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February 9, 2023

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4182
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 Scheduled date to file quarterly securities report: February 14, 2023
 Scheduled date to commence dividend payments: –
 Presentation of supplementary material on quarterly financial results: Yes

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	599,322	14.1	45,400	1.1	63,779	9.4	44,519	13.1
December 31, 2021	525,297	22.7	44,888	53.0	58,312	75.0	39,350	51.2

Note: Comprehensive income
 Nine months ended December 31, 2022 ¥67,292 million [42.2%]
 Nine months ended December 31, 2021 ¥47,306 million [48.5%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	216.59	–
December 31, 2021	189.16	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	1,056,892	670,991	57.2
March 31, 2022	928,651	630,887	61.2

Reference: Equity
 As of December 31, 2022 ¥604,956 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	–	40.00	–		
Fiscal year ending March 31, 2023 (Forecast)				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
Fiscal year ending March 31, 2023	790,000	12.0	52,000	(6.1)	72,000	(2.9)	50,000	3.5	243.54

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 December 31, 2022	222,239,199
As of March 31, 2022	225,739,199

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

As of December 31, 2022	17,660,220
As of March 31, 2022	17,693,673

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

Nine months ended December 31, 2022	205,547,654
Nine months ended December 31, 2021	208,033,288

* 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	102,049	120,417
Notes and accounts receivable - trade, and contract assets	176,556	196,730
Securities	6	132
Merchandise and finished goods	78,542	91,751
Work in process	19,729	22,436
Raw materials and supplies	57,398	68,067
Other	19,381	21,449
Allowance for doubtful accounts	△1,453	△713
Total current assets	452,210	520,271
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	99,584	102,743
Machinery, equipment and vehicles, net	80,400	88,312
Other, net	96,399	118,601
Total property, plant and equipment	276,384	309,657
Intangible assets		
Goodwill	4,811	4,537
Other	6,478	7,657
Total intangible assets	11,290	12,195
Investments and other assets		
Investment securities	171,446	194,675
Other	17,927	22,015
Allowance for doubtful accounts	△607	△1,922
Total investments and other assets	188,765	214,768
Total non-current assets	476,440	536,621
Total assets	928,651	1,056,892

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	92,387	107,313
Short-term borrowings	38,925	42,372
Income taxes payable	11,997	4,125
Provisions	6,488	4,313
Other	49,170	79,019
Total current liabilities	198,969	237,145
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46,621	82,648
Provisions	3,284	2,582
Retirement benefit liability	6,252	6,406
Asset retirement obligations	5,216	5,263
Other	17,418	31,854
Total non-current liabilities	98,794	148,755
Total liabilities	297,763	385,901
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,339	33,907
Retained earnings	492,455	516,861
Treasury shares	△21,525	△23,837
Total shareholders' equity	547,239	568,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,376	9,444
Deferred gains or losses on hedges	△326	312
Foreign currency translation adjustment	9,861	26,486
Remeasurements of defined benefit plans	614	△188
Total accumulated other comprehensive income	21,526	36,054
Non-controlling interests	62,121	66,034
Total net assets	630,887	670,991
Total liabilities and net assets	928,651	1,056,892

2. Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	525,297	599,322
Cost of sales	401,056	463,745
Gross profit	124,241	135,577
Selling, general and administrative expenses	79,352	90,176
Operating profit	44,888	45,400
Non-operating income		
Interest income	253	582
Dividend income	3,058	2,870
Share of profit of entities accounted for using equity method	10,976	14,385
Other	3,191	5,082
Total non-operating income	17,480	22,921
Non-operating expenses		
Interest expenses	614	1,247
Personnel expenses for seconded employees	1,051	1,380
Other	2,390	1,914
Total non-operating expenses	4,056	4,542
Ordinary profit	58,312	63,779
Extraordinary income		
Gain on sale of investment securities	777	1,380
Gain on recovery of money transfer scam at subsidiary	—	182
Reversal of provision for loss on business of subsidiaries and associates	—	112
Insurance claim income	2,616	—
Gain on step acquisitions	796	—
Total extraordinary income	4,190	1,675
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	—	755
Loss on disposal of non-current assets	—	505
Provision for land maintenance expenses	—	273
Provision of allowance for doubtful accounts	860	250
Impairment losses	4,983	113
Provision for loss on business of subsidiaries and associates	255	—
loss compensation	228	—
Fire Loss	128	—
Total extraordinary losses	6,457	1,896
Profit before income taxes	56,045	63,558
Income taxes	13,388	14,718
Profit	42,657	48,839
Profit attributable to non-controlling interests	3,306	4,319
Profit attributable to owners of parent	39,350	44,519

