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MEMBERSHIP

May 10, 2024

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (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, CSR & IR Division
TEL: +81-3-3283-5041
Scheduled date of ordinary general meeting of shareholders: June 25, 2024
Scheduled date to commence dividend payments: June 6, 2024
Scheduled date to file annual securities report: June 25, 2024

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

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	813,417	4.1	47,337	(3.5)	46,040	(34.0)	38,818	(20.9)
March 31, 2023	781,211	10.7	49,030	(11.4)	69,764	(5.9)	49,085	1.6

Note: Comprehensive income March 31, 2024 ¥87,753 million [25.8%]
March 31, 2023 ¥69,751 million [5.3%]

	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, 2024	190.97	–	6.1	4.4	5.8
March 31, 2023	239.08	–	8.3	7.1	6.3

Reference: Equity in earnings of entities accounted for using equity method
March 31, 2024 ¥(5,696) million
March 31, 2023 ¥17,546 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	1,068,010	684,832	61.6	3,284.96
March 31, 2023	1,029,317	671,249	59.0	2,970.07

Reference: Equity
As of March 31, 2024 ¥657,745 million
As of March 31, 2023 ¥607,613 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, 2024	73,473	(76,172)	(40,689)	65,397
March 31, 2023	55,222	(64,071)	7,996	101,185

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, 2023	–	40.00	–	40.00	80.00	15,464	33.5	2.8
Fiscal year ended March 31, 2024	–	40.00	–	40.00	80.00	16,367	41.9	2.6
Fiscal year ending March 31, 2025 (Forecast)	–	45.00	–	45.00	90.00		39.2	

3. Consolidated business forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2024 (cumulative)	370,000	(7.4)	26,000	17.6	30,000	20.3	21,000	(32.8)	104.88
Fiscal year ending March 31, 2025	780,000	(4.1)	52,000	9.8	59,000	28.1	46,000	18.5	229.74

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: 2 companies (Company names: JSP Corporation, JSP International Group Ltd.)

(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: None

(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, 2024	217,239,199
As of March 31, 2023	222,239,199

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

As of March 31, 2024	17,009,734
As of March 31, 2023	17,660,740

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

For the year ended March 31, 2024	203,277,084
For the year ended March 31, 2023	205,305,427

[Reference] Outline of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	400,848	(8.8)	15,645	(18.3)	37,561	(7.3)	31,730	(15.1)
March 31, 2023	439,525	2.7	19,144	(40.8)	40,528	(12.1)	37,371	4.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	156.09	–
March 31, 2023	182.03	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	609,326	343,671	56.4	1,716.39
March 31, 2023	584,435	331,922	56.8	1,622.47

Reference: Equity

As of March 31, 2024 ¥343,671 million

As of March 31, 2023 ¥331,922 million

2. Non-consolidated business forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024 (cumulative)	220,000	19.6	17,000	(31.1)	15,000	(39.9)	74.91
Fiscal year ending March 31, 2025	460,000	14.8	32,000	(14.8)	32,000	0.9	159.82

* 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.

(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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	108,378	71,447
Notes and accounts receivable - trade, and contract assets	176,626	165,648
Securities	93	—
Merchandise and finished goods	89,367	111,668
Work in process	22,331	19,769
Raw materials and supplies	66,444	69,092
Other	20,775	26,175
Allowance for doubtful accounts	△767	△651
Total current assets	483,249	463,148
Non-current assets		
Property, plant and equipment		
Buildings and structures	265,074	232,324
Accumulated depreciation	△162,931	△144,676
Buildings and structures, net	102,143	87,647
Machinery, equipment and vehicles	550,543	535,257
Accumulated depreciation	△462,653	△448,906
Machinery, equipment and vehicles, net	87,890	86,350
Land	43,843	34,023
Leased assets	6,603	5,148
Accumulated depreciation	△2,224	△1,731
Leased assets, net	4,379	3,417
Construction in progress	66,467	94,631
Other	57,618	52,715
Accumulated depreciation	△48,576	△44,161
Other, net	9,042	8,553
Total property, plant and equipment	313,767	314,624
Intangible assets		
Goodwill	4,425	16,868
Leased assets	34	54
Software	3,479	4,921
Other	4,041	3,026
Total intangible assets	11,980	24,871
Investments and other assets		
Investment securities	200,101	236,354
Long-term loans receivable	8,184	8,488
Deferred tax assets	3,863	3,180
Retirement benefit asset	1,387	11,005
Other	8,706	7,854
Allowance for doubtful accounts	△1,922	△1,518
Total investments and other assets	220,320	265,365
Total non-current assets	546,068	604,861
Total assets	1,029,317	1,068,010

