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May 12, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (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
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 TEL: +81-3-3283-5041
 Scheduled date of ordinary general meeting of shareholders: June 27, 2023
 Scheduled date to commence dividend payments: June 9, 2023
 Scheduled date to file annual securities report: June 27, 2023

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Summary of consolidated income statement

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	781,211	10.7	49,030	(11.4)	69,764	(5.9)	49,085	1.6
March 31, 2022	705,656	18.5	55,360	24.4	74,152	47.6	48,295	33.9

Note: Comprehensive income March 31, 2023 ¥69,751 million [5.3%]
 March 31, 2022 ¥66,232 million [24.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	239.08	—	8.3	7.1	6.3
March 31, 2022	232.15	—	8.8	8.4	7.8

Reference: Equity in earnings of entities accounted for using equity method

March 31, 2023 ¥17,546 million
 March 31, 2022 ¥14,883 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	%
March 31, 2023	1,029,317	671,249	59.0	2,970.07
March 31, 2022	928,651	630,887	61.2	2,733.86

Reference: Equity

As of March 31, 2023 ¥607,613 million
 As of March 31, 2022 ¥568,766 million

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	55,222	(64,071)	7,996	101,185
March 31, 2022	52,090	(64,954)	(3,666)	92,257

2. Dividends

	Annual dividend					Total dividend payment (total)	Dividend payout ratio (consolidated)	Dividend to net assets ratio (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	—	45.00	—	35.00	80.00	16,642	34.5	3.0
Fiscal year ended March 31, 2023	—	40.00	—	40.00	80.00	15,464	33.5	2.8
Fiscal year ending March 31, 2024 (Forecast)	—	40.00	—	40.00	80.00		29.2	

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, 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
Six months ending September 30, 2023 (cumulative)	390,000	(1.2)	22,000	(34.4)	24,000	(51.9)	33,000	(3.7)	161.31
Fiscal year ending March 31, 2024	850,000	8.8	54,000	10.1	58,000	(16.9)	56,000	14.1	273.73

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common stock)

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

As of March 31, 2023	222,239,199
As of March 31, 2022	225,739,199

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

As of March 31, 2023	17,660,740
As of March 31, 2022	17,693,673

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

For the year ended March 31, 2023	205,305,427
For the year ended March 31, 2022	208,036,405

[Reference] Outline of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	439,525	2.7	19,144	(40.8)	40,528	(12.1)	37,371	4.4
March 31, 2022	427,927	24.1	32,364	69.4	46,116	74.4	35,812	49.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	182.03	—
March 31, 2022	172.15	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	%
March 31, 2023	584,435	331,922	56.8	1,622.47
March 31, 2022	529,631	323,002	61.0	1,552.56

Reference: Equity

As of March 31, 2023

¥331,922 million

As of March 31, 2022

¥323,002 million

2. Non-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		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	430,000	(2.2)	22,000	14.9	40,000	(1.3)	37,000	(1.0)	180.86

* These financial statements are exempt from audit procedure.

* 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.

For details on the financial forecast, please refer to page 20.

(How to access supplementary material on financial results)

The supplementary material on financial results is disclosed on the same day as this 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 March 31, 2023
Assets		
Current assets		
Cash and deposits	102,049	108,378
Notes and accounts receivable - trade, and contract assets	176,556	176,626
Securities	6	93
Merchandise and finished goods	78,542	89,367
Work in process	19,729	22,331
Raw materials and supplies	57,398	66,444
Other	19,381	20,775
Allowance for doubtful accounts	△1,453	△767
Total current assets	452,210	483,249
Non-current assets		
Property, plant and equipment		
Buildings and structures	254,276	265,074
Accumulated depreciation	△154,692	△162,931
Buildings and structures, net	99,584	102,143
Machinery, equipment and vehicles	523,244	550,543
Accumulated depreciation	△442,844	△462,653
Machinery, equipment and vehicles, net	80,400	87,890
Land	42,889	43,843
Leased assets	3,622	6,603
Accumulated depreciation	△1,484	△2,224
Leased assets, net	2,138	4,379
Construction in progress	42,385	66,467
Other	55,361	57,618
Accumulated depreciation	△46,375	△48,576
Other, net	8,986	9,042
Total property, plant and equipment	276,384	313,767
Intangible assets		
Goodwill	4,811	4,425
Leased assets	4	34
Software	2,992	3,479
Other	3,482	4,041
Total intangible assets	11,290	11,980
Investments and other assets		
Investment securities	171,446	200,101
Long-term loans receivable	5,159	8,184
Deferred tax assets	3,493	3,863
Retirement benefit asset	1,226	1,387
Other	8,047	8,706
Allowance for doubtful accounts	△607	△1,922
Total investments and other assets	188,765	220,320
Total non-current assets	476,440	546,068
Total assets	928,651	1,029,317

