	2H(F)	FY(F)
Net sales	193.9	200.9	204.4	181.8	781.2	187.0	212.6	399.6	440.3	840.0
Natural Gas	61.6	57.7	67.7	60.0	247.1	49.2	48.3	97.5	111.4	209.0
Aromatic	56.5	62.4	62.6	54.0	235.7	53.5	59.8	113.3	124.9	238.3
Specialty	59.6	66.4	64.2	58.5	248.9	73.5	91.3	164.8	175.7	340.5
Information & Advanced Materials	19.2	16.5	12.9	11.4	60.2	13.6	15.6	29.3	37.4	66.7
Other/Adjustment	(3.1)	(2.3)	(3.2)	(2.1)	(10.8)	(2.9)	(2.5)	(5.5)	(9.1)	(14.6)
Operating profit	18.8	14.6	11.8	3.6	49.0	6.2	15.8	22.1	23.8	46.0
Natural Gas	3.8	2.7	1.7	0.5	8.8	1.8	2.2	4.1	4.5	8.6
Aromatic	3.8	4.0	2.7	(0.7)	9.8	1.3	3.9	5.3	5.4	10.8
Specialty	7.5	5.4	7.2	3.9	24.1	1.6	7.2	8.8	6.1	15.0
Information & Advanced Materials	4.5	2.9	0.8	0.2	8.4	1.8	3.4	5.3	9.7	15.0
Other/Adjustment	(0.9)	(0.4)	(0.6)	(0.4)	(2.3)	(0.6)	(1.0)	(1.6)	(2.0)	(3.6)
Ordinary profit	24.8	25.0	13.8	5.9	69.7	7.0	17.9	24.9	24.0	49.0
Natural Gas	3.9	8.1	5.3	2.6	20.1	0.5	1.2	1.8	7.3	9.1
Aromatic	4.4	4.2	2.8	(1.1)	10.3	1.5	4.1	5.6	5.5	11.1
Specialty	9.0	7.3	6.6	5.0	28.1	2.4	9.2	11.6	3.8	15.5
Information & Advanced Materials	5.4	3.4	1.5	0.1	10.6	2.2	3.9	6.1	10.1	16.3
Other/Adjustment	1.9	1.8	(2.5)	(0.7)	0.5	0.2	(0.6)	(0.4)	(2.8)	(3.2)

*Segments by major product group (These are reference values calculated according to past segments.)

Reference: Key Indicators (1)

[JPY in billions]	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023(F)
Capital expenditure [1H]	22.2 [10.3]	30.5 [14.9]	35.0 [13.7]	30.9 [13.9]	39.2 [18.6]	42.3 [22.4]	40.2 [15.8]	54.7 [22.0]	64.6 [31.2]	107.0 [38.0]
Depreciation & Amortization [1H]	23.7 [11.5]	26.7 [13.1]	25.6 [12.2]	27.0 [13.1]	27.4 [13.5]	29.5 [14.4]	30.6 [15.1]	31.9 [15.8]	33.5 [16.1]	39.0 [18.3]
R&D expenditure [1H]	16.8 [8.0]	18.9 [9.2]	19.2 [9.6]	18.9 [9.5]	18.6 [9.1]	19.6 [9.4]	19.9 [9.8]	21.0 [10.1]	23.5 [11.1]	27.5 [12.6]
Employees (as of Mar. 31)	8,254	8,176	8,034	8,009	8,276	8,954	8,998	9,888	10,050	11,013
EPS (Yen)*1	192	154	222	281	257	101	173	232	239	232
ROA(%)	5.8	5.9	8.4	10.6	8.7	3.9	6.2	8.4	7.1	4.4
ROE (%)	12.6	9.0	12.0	13.6	11.3	4.3	7.1	8.8	8.3	7.7
ROIC(%)*2	7.2	7.3	10.4	13.2	10.9	4.9	7.7	10.4	8.8	5.4
Operating profit margin (%)	2.8	5.7	7.9	9.9	6.4	5.6	7.5	7.8	6.3	5.5
EBITDA*3	68.2	74.6	89.3	108.8	97.6	61.6	81.7	107.0	105.0	90.8
Dividend (yen)*1 [of which, Interim dividend]	28.0 [14.0]	32.0 [16.0]	38.0 [16.0]	59.0 [24.0]	70.0 [35.0]	70.0 [35.0]	70.0 [35.0]	80.0*4 [45.0*4]	80.0 [40.0]	80.0 [40.0]