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	42,657	48,839
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,526	△1,881
Deferred gains or losses on hedges	6	145
Foreign currency translation adjustment	3,835	11,852
Remeasurements of defined benefit plans, net of tax	△194	△380
Share of other comprehensive income of entities accounted for using equity method	2,528	8,717
Total other comprehensive income	4,648	18,453
Comprehensive income	47,306	67,292
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	43,105	59,047
Comprehensive income attributable to non-controlling interests	4,201	8,245

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	Apr. 1-Dec. 31, 2021	Apr. 1-Dec. 31, 2022	Change
Net sales	525.2	599.3	74.0
Operating profit	44.8	45.4	0.5
Equity in earnings of affiliates	10.9	14.3	3.4
Ordinary profit	58.3	63.7	5.4
Profit attributable to owners of parent	39.3	44.5	5.1

During the first nine months of the fiscal year ending March 31, 2023 (April 1, 2022 – December 31, 2022), the global economy was affected by the prolongation of Russia’s invasion of Ukraine which, in turn, led to surges in prices of raw materials, fuels and other items. Around the world, countries have thus been stricken with steep inflation, prompting the financial authorities of the United States, EU members and other nations to lean heavily toward monetary tightening. However, economies are now considered to be at risk of a downturn due to the resulting hikes in interest rates and, therefore, confront the growing likelihood of a further slowdown in global growth. Moreover, the shift in monetary policies led to foreign exchange rate fluctuations while, in China, there were profound repercussions from resurgences of the novel coronavirus. Taking these and other factors into account, the outlook for the operating environment remains unclear.

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 the recent inclusion of a South Korea-based polyacetal sales company into the scope of consolidation.

Furthermore, operating profit was virtually unchanged from the same period of the previous fiscal year, despite surges in raw material and fuel prices and transportation costs, along with sluggish demand for electronic materials and other negative factors, thanks primarily to the depreciation of the yen and robust polyacetal sales.

Despite downturns in methanol market prices, ordinary profit increased due primarily to an increase in equity in earnings of affiliates in step with the reversal of deferred tax liabilities at an overseas methanol producing company.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	Apr. 1-Dec. 31, 2021	Apr. 1-Dec. 31, 2022	Change
Net sales	312.6	360.2	47.5
Operating profit	23.5	18.9	(4.5)
Ordinary profit	28.8	29.0	0.1

The methanol business saw increases in both net sales and earnings thanks to the depreciation of the yen, an increase in equity in earnings of affiliates and other positive factors, despite somewhat lower market prices compared with the same period of the previous fiscal year.

Methanol and ammonia-based chemicals posted a decrease in earnings due to deterioration in neopentyl glycol market prices, despite progress in profitability adjustments offsetting the negative impact of higher raw material and fuel prices.

High-performance products posted a decrease in earnings due mainly to a temporary failure of production equipment for meta-xylenediamine (MXDA) and the resulting decrease in sales volume, 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 rises in raw material and fuel prices outpacing the timing of product price revisions.

Specialty Chemicals

(Billions of yen)

	Apr. 1-Dec. 31, 2021	Apr. 1-Dec. 31, 2022	Change
Net sales	212.4	239.0	26.5
Operating profit	24.4	28.4	4.0
Ordinary profit	31.2	33.5	2.2

Inorganic chemicals posted a decrease in earnings despite growth in the sales volume of chemicals for use in semiconductor manufacturing, due mainly to rises in transportation costs and prices for raw materials and fuel.

Engineering plastics saw increases in net sales and earnings, despite lower sales volumes of polycarbonates and polycarbonate sheet films, thanks to constantly robust sales of polyacetal as well as the inclusion of a South Korea-

based polyacetal sales company into the scope of consolidation.

Optical materials posted earnings on par with the same period of the previous fiscal year amid stagnant demand for smartphones, a primary application of optical polymers, even though earnings escaped the negative impact of inventory adjustments carried out by customers in the prior fiscal year.

Electronic materials saw decreases in net sales and earnings. This reflected such factors as declining demand for general-purpose materials for use in PC-related devices and home appliances, which constitute a part of BT materials for IC plastic packaging, the core product category for electronic materials. Other negative factors included third-quarter stagnation in demand for highly functional materials for use in smartphones and memory devices.

Earnings from oxygen absorbers such as AGELESSTM 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.