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	92,387	88,342
Short-term borrowings	38,925	47,913
Accrued expenses	19,187	23,413
Lease liabilities	565	1,074
Income taxes payable	11,997	5,274
Provision for bonuses	6,144	6,220
Provision for bonuses for directors (and other officers)	47	32
Provision for environmental measures	3	—
Provision for business restructuring	190	421
Provision for loss on business withdrawal	103	—
Other provisions	—	40
Asset retirement obligations	118	39
Other	29,298	47,670
Total current liabilities	198,969	220,442
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	46,621	74,680
Lease liabilities	1,537	3,276
Deferred tax liabilities	11,458	12,514
Provision for retirement benefits for directors (and other officers)	285	279
Provision for environmental measures	23	23
Provision for business restructuring	2,305	2,499
Provision for loss on business of subsidiaries and associates	188	59
Other provisions	481	521
Retirement benefit liability	6,252	4,453
Asset retirement obligations	5,216	5,272
Other	4,422	14,044
Total non-current liabilities	98,794	137,625
Total liabilities	297,763	358,068
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,339	34,293
Retained earnings	492,455	521,426
Treasury shares	△21,525	△23,838
Total shareholders' equity	547,239	573,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,376	8,950
Deferred gains or losses on hedges	△326	110
Foreign currency translation adjustment	9,861	22,894
Remeasurements of defined benefit plans	614	1,805
Total accumulated other comprehensive income	21,526	33,760
Non-controlling interests	62,121	63,636
Total net assets	630,887	671,249
Total liabilities and net assets	928,651	1,029,317

2. Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	705,656	781,211
Cost of sales	543,070	613,031
Gross profit	162,586	168,179
Selling, general and administrative expenses	107,225	119,149
Operating profit	55,360	49,030
Non-operating income		
Interest income	346	1,157
Dividend income	3,218	3,021
Share of profit of entities accounted for using equity method	14,883	17,546
Other	5,987	5,479
Total non-operating income	24,435	27,205
Non-operating expenses		
Interest expenses	858	1,745
Personnel expenses for seconded employees	1,361	1,852
Loss on disposal of non-current assets	1,580	858
Rental expenses	818	735
Other	1,024	1,279
Total non-operating expenses	5,644	6,470
Ordinary profit	74,152	69,764

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Extraordinary income		
Gain on sale of investment securities	3,011	3,732
Compensation income	—	※1 649
Gain on recovery of money transfer scam at subsidiary	—	※2 215
Insurance claim income	※3 2,616	※3 151
Reversal of provision for loss on business of subsidiaries and associates	—	128
Gain on step acquisitions	※4 796	—
Total extraordinary income	6,424	4,876
Extraordinary losses		
Impairment losses	※5 7,059	※5 1,128
Loss on disposal of non-current assets	※6 252	※6 872
Provision for business restructuring	※7 1,733	※7 870
Loss on valuation of shares of subsidiaries and associates	—	846
Provision of allowance for doubtful accounts	※8 960	※8 410
Expenses for land maintenance	—	275
Loss on valuation of investment securities	286	—
loss compensation	228	—
Provision for loss on business of subsidiaries and associates	※9 188	—
Fire Loss	※10 128	—
Loss on change in retirement benefit plan at subsidiary	109	—
Total extraordinary losses	10,947	4,402
Profit before income taxes	69,628	70,239
Income taxes - current	16,542	13,831
Income taxes - deferred	555	1,619
Total income taxes	17,098	15,450
Profit	52,530	54,788
Profit attributable to non-controlling interests	4,235	5,703
Profit attributable to owners of parent	48,295	49,085

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	52,530	54,788
Other comprehensive income		
Valuation difference on available-for-sale securities	△3,118	△2,430
Deferred gains or losses on hedges	△14	51
Foreign currency translation adjustment	9,330	9,408
Remeasurements of defined benefit plans, net of tax	1,032	901
Share of other comprehensive income of entities accounted for using equity method	6,471	7,033
Total other comprehensive income	13,701	14,963
Comprehensive income	66,232	69,751
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	60,083	61,319
Comprehensive income attributable to non-controlling interests	6,149	8,432