*1 The Company conducted a consolidation of shares at a ratio of one share for every two shares effective October 1, 2016. EPS and dividends have been calculated by retroactive adjustment applying the above share consolidation to preceding periods as well. *2 ROIC = Ordinary profit/invested capital *3 EBITDA = Ordinary profit + depreciation expense + interest paid *4 Commemorative dividend 10yen

Reference: Key Indicators (2) Capex, Depreciation and Amortization by Segment

		2014	2015	2016	2017	2018	2019		2020	2021	2022
Capex*	Natural Gas	5.7	5.3	9.0	6.0	5.7	7.2	Basic Chemicals	19.7	19.2	32.0
	Aromatic	4.0	10.6	10.5	11.3	14.6	15.0				
	Specialty	7.6	9.9	8.1	11.0	14.4	14.6	Specialty Chemicals	18.6	32.6	28.6
	Information & Advanced Materials	4.3	3.8	6.6	1.9	2.3	2.6				
	Other	0.3	0.7	0.5	0.6	2.1	2.7	Other	1.8	2.9	3.9
	Total	22.2	30.5	35.0	30.9	39.2	42.3	Total	40.2	54.7	64.6
Depreciation	Natural Gas	6.9	6.1	5.0	5.1	5.5	6.3	Basic Chemicals	16.4	17.1	17.9
	Aromatic	3.9	8.2	8.5	8.5	8.7	9.5				
	Specialty	9.2	8.8	8.6	9.1	8.7	8.7	Specialty Chemicals	13.0	13.0	13.7
	Information & Advanced Materials	3.3	3.0	3.0	3.5	3.6	3.8				
	Other	0.3	0.3	0.3	0.5	0.8	1.0	Other	1.1	1.7	1.8
	Total	23.7	26.7	25.6	27.0	27.4	29.5	Total	30.6	31.9	33.5

*Fixed assets recorded basis

Reference: Key Indicators (3)

	FY2019		FY2020		FY2021		FY2022		FY2023	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H (F)
FX(JPY/USD)	109	109	107	105	110	115	134	137	141	140
FX(JPY/EUR)	121	120	121	126	131	130	139	143	153	150
Crude oil (Dubai) (USD/bbl.)	64	56	37	52	69	87	102	83	82	80
Methanol (USD/MT)	277	245	194	319	370	428	375	351	297	340
Mixed xylene (USD/MT)	705	640	420	560	780	875	1,105	925	958	910
Bisphenol A (USD/MT)*	1,000 ~1,450	1,050 ~1,350	900 ~1,450	1,400 ~3,300	2,750 ~3,700	2,100 ~3,150	1,450 ~2,200	1,250 ~1,700	1,150 ~1,400	1,200 ~1,400
Polycarbonate (USD/MT)*	1,900 ~2,250	1,650 ~2,000	1,500 ~2,150	2,100 ~4,000	3,100 ~4,050	2,650 ~3,650	1,950 ~2,900	1,800 ~2,200	1,650 ~1,900	1,700 ~1,900

*Describe the minimum and maximum values during the period

Sensitivity (rough estimates)

FX (USD): with an appreciation (depreciation) of ¥1 against the USD, annual operating profit falls (increases) by ¥0.6bn, while annual ordinary profit falls (increases) by ¥0.6bn.