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	88,342	109,013
Short-term borrowings	47,913	51,818
Accrued expenses	23,413	19,781
Lease liabilities	1,074	1,001
Income taxes payable	5,274	6,134
Provision for bonuses	6,220	5,116
Provision for bonuses for directors (and other officers)	32	27
Provision for business restructuring	421	683
Other provisions	40	94
Asset retirement obligations	39	—
Other	47,670	47,809
Total current liabilities	220,442	241,480
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	74,680	69,671
Lease liabilities	3,276	2,511
Deferred tax liabilities	12,514	16,334
Provision for retirement benefits for directors (and other officers)	279	340
Provision for environmental measures	23	23
Provision for business restructuring	2,499	1,875
Provision for loss on business of subsidiaries and associates	59	15
Other provisions	521	364
Retirement benefit liability	4,453	4,257
Asset retirement obligations	5,272	5,707
Other	14,044	10,593
Total non-current liabilities	137,625	141,696
Total liabilities	358,068	383,177
Net assets		
Shareholders' equity		
Share capital	41,970	41,970
Capital surplus	34,293	35,551
Retained earnings	521,426	536,232
Treasury shares	△23,838	△26,127
Total shareholders' equity	573,852	587,627
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,950	17,573
Deferred gains or losses on hedges	110	171
Foreign currency translation adjustment	22,894	40,143
Remeasurements of defined benefit plans	1,805	12,229
Total accumulated other comprehensive income	33,760	70,117
Non-controlling interests	63,636	27,087
Total net assets	671,249	684,832
Total liabilities and net assets	1,029,317	1,068,010

2. Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	781,211	813,417
Cost of sales	613,031	640,227
Gross profit	168,179	173,189
Selling, general and administrative expenses	119,149	125,852
Operating profit	49,030	47,337
Non-operating income		
Interest income	1,157	1,775
Dividend income	3,021	3,205
Share of profit of entities accounted for using equity method	17,546	—
Other	5,479	6,436
Total non-operating income	27,205	11,417
Non-operating expenses		
Interest expenses	1,745	2,564
Personnel expenses for seconded employees	1,852	1,405
Loss on disposal of non-current assets	858	1,165
Rental expenses	735	660
Share of loss of entities accounted for using equity method	—	5,696
Other	1,279	1,221
Total non-operating expenses	6,470	12,714
Ordinary profit	69,764	46,040

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Extraordinary income		
Gain on step acquisitions	—	※1 15,085
Gain on sale of investment securities	3,732	2,830
Insurance claim income	※2 151	※2 1,434
Subsidy income	—	※3 893
Gain on liquidation of subsidiaries and associates	—	325
Compensation income	※4 649	—
Gain on recovery of money transfer scam at subsidiary	※5 215	—
Reversal of provision for loss on business of subsidiaries and associates	128	—
Total extraordinary income	4,876	20,568
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	—	2,843
Impairment losses	※6 1,128	※6 1,488
Loss on tax purpose reduction entry of non-current assets	—	※7 704
Loss on disposal of non-current assets	※8 872	※8 307
Provision of allowance for doubtful accounts	※9 410	※9 200
Loss on disaster	—	※10 177
Provision for business restructuring	※11 870	—
Loss on valuation of shares of subsidiaries and associates	846	—
Expenses for land maintenance	275	—
Total extraordinary losses	4,402	5,722
Profit before income taxes	70,239	60,887
Income taxes - current	13,831	14,528
Income taxes - deferred	1,619	△456
Total income taxes	15,450	14,072
Profit	54,788	46,815
Profit attributable to non-controlling interests	5,703	7,996
Profit attributable to owners of parent	49,085	38,818