3. Consolidated Statement of Changes in Net Assets

FY2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	41,970	34,301	459,790	△21,562	514,499
Cumulative effects of changes in accounting policies			△50		△50
Restated balance	41,970	34,301	459,739	△21,562	514,448
Changes during period					
Dividends of surplus			△16,642		△16,642
Profit attributable to owners of parent			48,295		48,295
Purchase of treasury shares				△5	△5
Disposal of treasury shares		39		42	81
Change in scope of consolidation			441		441
Change in scope of equity method			620		620
Change in ownership interest of parent due to transactions with non-controlling interests		△0			△0
Net changes in items other than shareholders' equity					—
Total changes during period	—	38	32,715	36	32,791
Balance at end of period	41,970	34,339	492,455	△21,525	547,239

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	14,419	△618	△3,542	△494	9,765	57,146	581,411
Cumulative effects of changes in accounting policies							△50
Restated balance	14,419	△618	△3,542	△494	9,765	57,146	581,360
Changes during period							
Dividends of surplus							△16,642
Profit attributable to owners of parent							48,295
Purchase of treasury shares							△5
Disposal of treasury shares							81
Change in scope of consolidation							441
Change in scope of equity method							620
Change in ownership interest of parent due to transactions with non-controlling interests							△0
Net changes in items other than shareholders' equity	△3,043	291	13,404	1,108	11,761	4,974	16,736
Total changes during period	△3,043	291	13,404	1,108	11,761	4,974	49,527
Balance at end of period	11,376	△326	9,861	614	21,526	62,121	630,887

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	41,970	34,339	492,455	△21,525	547,239
Changes during period					
Dividends of surplus			△15,464		△15,464
Profit attributable to owners of parent			49,085		49,085
Purchase of treasury shares				△7,083	△7,083
Disposal of treasury shares		23		47	70
Cancellation of treasury shares		△4,724		4,724	△0
Transfer from retained earnings to capital surplus		4,647	△4,647		—
Change in scope of consolidation			△1		△1
Change in ownership interest of parent due to transactions with non-controlling interests		7			7
Net changes in items other than shareholders' equity					—
Total changes during period	—	△46	28,971	△2,312	26,612
Balance at end of period	41,970	34,293	521,426	△23,838	573,852

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,376	△326	9,861	614	21,526	62,121	630,887
Changes during period							
Dividends of surplus							△15,464
Profit attributable to owners of parent							49,085
Purchase of treasury shares							△7,083
Disposal of treasury shares							70
Cancellation of treasury shares							△0
Transfer from retained earnings to capital surplus							—
Change in scope of consolidation							△1
Change in ownership interest of parent due to transactions with non-controlling interests							7
Net changes in items other than shareholders' equity	△2,426	436	13,032	1,191	12,234	1,514	13,748
Total changes during period	△2,426	436	13,032	1,191	12,234	1,514	40,361
Balance at end of period	8,950	110	22,894	1,805	33,760	63,636	671,249

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	69,628	70,239
Depreciation	31,999	33,565
Loss (gain) on disposal of non-current assets	1,630	1,653
Amortization of goodwill	396	405
Share of loss (profit) of entities accounted for using equity method	△14,883	△17,546
Impairment losses	7,059	1,128
Insurance claim income	△2,723	△163
Increase (decrease) in allowance for doubtful accounts	1,027	531
Increase (decrease) in retirement benefit liability	140	△851
Interest and dividend income	△3,564	△4,179
Interest expenses	858	1,745
Loss (gain) on sale of short-term and long-term investment securities	△3,041	△3,980
Loss (gain) on valuation of short-term and long-term investment securities	332	4
Decrease (increase) in trade receivables	△9,273	2,412
Decrease (increase) in inventories	△28,992	△19,711
Increase (decrease) in trade payables	9,792	△6,868
Increase (decrease) in accrued consumption taxes	246	△192
Increase (decrease) in provision for retirement benefits for directors (and other officers)	49	△2
Provision for business structure improvement	1,733	870
Other, net	△9,919	△1,101
Subtotal	52,497	57,957
Interest and dividends received	3,526	4,361
Dividends received from entities accounted for using equity method	4,439	15,082
Interest paid	△818	△1,654
Income taxes paid	△10,386	△20,686
Proceeds from insurance income	2,831	163
Net cash provided by (used in) operating activities	52,090	55,222

