

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



November 8, 2023

Summary of Consolidated Financial Results for the Six Months Ended September 30, 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
 Inquiries: Satoshi Takizawa, General Manager, Investor Relations Department
 TEL: +81-3-3283-5041
 Scheduled date to file quarterly securities report: November 13, 2023
 Scheduled date to commence dividend payments: December 6, 2023
 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	399,652	1.2	22,103	(34.1)	24,947	(50.0)	31,235	(8.9)
September 30, 2022	394,909	17.6	33,524	11.6	49,928	28.8	34,269	21.6

Note: Comprehensive income Six months ended September 30, 2023 ¥58,240 million [(3.6)%]
 Six months ended September 30, 2022 ¥60,439 million [77.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	152.67	—
September 30, 2022	166.33	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	1,163,009	727,423	56.0
March 31, 2023	1,029,317	671,249	59.0

Reference: Equity
 As of September 30, 2023 ¥651,232 million
 As of March 31, 2023 ¥607,613 million

2. Dividends

	Annual dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	40.00	—	40.00	80.00
Fiscal year ending March 31, 2024	—	40.00			
Fiscal year ending March 31, 2024 (Forecast)			—	40.00	80.00

Note: Revisions to the forecast most recently announced: None

3. Consolidated business forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	840,000	7.5	46,000	(6.2)	49,000	(29.8)	47,000	(4.2)	232.56

Note: Revisions to the forecast most recently announced: None

*** 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: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common stock)

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

As of September 30, 2023	222,239,199
As of March 31, 2023	222,239,199

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

As of September 30, 2023	17,628,335
As of March 31, 2023	17,660,740

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

Six months ended September 30, 2023	204,591,758
Six months ended September 30, 2022	206,031,885

- * Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. A number of factors could cause actual results to differ materially from expectations.

(How to access supplementary material on quarterly financial results)

The supplementary material on quarterly financial results is disclosed on the same day as this quarterly financial results report, and it is made available on the Company's website.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	108,378	119,392
Notes and accounts receivable - trade, and contract assets	176,626	198,554
Securities	93	88
Merchandise and finished goods	89,367	126,395
Work in process	22,331	22,321
Raw materials and supplies	66,444	72,226
Other	20,775	26,799
Allowance for doubtful accounts	△767	△742
Total current assets	483,249	565,035
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	102,143	107,347
Machinery, equipment and vehicles, net	87,890	96,970
Other, net	123,733	147,153
Total property, plant and equipment	313,767	351,471
Intangible assets		
Goodwill	4,425	20,366
Other	7,555	8,448
Total intangible assets	11,980	28,815
Investments and other assets		
Investment securities	200,101	196,024
Other	22,141	23,724
Allowance for doubtful accounts	△1,922	△2,061
Total investments and other assets	220,320	217,687
Total non-current assets	546,068	597,973
Total assets	1,029,317	1,163,009

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,342	117,716
Short-term borrowings	47,913	67,133
Income taxes payable	5,274	6,439
Provisions	6,714	7,286
Other	72,197	90,006
Total current liabilities	220,442	288,582
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	74,680	77,700
Provisions	3,383	3,011
Retirement benefit liability	4,453	5,844
Asset retirement obligations	5,272	5,380
Other	29,835	35,066
Total non-current liabilities	137,625	147,003
Total liabilities	358,068	435,586
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,293	35,521
Retained earnings	521,426	544,478
Treasury shares	△23,838	△23,795
Total shareholders' equity	573,852	598,175
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,950	11,919
Deferred gains or losses on hedges	110	△10
Foreign currency translation adjustment	22,894	39,758
Remeasurements of defined benefit plans	1,805	1,389
Total accumulated other comprehensive income	33,760	53,057
Non-controlling interests	63,636	76,190
Total net assets	671,249	727,423
Total liabilities and net assets	1,029,317	1,163,009

2. Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	394,909	399,652
Cost of sales	301,734	313,231
Gross profit	93,174	86,421
Selling, general and administrative expenses	59,649	64,317
Operating profit	33,524	22,103
Non-operating income		
Interest income	320	1,192
Dividend income	1,967	2,466
Foreign exchange gains	4,927	2,520
Share of profit of entities accounted for using equity method	10,605	—
Other	1,411	1,263
Total non-operating income	19,231	7,443
Non-operating expenses		
Interest expenses	752	1,519
Personnel expenses for seconded employees	943	702
Share of loss of entities accounted for using equity method	—	1,016
Other	1,132	1,360
Total non-operating expenses	2,828	4,598
Ordinary profit	49,928	24,947
Extraordinary income		
Gain on step acquisitions	—	15,085
Gain on sale of investment securities	390	2,830
Subsidy income	—	377
Reversal of provision for business restructuring	—	105
Gain on recovery of money transfer scam at subsidiary	110	—
Total extraordinary income	500	18,399
Extraordinary losses		
Loss on disposal of non-current assets	149	307
Loss on tax purpose reduction entry of non- current assets	—	244
Provision of allowance for doubtful accounts	150	100
Provision for land maintenance expenses	273	—
Loss on valuation of shares of subsidiaries and associates	178	—
Impairment losses	108	—
Total extraordinary losses	860	651
Profit before income taxes	49,568	42,694
Income taxes	12,277	7,328
Profit	37,291	35,366
Profit attributable to non-controlling interests	3,021	4,131
Profit attributable to owners of parent	34,269	31,235

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	37,291	35,366
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,438	3,089
Deferred gains or losses on hedges	△62	△360
Foreign currency translation adjustment	13,591	13,660
Remeasurements of defined benefit plans, net of tax	△254	△280
Share of other comprehensive income of entities accounted for using equity method	11,313	6,765
Total other comprehensive income	23,148	22,873
Comprehensive income	60,439	58,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	54,032	50,518
Comprehensive income attributable to non-controlling interests	6,406	7,722

3. Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	49,568	42,694
Depreciation	16,127	18,373
Loss (gain) on disposal of non-current assets	370	830
Amortization of goodwill	201	969
Share of loss (profit) of entities accounted for using equity method	△10,605	1,016
Increase (decrease) in allowance for doubtful accounts	222	△30
Increase (decrease) in retirement benefit liability	△71	76
Interest and dividend income	△2,287	△3,659
Interest expenses	752	1,519
Loss (gain) on sale of short-term and long-term investment securities	△402	△2,830
Loss (gain) on valuation of short-term and long-term investment securities	2	43
Loss (gain) on step acquisitions	—	△15,085
Decrease (increase) in trade receivables	△1,576	25,392
Decrease (increase) in inventories	△13,849	△4,823
Increase (decrease) in trade payables	△6,970	△19,691
Increase (decrease) in accrued consumption taxes	△1,515	1,330
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△50	△106
Other, net	△14,455	△8,135
Subtotal	15,459	37,884
Interest and dividends received	2,479	3,641
Dividends received from entities accounted for using equity method	8,272	3,219
Interest paid	△664	△1,505
Income taxes paid	△12,197	△6,323
Proceeds from insurance income	6	14
Net cash provided by (used in) operating activities	13,355	36,929

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Purchase of non-current assets	△32,411	△37,614
Proceeds from sale of non-current assets	53	126
Purchase of investment securities	△462	△128
Proceeds from sale of investment securities	518	4,486
Loan advances	△1,526	△1,675
Proceeds from collection of loans receivable	102	29
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	11,894
Other, net	2,908	3,569
Net cash provided by (used in) investing activities	△30,817	△19,312
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△4,662	△15,180
Proceeds from long-term borrowings	29,360	6,390
Repayments of long-term borrowings	△3,646	△6,027
Purchase of treasury shares	△7,081	△2
Proceeds from sale of treasury shares	0	—
Dividends paid	△7,281	△8,183
Dividends paid to non-controlling interests	△1,358	△3,464
Other, net	△354	9,702
Net cash provided by (used in) financing activities	4,974	△16,765
Effect of exchange rate change on cash and cash equivalents	9,943	6,326
Net increase (decrease) in cash and cash equivalents	△2,543	7,178
Cash and cash equivalents at beginning of period	92,257	101,185
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2,041	—
Cash and cash equivalents at end of period	91,756	108,363