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	54,788	46,815
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,430	8,789
Deferred gains or losses on hedges	51	△84
Foreign currency translation adjustment	9,408	16,189
Remeasurements of defined benefit plans, net of tax	901	10,995
Share of other comprehensive income of entities accounted for using equity method	7,033	5,048
Total other comprehensive income	14,963	40,938
Comprehensive income	69,751	87,753
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	61,319	75,162
Comprehensive income attributable to non-controlling interests	8,432	12,591

3. Consolidated Statement of Changes in Net Assets

FY2022

(Millions of yen)

	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

FY2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	41,970	34,293	521,426	△23,838	573,852
Changes during period					
Dividends of surplus			△16,367		△16,367
Profit attributable to owners of parent			38,818		38,818
Purchase of treasury shares				△10,005	△10,005
Disposal of treasury shares		25		45	70
Cancellation of treasury shares		△7,670		7,670	—
Transfer from retained earnings to capital surplus		7,645	△7,645		—
Change in ownership interest of parent due to transactions with non-controlling interests		1,258			1,258
Net changes in items other than shareholders' equity					—
Total changes during period	—	1,258	14,805	△2,288	13,775
Balance at end of period	41,970	35,551	536,232	△26,127	587,627

	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	8,950	110	22,894	1,805	33,760	63,636	671,249
Changes during period							
Dividends of surplus							△16,367
Profit attributable to owners of parent							38,818
Purchase of treasury shares							△10,005
Disposal of treasury shares							70
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Change in ownership interest of parent due to transactions with non-controlling interests							1,258
Net changes in items other than shareholders' equity	8,622	61	17,249	10,423	36,356	△36,549	△192
Total changes during period	8,622	61	17,249	10,423	36,356	△36,549	13,582
Balance at end of period	17,573	171	40,143	12,229	70,117	27,087	684,832

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	70,239	60,887
Depreciation	33,565	36,304
Loss (gain) on disposal of non-current assets	1,653	1,254
Amortization of goodwill	405	1,929
Share of loss (profit) of entities accounted for using equity method	△17,546	5,696
Impairment losses	1,128	1,488
Insurance claim income	△163	△1,493
Loss (gain) on sale of shares of subsidiaries and associates	—	2,843
Increase (decrease) in allowance for doubtful accounts	531	172
Increase (decrease) in retirement benefit liability	△851	△407
Interest and dividend income	△4,179	△4,980
Interest expenses	1,745	2,564
Loss (gain) on sale of short-term and long-term investment securities	△3,980	△2,866
Loss (gain) on valuation of short-term and long-term investment securities	4	118
Loss (gain) on step acquisitions	—	△15,085
Decrease (increase) in trade receivables	2,412	16,865
Decrease (increase) in inventories	△19,711	△742
Increase (decrease) in trade payables	△6,868	△14,286
Increase (decrease) in accrued consumption taxes	△192	△772
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△2	△63
Provision for business structure improvement	870	—
Other, net	△1,101	△15,755
Subtotal	57,957	73,671
Interest and dividends received	4,361	4,986
Dividends received from entities accounted for using equity method	15,082	8,473
Interest paid	△1,654	△2,565
Income taxes paid	△20,686	△12,588
Proceeds from insurance income	163	1,496
Net cash provided by (used in) operating activities	55,222	73,473

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Purchase of non-current assets	△62,721	△80,815
Proceeds from sale of non-current assets	202	404
Purchase of investment securities	△1,795	△550
Proceeds from sale of investment securities	5,739	5,372
Loan advances	△2,354	△4,179
Proceeds from collection of loans receivable	469	296
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	11,894
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	△7,941
Other, net	△3,612	△653
Net cash provided by (used in) investing activities	△64,071	△76,172
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△7,062	△1,528
Proceeds from long-term borrowings	50,289	10,254
Repayments of long-term borrowings	△7,965	△23,234
Proceeds from issuance of bonds	—	9,952
Purchase of treasury shares	△7,083	△10,005
Proceeds from sale of treasury shares	0	0
Dividends paid	△15,464	△16,367
Dividends paid to non-controlling interests	△4,695	△7,023
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△2,195	—
Other, net	2,173	△2,736
Net cash provided by (used in) financing activities	7,996	△40,689
Effect of exchange rate change on cash and cash equivalents	7,737	7,601
Net increase (decrease) in cash and cash equivalents	6,885	△35,787
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	101,185	65,397