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Purchase of non-current assets	△56,347	△62,721
Proceeds from sale of non-current assets	463	202
Purchase of investment securities	△11,849	△1,795
Proceeds from sale of investment securities	5,724	5,739
Loan advances	△824	△2,354
Proceeds from collection of loans receivable	101	469
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△2,668	—
Other, net	445	△3,612
Net cash provided by (used in) investing activities	△64,954	△64,071
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	316	△7,062
Proceeds from long-term borrowings	16,641	50,289
Repayments of long-term borrowings	△10,641	△7,965
Purchase of treasury shares	△5	△7,083
Proceeds from sale of treasury shares	0	0
Dividends paid	△16,642	△15,464
Dividends paid to non-controlling interests	△2,551	△4,695
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	△2,195
Other, net	9,216	2,173
Net cash provided by (used in) financing activities	△3,666	7,996
Effect of exchange rate change on cash and cash equivalents	6,502	7,737
Net increase (decrease) in cash and cash equivalents	△10,028	6,885
Cash and cash equivalents at beginning of period	91,075	92,257
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	11,210	2,041
Cash and cash equivalents at end of period	92,257	101,185

5. Segment Information

FY2021

(Millions of yen)

	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Reconciling items	Per consolidated financial statements
Sales					
Revenues from external customers	419,959	285,419	277	△0	705,656
Transactions with other segments	5,383	98	16	△5,499	—
Net sales	425,343	285,518	294	△5,499	705,656
Ordinary profit (loss)	30,083	45,433	22	△1,387	74,152
Assets	481,866	405,824	26,971	13,988	928,651
Other items					
Depreciation	17,165	13,083	18	1,732	31,999
Amortization of goodwill	393	—	3	—	396
Interest income	268	140	0	△62	346
Interest expenses	411	687	0	△240	858
Equity in earnings (losses) of affiliates	5,136	9,747	—	0	14,883
Investments in entities accounted for using equity method	86,149	39,434	—	△40	125,543
Increase in property, plant and equipment and intangible assets	19,256	32,623	1	2,911	54,793

	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Reconciling items	Per consolidated financial statements
Sales					
Revenues from external customers	472,167	308,904	138	—	781,211
Transactions with other segments	6,806	129	7	△6,943	—
Net sales	478,974	309,034	145	△6,943	781,211
Ordinary profit (loss)	30,558	38,745	△13	474	69,764
Assets	531,556	457,916	26,447	13,396	1,029,317
Other items					
Depreciation	17,971	13,774	17	1,802	33,565
Amortization of goodwill	405	—	—	—	405
Interest income	658	531	0	△33	1,157
Interest expenses	501	1,593	0	△350	1,745
Equity in earnings (losses) of affiliates	11,418	6,137	—	△8	17,546
Investments in entities accounted for using equity method	95,370	56,116	—	△31	151,455
Increase in property, plant and equipment and intangible assets	32,051	28,658	1	3,940	64,650

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2021	FY2022	Change
Net sales	705.6	781.2	75.5
Operating profit	55.3	49.0	(6.3)
Equity in earnings of affiliates	14.8	17.5	2.6
Ordinary profit	74.1	69.7	(4.3)
Profit attributable to owners of parent	48.2	49.0	0.7

During the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023), the global economy was supported by the gradual normalization of socio-economic activities in step with the relaxation of movement restrictions aimed at preventing the spread of COVID-19 infection. However, the prolongation of Russia's invasion of Ukraine 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 continue with monetary tightening. This policy trend, in turn, resulted in a looming sense of vigilance against major recessions and negatively affected capital expenditure and personal consumption. Because of these and other factors, the economic situation remained unstable.

Although the MGC Group has benefitted from the depreciation of the yen, the business environment surrounding it remained harsh under the influence of surges in raw material and fuel costs, slower-than-expected recovery in demand in China, declining demand in the United States and Europe in the face of anxiety over economic deceleration, and other factors. Furthermore, sales of PCs, smartphones and other electronic devices have dropped as demand for these items ceased to be strong due to the end of temporary surge seen during the pandemic, with inflation now leading to sluggish consumption. In addition, there has been notable stagnation in demand for semiconductor-related and other products in the second half of the fiscal year due mainly to the growing volume of supply chain inventories.

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. Through these and other initiatives, the Group is endeavoring to maintain and enhance its earnings power.

As a result, the MGC Group's net sales increased, despite lower sales of electronic materials and other offerings, due mainly to the impact of foreign exchange fluctuations and upwardly revised sales prices aligned with higher raw material and fuel prices and growing transportation costs, along with the recent inclusion of a South Korea-based polyacetal sales company into the scope of consolidation.

