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MEMBERSHIP

August 5, 2022

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

Company name: Mitsubishi Gas Chemical Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4182
 URL: <https://www.mgc.co.jp/eng/>
 Representative: Masashi Fujii, Representative Director, President
 Inquiries: Satoshi Takizawa, General Manager, Investor Relations Department
 TEL: +81-3-3283-5041
 Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Presentation of supplementary material on quarterly financial results: Yes

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2022	193,982	21.2	18,844	28.9	24,884	34.5	16,113	12.3
June 30, 2021	160,036	19.9	14,616	83.9	18,505	82.3	14,352	110.1

Note: Comprehensive income Three months ended June 30, 2022 ¥30,611 million [81.0%]
 Three months ended June 30, 2021 ¥16,915 million [80.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	77.73	–
June 30, 2021	69.00	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	991,484	647,942	58.9
March 31, 2022	928,651	630,887	61.2

Reference: Equity
 As of June 30, 2022 ¥583,674 million
 As of March 31, 2022 ¥568,766 million

2. Dividends

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

Note: Revisions to the forecast most recently announced: None

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

Ordinary dividend: 35.00 yen Commemorative dividend: 10.00 yen

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022 (cumulative)	400,000	19.1	31,000	3.2	41,000	5.8	30,000	6.4	145.67
Fiscal year ending March 31, 2023	810,000	14.8	62,500	12.9	83,500	12.6	62,000	28.4	302.05

Note: Revisions to the forecast most recently announced: Yes

*** Notes**

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

(4) Number of issued shares (common stock)

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

As of June 30, 2022	225,739,199
As of March 31, 2022	225,739,199

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

As of June 30, 2022	20,124,022
As of March 31, 2022	17,693,673

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

Three months ended June 30, 2022	207,311,458
Three months ended June 30, 2021	208,012,787

* 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, and it is made available on the Company's website.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	102,049	107,930
Notes and accounts receivable - trade, and contract assets	176,556	182,197
Securities	6	10
Merchandise and finished goods	78,542	85,722
Work in process	19,729	20,831
Raw materials and supplies	57,398	64,392
Other	19,381	21,402
Allowance for doubtful accounts	△1,453	△1,628
Total current assets	452,210	480,858
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	99,584	101,746
Machinery, equipment and vehicles, net	80,400	81,715
Other, net	96,399	108,352
Total property, plant and equipment	276,384	291,814
Intangible assets		
Goodwill	4,811	4,718
Other	6,478	6,959
Total intangible assets	11,290	11,677
Investments and other assets		
Investment securities	171,446	189,616
Other	17,927	18,139
Allowance for doubtful accounts	△607	△622
Total investments and other assets	188,765	207,133
Total non-current assets	476,440	510,626
Total assets	928,651	991,484

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,387	97,197
Short-term borrowings	38,925	45,641
Income taxes payable	11,997	5,032
Provisions	6,488	4,480
Other	49,170	51,180
Total current liabilities	198,969	203,532
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46,621	67,235
Provisions	3,284	2,515
Retirement benefit liability	6,252	6,715
Asset retirement obligations	5,216	5,240
Other	17,418	38,302
Total non-current liabilities	98,794	140,009
Total liabilities	297,763	343,542
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,339	34,339
Retained earnings	492,455	501,285
Treasury shares	△21,525	△26,521
Total shareholders' equity	547,239	551,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,376	10,157
Deferred gains or losses on hedges	△326	△139
Foreign currency translation adjustment	9,861	22,188
Remeasurements of defined benefit plans	614	393
Total accumulated other comprehensive income	21,526	32,600
Non-controlling interests	62,121	64,267
Total net assets	630,887	647,942
Total liabilities and net assets	928,651	991,484

2. Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	160,036	193,982
Cost of sales	120,487	145,501
Gross profit	39,548	48,480
Selling, general and administrative expenses	24,931	29,636
Operating profit	14,616	18,844
Non-operating income		
Interest income	78	118
Dividend income	1,112	1,605
Foreign exchange gains	—	2,720
Share of profit of entities accounted for using equity method	3,062	2,276
Other	796	678
Total non-operating income	5,049	7,399
Non-operating expenses		
Interest expenses	201	320
Personnel expenses for seconded employees	356	531
Other	602	507
Total non-operating expenses	1,160	1,359
Ordinary profit	18,505	24,884
Extraordinary income		
Gain on sale of investment securities	527	275
Gain on step acquisitions	796	—
Insurance claim income	744	—
Total extraordinary income	2,067	275
Extraordinary losses		
Provision for land maintenance expenses	—	255
Loss on disposal of non-current assets	—	146
Fire Loss	127	—
Impairment losses	105	—
Total extraordinary losses	233	402
Profit before income taxes	20,339	24,756
Income taxes	5,006	7,106
Profit	15,333	17,650
Profit attributable to non-controlling interests	980	1,536
Profit attributable to owners of parent	14,352	16,113

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	15,333	17,650
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,370	△1,220
Deferred gains or losses on hedges	15	20
Foreign currency translation adjustment	2,411	7,803
Remeasurements of defined benefit plans, net of tax	△87	△134
Share of other comprehensive income of entities accounted for using equity method	613	6,492
Total other comprehensive income	1,581	12,961
Comprehensive income	16,915	30,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,143	27,187
Comprehensive income attributable to non-controlling interests	1,771	3,423

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2021/1Q	FY2022/1Q	Change
Net sales	160.0	193.9	33.9
Operating profit	14.6	18.8	4.2
Ordinary profit	18.5	24.8	6.3
Net profit attributable to owners of the parent	14.3	16.1	1.7

During the first three months of the fiscal year ending March 31, 2023 (April 1, 2022 – June 30, 2022), the global economy was affected by a looming sense of anxiety about resurgences of the novel coronavirus pandemic and the prolongation of the Russia-Ukraine conflict. Moreover, the economic environment remained volatile due to ongoing surges in raw material and fuel prices and transportation costs, as well as the radical depreciation of the yen.

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

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

These efforts will help push ahead with business portfolio reforms.

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

As a result, the MGC Group’s net sales increased due mainly to the impact of foreign exchange fluctuations and upwardly revised sales prices aligned with higher raw material and fuel prices, along with rising market prices of methanol and other offerings.

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

Ordinary profit increased due primarily to higher operating profit, despite a decline in equity in earnings of affiliates related to the methanol business reflecting the recording of foreign exchange losses.

Thus, operating profit and ordinary profit both hit a record high in terms of quarterly operating results.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2021/1Q	FY2022/1Q	Change
Net sales	93.2	115.1	21.8
Operating profit	8.1	7.6	-0.4
Ordinary profit	9.4	8.4	-1.0

The methanol business saw an increase in net sales due mainly to an upturn in market prices compared with the same period of the previous fiscal year. However, earnings from this business decreased, reflecting such factors as deterioration in equity in earnings of affiliates due to foreign exchange losses recorded by a methanol-related affiliate.

Methanol and ammonia-based chemicals posted an increase in earnings compared with the same period of the previous fiscal year despite higher raw material prices, thanks to profitability adjustments on the back of robust demand.

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

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

Foamed plastics posted a decrease in earnings due mainly to higher raw material and fuel prices, despite the higher sales volume of flat panel display shields and other offerings.

Specialty Chemicals

(Billions of yen)

	FY2021/1Q	FY2022/1Q	Change
Net sales	66.7	78.8	12.1
Operating profit	7.4	12.0	4.6
Ordinary profit	9.6	14.5	4.8

Inorganic chemicals were buoyed by growth in the sales volume of chemicals for use in semiconductor manufacturing while seeing such negative factors as rises in raw material and fuel prices and transportation costs. As a result, earnings from these offerings were virtually unchanged from the same period of the previous fiscal year.

Engineering plastics saw increases in net sales and earnings thanks to constantly robust sales of polyacetal as well as an improvement in the profitability of a polycarbonate manufacturing base in China.

Optical materials posted increases in net sales and earnings, despite stagnant demand for smartphones, a primary application of optical polymers, because demand was still above the level seen in the same period of the previous fiscal year in which inventory adjustments carried out by customers resulted in a downturn.

Electronic materials saw increases in net sales and earnings. This was thanks mainly to strong showings of BT materials for IC plastic packaging, the core product category for electronic materials, which benefitted from robust sales of offerings used in memory chips and laptop PC processors as well as the depreciation of the yen, despite declining demand for general-purpose materials for use in PC-related devices and home appliances.

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