5. Segment Information

FY2022

(Millions of yen)

	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

FY2023

(Millions of yen)

	Basic Chemicals Business Sector	Specialty Chemicals Business Sector	Other	Reconciling items	Per consolidated financial statements
Sales					
Revenues from external customers	404,562	408,724	130	0	813,417
Transactions with other segments	8,316	492	12	△8,821	—
Net sales	412,878	409,217	142	△8,821	813,417
Ordinary profit (loss)	10,138	38,689	110	△2,898	46,040
Assets	451,530	590,343	28,259	△2,123	1,068,010
Other items					
Depreciation	17,364	16,886	18	2,034	36,304
Amortization of goodwill	343	1,413	—	—	1,757
Interest income	990	1,190	1	△406	1,775
Interest expenses	525	2,386	0	△348	2,564
Equity in earnings (losses) of affiliates	△8,487	2,782	—	7	△5,696
Investments in entities accounted for using equity method	133,831	42,330	—	△0	176,162
Increase in property, plant and equipment and intangible assets	37,026	41,930	1	2,794	81,753

Qualitative Information

Consolidated Business Results for This Period

Overview of Results

(Billions of yen)

	FY2022	FY2023	Change
Net sales	781.2	813.4	32.2
Operating profit	49.0	47.3	(1.6)
Equity in earnings of affiliates	17.5	(5.6)	(23.2)
Ordinary profit	69.7	46.0	(23.7)
Profit attributable to owners of parent	49.0	38.8	(10.2)

During the fiscal year ended March 31, 2024, the global economy was negatively affected by lingering economic stagnation in China. Reflecting this, the pace of global economic recovery has been slower than expected. In addition, prolonged inflation, the continuation of monetary tightening policies and other negative factors led to the deceleration of European and U.S. economies. 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 increasing tensions centered around the Middle Eastern region. Because of these factors, formulating the future economic outlook remains challenging.

The overall business environment for the MGC Group remained harsh, even though the Group's operating results were positively affected by the depreciation of the yen, ongoing recovery in sales of semiconductor-related products, such as electronic materials, and other factors. This harshness was primarily attributable to stagnant product prices as well as sluggish demand for basic chemicals due to the lingering stagnation of the Chinese economy and economic deceleration in Europe and elsewhere.

Against this backdrop, in the fiscal year ended March 31, 2024 the MGC Group concluded the final year of its medium-term management plan. In line with this plan, the Group has continued to pursue a basic policy of shifting to a profit structure resilient to changes in the business environment. To this end, the Group has striven to:

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

Through these efforts, the Group has pushed ahead with business portfolio reforms.

As a result, the Group's net sales increased. Although the exclusion of JSP Corporation from the scope of consolidation at the end of the third quarter of the fiscal year ended March 31, 2024 and downturns in methanol and ammonia market prices affected sales negatively, these factors were more than offset by positive effects arising from the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation in the first quarter, the depreciation of the yen, and other factors.

On the other hand, operating profit decreased, despite the depreciation of the yen, improvement in the profitability of polycarbonates, recovery in demand for electronic materials and other positive factors. The decrease

was due mainly to stagnant polyacetal market prices in contrast with robust market prices seen in the previous fiscal year, as well as lower sales volumes of meta-xylenediamine, aromatic aldehydes, and other offerings.

Ordinary profit declined, reflecting a decrease in equity in earnings of affiliates due to downturns in methanol market prices, impairment losses recorded at overseas methanol producing companies in the Republic of Trinidad and Tobago, and the absence of non-operating income recorded in 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	FY2023	Change
Net sales	472.1	404.5	(67.6)
Operating profit	18.8	17.7	(1.0)
Ordinary profit	30.5	10.1	(20.4)

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

Methanol and ammonia-based chemicals posted a decrease in net sales due mainly to downturns in market prices for ammonia and other offerings, but recorded an increase in earnings thanks to the successful structural reform of formalin-related operations and a resulting improvement in their profitability.

The energy resources and environmental business saw a decrease in net sales due mainly to the lower sales volume of LNG for power generation use, but posted earnings on par with the previous fiscal year due to the higher sales volume of iodine and rising market prices for this offering.