However, operating profit decreased, despite the depreciation of the yen, robust polyacetal sales and other positive factors, due primarily to surges in raw material and fuel prices and transportation costs, along with lower sales of electronic materials and other offerings as well as growth in repair costs and R&D expenses.

In the face of downturns in methanol market prices, ordinary profit decreased despite an increase in equity in earnings of affiliates in light of such positive factors as the reversal of deferred tax liabilities at an overseas methanol producing company. This decrease was mainly attributable to a decline in equity in earnings of affiliates related to engineering plastics and the decrease in operating profit.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2021	FY2022	Change
Net sales	419.9	472.1	52.2
Operating profit	25.7	18.8	(6.9)
Ordinary profit	30.0	30.5	0.4

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 previous fiscal year.

Methanol and ammonia-based chemicals posted a decrease in earnings due mainly to deterioration in neopentyl glycol market prices and an increase in repair costs, 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 the lower sales volume of meta-xylenediamine, despite the higher sales volume of aromatic aldehydes.

Xylene separators and derivatives saw a decrease in earnings due 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)

	FY2021	FY2022	Change
Net sales	285.4	308.9	23.4
Operating profit	33.6	32.6	(0.9)
Ordinary profit	45.4	38.7	(6.6)

Inorganic chemicals posted a decrease in earnings despite progress in the upward revision of sales prices to align with rises in transportation costs and prices for raw materials and fuel, with sluggish semiconductor demand leading to the lower sales volume of chemicals for use in semiconductor manufacturing in some market regions.

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 a decrease in earnings amid stagnant demand for smartphones, a primary application of optical polymers, despite the disappearance of 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 stagnation in demand for highly functional materials for use in smartphones and memory devices.

Earnings from oxygen absorbers such as AGELESSTM declined due mainly to rises in raw material prices and transportation costs.

Outlook for FY2022

In the fiscal year ending March 31, 2024, the outlook for the world economy is expected to remain unclear due to the prolongation of Russia's invasion of Ukraine and the global surge in raw material and fuel prices. In addition, monetary tightening undertaken by financial authorities in the United States, EU members and other countries resulted in a looming sense of anxiety over possible financial turmoil, while U.S.-China tensions are now leading to growing geopolitical risks. The containment of the COVID-19 pandemic in countries around the globe, however, allowed room for positive expectations in light of the full resumption of economic activities in China and elsewhere.

Under these circumstances, the MGC Group anticipates that overall sales in the first half of the current fiscal year will remain stagnant due to the current sluggishness of consumption and capital expenditure. However, the Group expects that in the second half, demand for electronic material and other offerings will gradually recover, reflecting recovery in demand for products to be shipped to China as well as improvement in the status of supply chain inventories in the semiconductor sector.

For the fiscal year ending March 31, 2024, the final year of the current medium-term management plan, the Group will continue to take a proactive stance toward growth investment in “differentiating” businesses and other operations, with the aim of developing a business portfolio that is resilient against changes in the operating environment. At the same time, the Group will focus on accelerating R&D aimed at creating new businesses, strengthening its capabilities for the social implementation of carbon neutrality solutions, and other endeavors.

Taking these factors into account, the Group expects consolidated net sales for the fiscal year ending March 31, 2024 to surpass operating results for the fiscal year ended March 31, 2023. This projection is due in part to the expected inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation.

Similarly, operating profit is likely to exceed operating results for the fiscal year ended March 31, 2023, despite such negative factors as weaker demand for polyacetal, the ongoing harshness of the polycarbonate market in terms of profitability, and higher depreciation costs and R&D expenses, thanks mainly to recovery in the sales volume of electronic materials and expected decrease in repair costs.

On the other hand, ordinary profit is expected to fall short of year prior results, due to the absence of non-operating income recorded in the fiscal year ended March 31, 2023 through the reversal of deferred tax liabilities at an overseas methanol producing company. This projection is also based on the expected inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation in the fiscal year ending March 31, 2024, which will, in turn, decrease equity in earnings of affiliates. Despite this, net profit attributable to owners of parent is expected to surpass results for the fiscal year ended March 31, 2023 due primarily to the recording of gain on step acquisitions in connection with the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation.

Taking these factors into account, the Group's consolidated operating results forecasts for the fiscal year ending March 31, 2024, include net sales of ¥850.0 billion, operating profit of ¥54.0 billion, ordinary profit of ¥58.0 billion, and net profit attributable to owners of parent of ¥56.0 billion. The above forecasts assume exchange rates of ¥130=\$1 and ¥140=€1.

(End)