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2022/1H	FY2023/1H	Change
Net sales	394.9	399.6	4.7
Operating profit	33.5	22.1	(11.4)
Equity in earnings of affiliates	10.6	(1.0)	(11.6)
Ordinary profit	49.9	24.9	(24.9)
Profit attributable to owners of parent	34.2	31.2	3.0

During the first six months of the fiscal year ending March 31, 2024 (April 1, 2023 – September 30, 2023), the global economy was negatively affected by such factors as ongoing monetary tightening undertaken by financial authorities in the United States, Europe and other major countries, along with lingering economic stagnation in China. Reflecting this, the pace of global economic recovery has been slower than expected. With stagnation in overall economic activities leading to sluggish demand for goods, the economic environment thus remained harsh. Furthermore, in addition to the continuing situation in Ukraine, geopolitical volatility was exacerbated by the recent outbreak of tensions in the Middle East. These factors have, in turn, made it challenging to formulate the future economic outlook.

Against this backdrop, the MGC Group has embarked on the final year of its medium-term management plan launched in April 2021. In line with this plan, the Group has continued to pursue a shift to a profit structure resilient to changes in the business environment. To this end, the Group is striving to:

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

These efforts will help push ahead with business portfolio reforms.

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

On the other hand, operating profit decreased, despite the depreciation of the yen and other positive factors, due mainly to stagnant polyacetal market prices in contrast with robust market prices seen in the same period of the previous fiscal year, as well as an overall decline in sales volumes of aromatic chemicals, methanol and ammonia-based chemicals, electronic materials, and other offerings.

Ordinary profit declined, reflecting downturns in methanol market prices and a resulting decrease in equity in earnings of affiliates related to overseas methanol producing companies as well as lower operating profit. Other negative factors affecting ordinary profit included the absence of non-operating income recorded in the same period

of the previous fiscal year through the reversal of deferred tax liabilities at an overseas methanol producing company in Venezuela.

Moreover, profit attributable to owners of parent decreased due primarily to lower ordinary profit, despite the positive impact on profit arising from the recording of gain on step acquisitions in connection with the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation.

Operating results by segment are as described below.

Results by Business Segment

Basic Chemicals

(Billions of yen)

	FY2022/1H	FY2023/1H	Change
Net sales	233.0	205.6	(27.3)
Operating profit	14.4	9.4	(4.9)
Ordinary profit	20.8	7.4	(13.4)

The methanol business saw decreases in both net sales and earnings due to lower market prices compared with the same period of the previous fiscal year.

Methanol and ammonia-based chemicals posted decreases in both net sales and earnings, reflecting the lower sales volume of MMA products and downturns in market prices for ammonia and other offerings.

High-performance products posted decreases in both net sales and earnings, due mainly to lower sales volumes of meta-xylenediamine and aromatic aldehydes, which reflected economic slowdown in the United States and Europe and resulting stagnation in demand.

Xylene separators and derivatives saw decreases in both net sales and earnings due primarily to a decline in market prices for purified isophthalic acid (PIA).

However, foamed plastics posted increases in both revenues and earnings thanks mainly to sales growth in step with the upward revision of product prices and the success of cost reduction measures.

Specialty Chemicals

(Billions of yen)

	FY2022/1H	FY2023/1H	Change
Net sales	161.8	193.9	32.0
Operating profit	20.3	14.2	(6.1)
Ordinary profit	25.3	17.8	(7.4)

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

Engineering plastics saw an increase in net sales and a decrease in earnings. While the increase in sales was

attributable to the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation, earnings declined due mainly to downturns in polyacetal market prices.

Optical materials posted decreases in net sales and earnings as demand for smartphones, a primary application of optical polymers, remained below the level seen in the same period of the previous fiscal year despite a recent trend toward recovery on the back of the commencement of production of new models in the second quarter.

Electronic materials saw decreases in net sales and earnings, with demand for BT materials for IC plastic packaging, the core product category for electronic materials, staying below the level seen in the same period of the previous fiscal year, even though demand for smartphone-related materials and other offerings returned to a recovery track.

Oxygen absorbers such as AGELESSTM posted decreases in net sales and earnings on the back of a recoil from the temporary surge (due to stay-at-home demand) for products marketed in Japan for food applications, a decline in export sales, higher raw material prices and other factors.