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 stagnant demand among overseas customers.

Xylene separators and derivatives saw decreases in both net sales and earnings due primarily to downturns in sales prices of purified isophthalic acid (PIA), phthalic anhydride and other offerings in general.

Specialty Chemicals

(Billions of yen)

	FY2022	FY2023	Change
Net sales	308.9	408.7	99.8
Operating profit	32.6	33.0	0.4
Ordinary profit	38.7	38.6	(0.0)

Inorganic chemicals posted increases in both net sales and earnings due mainly to the successful upward revision of sales prices of chemicals for use in semiconductor manufacturing in order to reflect 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. The inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation led to sales growth, while the profitability of polycarbonates improved due primarily to growing sales for high-value-added products. However, overall earnings declined due mainly to downturns in polyacetal market prices.

Optical materials posted increases in both sales and earnings, as demand for smartphones, a primary application of optical polymers, remained on an ongoing recovery track from the second quarter onward on the back of the commencement of production of new models in that quarter.

Electronic materials saw increases in net sales and earnings, due mainly to recovery in demand for smartphone- and PC-related BT materials for IC plastic packaging, the core product category for electronic materials.

Oxygen absorbers such as AGELESS^{TM} posted earnings on par with the previous fiscal year, with the depreciation of the yen and the resulting improvement of export prices offsetting such negative factors as a recoil from the temporary surge (due to stay-at-home demand) for products marketed in Japan for food applications and higher raw material prices.

Outlook for FY2024

In the fiscal year ending March 31, 2025, the world economy is expected to grow modestly as inflation begins to stabilize. However, formulating the economic outlook remains challenging due to increasing uncertainties, such as anxiety about the trajectory of the Chinese economy, shifts in monetary policies in major countries and growing risks arising from geopolitical division.

Against this backdrop, the Mitsubishi Gas Chemical (MGC) Group has identified new targets under "Grow UP 2026," a medium-term management plan which was freshly established. These targets are "Strengthening the resiliency of our business portfolio" and "Promoting sustainability management." The Group will push ahead with various measures to achieve them. With regard to developing an even more resilient business portfolio, the Group will execute such measures as "Focusing on Uniqueness & Presence,"*1 "Building new value through innovation" and "Restructuring businesses requiring intensive management." Thus, the Group will thoroughly implement business portfolio reforms that are directly aimed at improving capital efficiency.

*1 "Differentiating" businesses category has been renamed "Uniqueness & Presence (U&P) businesses," and redefined as businesses that excel from the perspectives of being "growing," "winning," and "sustainable" (= business potential, economic value, and social value), with the potential to grow sustainably while delivering both social and economic value.

As for net sales forecasts for the fiscal year ending March 31, 2025, the Group anticipates that sales will fall short of those recorded in the fiscal year ended March 31, 2024 due mainly to the exclusion of JSP Corporation (JSP) from the scope of consolidation, despite expected recovery in demand for MGC products overall.

However, operating profit is likely to increase year on year due primarily to expected growth in the sales volume of semiconductor-related products, such as electronic materials and inorganic chemicals, despite the negative impact of the exclusion of JSP from the scope of consolidation and a projection that repair, R&D and other fixed costs will increase.

Ordinary profit is similarly expected to grow year on year due mainly to higher methanol market prices that will positively affect operating results of overseas methanol producing companies, as well as the absence of impairment losses recorded in the fiscal year ended March 31, 2024, which will, in turn, cause equity in earnings of affiliates to improve.

Profit attributable to owners of the parent is expected to increase year on year due mainly to higher ordinary profit, despite the absence of gain on step acquisitions in connection with the inclusion of Mitsubishi Engineering-Plastics Corporation into the scope of consolidation in the fiscal year ended March 31, 2024.

Taking these factors into account, the Group's consolidated operating results forecasts for the fiscal year ending March 31, 2025, include net sales of ¥780.0 billion, operating profit of ¥52.0 billion, ordinary profit of ¥59.0 billion, and profit attributable to owners of the parent of ¥46.0 billion.

The above forecasts assume exchange rates of ¥145=$1 and ¥155=€1.

(End)