FX (EUR): with an appreciation (depreciation) of ¥1 against the EUR, annual operating profit falls (increases) by ¥0.2bn, while annual ordinary profit falls (increases) by ¥0.2bn.

Crude oil (Dubai): \$1/bbl. increase (drop) in crude oil reduces (raises) profit by ¥0.2bn (exclude methanol affect).

Methanol: \$1/MT increase (drop) in market price raises (reduces) equity in earnings of affiliates by ¥0.1bn.

Reference: Results and Forecast by Former Segment

	FY2022			FY2023 Previous Forecast*			FY2023 Revised Forecast		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Net sales	394.9	386.3	781.2	380.0	460.0	840.0	399.6	440.3	840.0
Natural Gas	119.4	127.7	247.1	93.3	110.3	203.6	97.5	111.4	209.0
Aromatic	119.0	116.7	235.7	110.8	124.3	235.2	113.3	124.9	238.3
Specialty	126.1	122.8	248.9	154.7	193.3	348.0	164.8	175.7	340.5
Information & Advanced Materials	35.8	24.4	60.2	28.0	39.4	67.5	29.3	37.4	66.7
Other/Adjustment	(5.4)	(5.3)	(10.8)	(6.9)	(7.4)	(14.4)	(5.5)	(9.1)	(14.6)
Operating profit	33.5	15.5	49.0	14.0	32.0	46.0	22.1	23.8	46.0
Natural Gas	6.5	2.3	8.8	2.5	3.0	5.6	4.1	4.5	8.6
Aromatic	7.9	1.9	9.8	4.1	5.3	9.4	5.3	5.4	10.8
Specialty	12.9	11.1	24.1	4.3	15.2	19.6	8.8	6.1	15.0
Information & Advanced Materials	7.4	1.0	8.4	5.1	10.5	15.7	5.3	9.7	15.0
Other/Adjustment	(1.3)	(1.0)	(2.3)	(2.2)	(2.1)	(4.4)	(1.6)	(2.0)	(3.6)
Ordinary profit	49.9	19.8	69.7	16.0	33.0	49.0	24.9	24.0	49.0
Natural Gas	12.1	7.9	20.1	2.7	5.1	7.8	1.8	7.3	9.1
Aromatic	8.7	1.6	10.3	4.6	4.6	9.2	5.6	5.5	11.1
Specialty	16.4	11.7	28.1	5.1	15.2	20.4	11.6	3.8	15.5
Information & Advanced Materials	8.8	1.7	10.6	6.1	10.7	16.8	6.1	10.1	16.3
Other/Adjustment	3.7	(3.2)	(0.5)	(2.6)	(2.8)	(5.4)	(0.4)	(2.8)	(3.2)

(Note) The figures are reference figures that have been simply rearranged for comparison with the new segments.

* Announced on Aug. 7, 2023

Reference: Main products of Each Reportable Segment

Reportable Segments	Former Segments	Main Products
Basic Chemicals	Natural Gas Chemicals	<ul style="list-style-type: none"> •Methanol •Methanol and ammonia-based chemicals (ammonia and methylamines, MMA products, formalin and polyol products, etc.) •Energy resources and environmental businesses
	Aromatic Chemicals	<ul style="list-style-type: none"> •High-performance products (MXDA, MX nylon, aromatic aldehydes, etc.) •Xylene separators and derivatives (Meta-xylene, purified isophthalic acid (PIA), etc.) •Foamed plastics (JSP)
Specialty Chemicals	Specialty Chemicals	<ul style="list-style-type: none"> •Inorganic chemicals (electronic chemicals (super-pure hydrogen peroxide, hybrid chemicals), hydrogen peroxide, etc.) •Engineering plastics (polycarbonate/sheet film, polyacetal, etc.) •Optical materials (optical polymers, ultra-high refractive lens monomer, etc.)
	Information and Advanced Materials	<ul style="list-style-type: none"> •Electronic materials (BT materials for IC plastic packaging, etc.) •Oxygen absorbers (AGELESS™, etc.)

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